LETTER OF THE CHAIRMAN AND CEO TO SHAREHOLDERS

Dear Shareholders

At the previous General Shareholder's Meeting, I communicated the Board of Directors' intent to make the ČSOB group the best regional group providing diversified financial services. ČSOB also strived to achieve an extremely ambitious strategic shift - to diversify its transactions more distinctly among four main client segments: Corporate banking, Financial markets and Financial institutions, SMEs and the Retail market.

After the Bank's successful privatisation in 1999, resulting in Belgian KBC's acquisition of a controlling interest in ČSOB, another significant milestone was achieved in 2000: the acquisition of Investiční a Poštovní banka, a.s. business. This transaction significantly strengthened ČSOB's market position and enabled the Bank to make a "strategic jump" in the Retail segment, which was the key strategic priority even before privatisation.

The acquisition of the Investiční a Poštovní banka, a.s. is an important event, not only for the Bank. It was a substantial moment impacting both Czech and Central-European banking giving rise to a new regional champion - ČSOB. No other financial institution could have taken the immediate steps needed to stabilise IPB at the moment of its rapidly deteriorating liquidity and solvency than ČSOB. It confirms the strength of this Bank, the quality of its management and, as I mentioned last year, the quality of ČSOB's human capital which is unquestionably the largest asset of the Bank and its clear competitive advantage. ČSOB's success in executing the IPB acquisition has brought significant value to the Czech Republic by:

- preventing a systemic banking crisis in the Czech Republic
- averting a full bailout of IPB that would certainly have caused a higher financial burden for the Czech Republic, due to a significant decrease in GDP and higher unemployment that would have resulted; thus, saving taxpayers' expense; and
- reinforcing the reputation of the Czech Republic in the international community as a safe place to do business

The IPB acquisition to rescue the banking system and IPB's clients was not only beneficial for the Czech economy, it increased ČSOB's value:

- IPB was absorbed into ČSOB using its surplus capital which increased shareholder value as evidenced by the sharp increase in the Group's Return on Average Equity from 9.6% in 1999 to 14.3% in 2000. It should increase even further in 2001 with a full year's results from the former-IPB operations

The acquisition of IPB's business and the merger of both banks is progressing according to plan thanks to KBC's experience with its own merger and the expertise it has provided ČSOB. The result of merging with ex-IPB should result in cost savings that will add even more shareholder value.

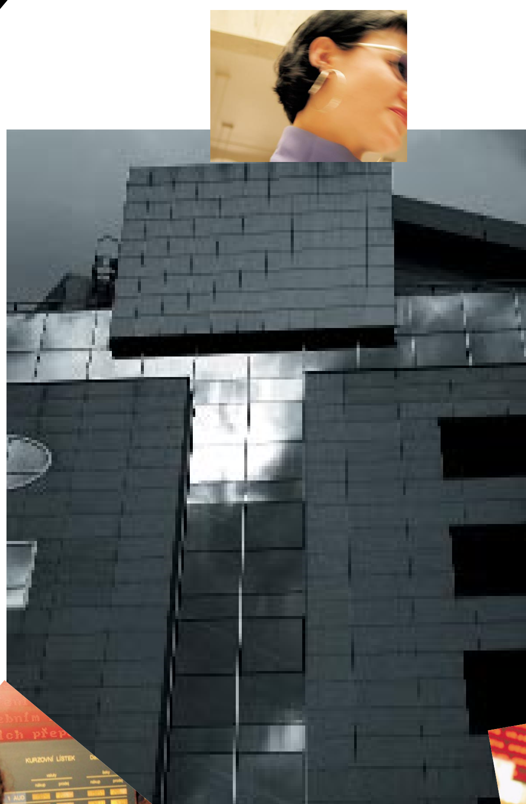
The perfect strategic fit of the ex-IPB operations has made ČSOB a well-balanced and diversified financial institution that should produce significant, consistent and high-quality earnings in the future.

A milestone of the integration was the launch of the newly combined group under the new KBC-based brand, which officially brought together the two entities under the KBC global platform and introduces ČSOB as a major financial institution powerhouse in Central Europe.

Bancassurance represents a part of the Bank's strategy. At ČSOB, Bancassurance is now in its infancy and is expected to be an important challenge. KBC as a global provider of banking and insurance services has developed for its Central European companies a successful Bankassurance operating model, which is now being implemented at ČSOB. I believe that Bancassurance will provide excellent returns as it will be supported by the large distribution network and huge client base of ČSOB.

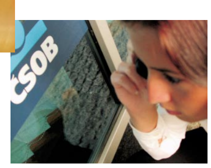
Please allow me to summarize: I have never had so much optimism with respect to the future of ČSOB, its shareholders, clients and employees as I do today.

Pavel Kavánek
Chairman of the Board
of Directors and CEO



PROFILE OF THE COMPANY

ČSOB is the strongest, most stable and most powerful bank in the Czech Republic. After its successful privatization in 1999 and the acquisition of IPB assets and liabilities in 2000 it is developing its services in order to satisfy both the existing and future needs of its clients.



ČSOB HISTORY

ČSOB is the strongest, most stable and most powerful bank in the Czech Republic. After its successful privatization in 1999 and the acquisition of Investiční a Poštovní banka, a.s. (IPB) assets and liabilities in 2000 it is developing its services in order to satisfy both the existing and future needs of its clients.

ČSOB was established in 1964 by the State Bank of Czechoslovakia (SBČS) which became the main shareholder. Before 1989 it was the sole bank in Czechoslovakia specialized in services in the field of international banking. After 1990 it became a universal bank providing services to all clients in the scope approved by the SBČS. A key landmark in the history of the bank was 1999. The majority shareholder sold a significant share in ČSOB to KBC Bank of Belgium, which is a member of the strong KBC Bank and Insurance Holding Financial Group. The minority government share was acquired by the EBRD and the IFC. The Bank and the majority shareholder defined a common strategy which is to focus more on business activities in retail banking and insurance. Via KBC Bank ČSOB was provided with both know-how in serving the corporate sphere and the opportunity to accompany its clients to world markets. No less important in ČSOB history was 2000. In June 2000, the third largest bank in the Czech Republic (in terms of assets), Investiční a Poštovní banka, a.s. (IPB) was put under forced administration. All IPB's business including its assets and liabilities were sold to ČSOB in the same month thus making it the largest bank in the country in terms of assets, which exceeded CZK 500 billion. With this transaction ČSOB acquired the largest sales network in the Czech Republic and know-how in business activities focused on retail.

In regard to the significance of the above-mentioned transaction of both legal entities we would like to give a history of the company whose balance sheet items were to a large extent acquired by ČSOB.

Investiční a Poštovní banka, a.s., whose successor has been **IP banka, a.s.,** since September 27, 2000, was among the oldest Czech banks. Its roots go back to 1865 when it was established under the name of Mortgage Bank of the Czech Kingdom. Only 55 years later it was renamed Investiční banka. In 1959, most of its activities were taken over by the State Bank of Czechoslovakia in order to separate Investiční banka for securities transactions.

In January 1990, Investiční banka was fully revived as a state financial institution in the scope of a full-service bank. Within the preparation of the privatization the bank was transformed into the legal status of a joint-stock company. After the acquisition of Poštovní banka, a.s a new legal entity, Investiční a Poštovní banka, a.s. (IPB) was established. In March 1998, a contract for the sale of the government share between the National Property Fund and Nomura Europe plc was concluded. In June 2000, the Czech National Bank put IPB under conservatorship. On June 19, 2000, with the approval of the Ministry of Finance and the Czech National Bank, the forced administrator sold the business, including the assets and liabilities of IPB to ČSOB. In September 2000 through his decision in powers of an ordinary general shareholders' meeting the forced administrator renamed the remaining entity IP banka, a.s.

Focused mainly on retail banking, IPB maintained more than 3.5 million accounts and served some 3 million clients. Its products and services were provided in the network of 180 branches and agencies and via more than 3,300 commercial outlets of Česká pošta, s.p.

BREAKDOWN OF ČSOB'S SHAREHOLDERS

As of December 31, 2000

Shareholder	% share	CZK 000
Foreign		
KBC Bank	70.44	3,595,788
EBRD	7.47	381,365
KB ABB CERA	5.55	283,445
KBC Verzekeringen	5.55	283,445
IFC	4.39	224,000
Other foreign shareholders	1.47	75,109
Total foreign shareholders	94.87	4,843,152
Czech Republic	5.13	261,848
Total CR	5.13	261,848
Total	**100.00**	**5,105,000**

CONSOLIDATED FIVE YEAR FINANCIAL SUMMARY

(according to International Accounting Standards)	*2000*	*1999*	*1998*	*1997*	*1996*
Results for the year (CZKm)					
Profit before taxation	6,465	4,566	4,935	4,949	3,434
Income tax expense	1,696	1,683	1,726	2,095	586
Profit for the year	4,691	2,823	3,159	2,798	2,845
At year-end (CZKm)					
Shareholders' equity	34,336	31,478	27,501	24,670	21,853
Amounts owed to customers	348,819	126,498	113,328	115,639	90,632
Amounts owed to banks	37,519	45,363	67,255	61,708	59,331
Debt securities in issue	66,213	38,750	22,329	15,353	15,535
Loans and advances to customers	148,926	97,046	116,505	112,171	85,325
Loans and advances to banks	110,394	115,257	83,883	62,199	49,391
Assets	535,707	257,698	251,166	237,451	209,189
Ratios (%)					
Return on average shareholders' equity (ROAE)	14.26	9.57	12.11	12.03	13.92
Return on average total assets (ROAA)	1.18	1.11	1.29	1.25	1.41
Bank capital adequacy ratio - CNB regulations[1)2)]	13.70	20.24	18.16	13.33	12.21
Total shareholders' equity to total assets[1)]	6.41	12.22	10.95	10.39	10.45
Exchange rate CZK / USD[1)]	37.81	35.98	29.86	34.64	27.33
Average exchange rate CZK / USD	38.59	34.60	32.27	31.71	27.14

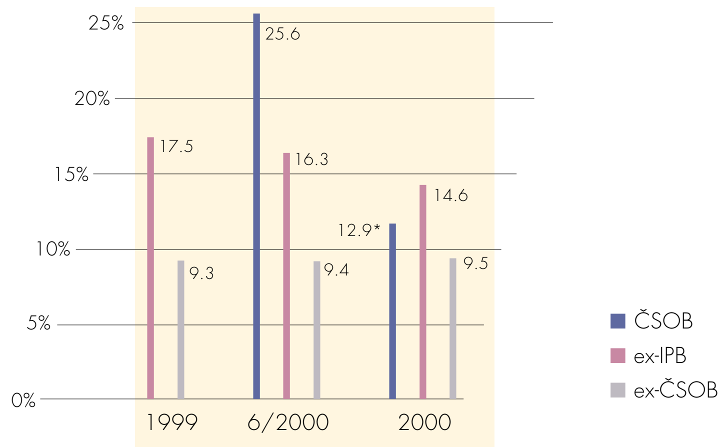
1) as at 31 December
2) as reported

All data has been restated according to the methodology as at 31 December 2000.
For comparability with assets in 2000 and 1999, total assets in 1998, 1997 and 1996 respectively were adjusted by the negative goodwill value which had been excluded from liabilities and included in assets.

ČSOB (number)	*2000*	*1999*
Employees	9,239	4,707
Branches	266	71
Clients	3,388,769	361,829

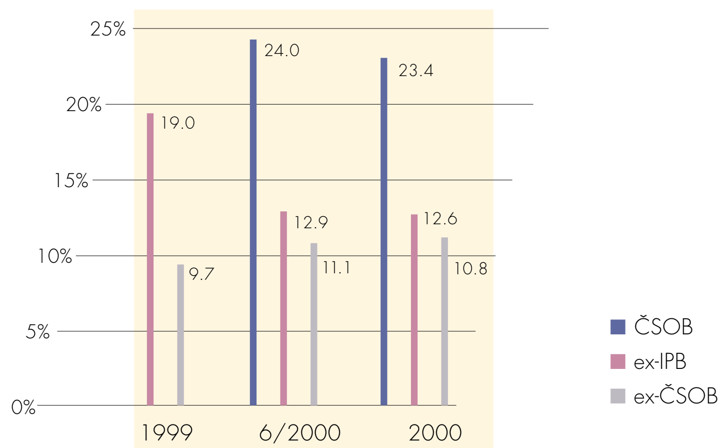
ČSOB'S MARKET SHARE IN DEPOSITS AND LOANS IN THE CR

Market Share in Net Loans



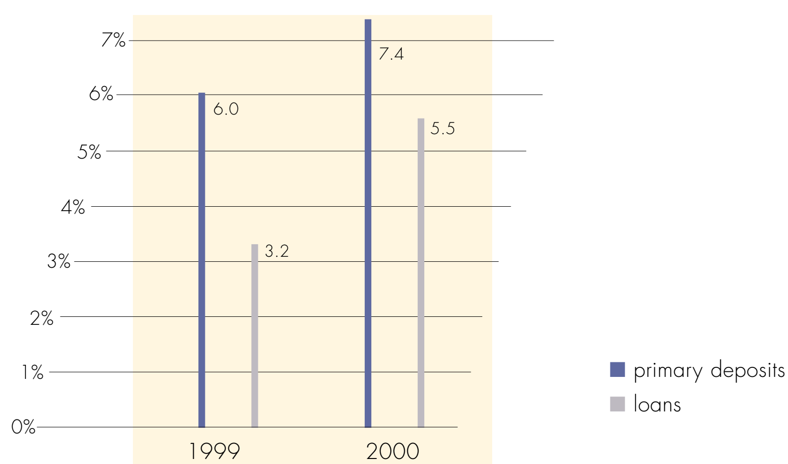
* including those IPB loans which ČSOB wants to maintain in its portfolio

Market Share in Primary Deposits



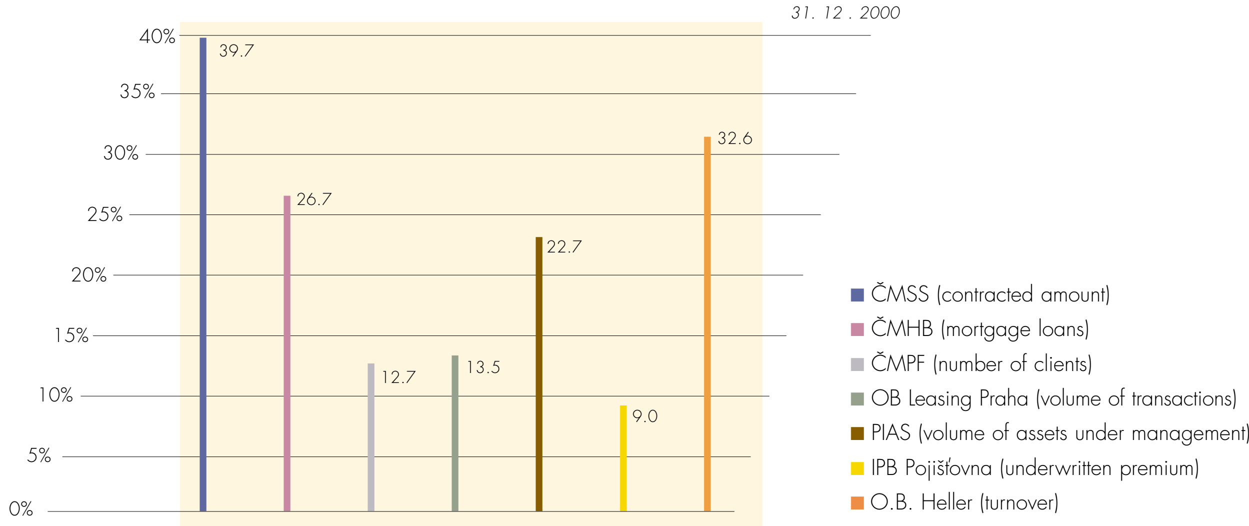
ČSOB'S MARKET SHARE IN DEPOSITS AND LOANS IN THE SR

Market Share in Deposits and Loans



MARKET SHARE OF SUBSIDIARIES

Market Share of Selected Subsidiaries on Relevant Market



MARKET SHARE OF KBC BANK'S SELECTED INDICATORS ON THE BELGIAN MARKET

in %	*1999*	*2000*
Assets	19.77	22.58
Loans	20.75	21.36
Deposits	22.36	20.96

RATING

ČSOB Rating

	Long-term	Short-term
Moody's	Baa1	Prime-2
Standard & Poor's	BBB–	A-3
Fitch	BBB+	F2

KBC Bank Rating

	Long-term	Short-term
Moody's	Aa3	Prime-1
Standard & Poor's	A+	A-1
Fitch	AA–	F1+

GOVERNING BODIES

MEMBERS OF THE BOARD OF DIRECTORS

Pavel Kavánek (born on December 8, 1948)

Chairman of the Board of Directors and CEO

Education: Prague School of Economics and The Pew Economic Freedom Fellowship at Georgetown University. He has been working in ČSOB since 1972. He has been a member of the Board of Directors since 1991 and its Chairman and CEO since 1993.

Josef Tauber (born on January 27, 1947)

Vice-Chairman of the Board of Directors and Senior Executive Officer

Education: Prague School of Economics. He has been employed in ČSOB since 1973. From 1986 he headed representation of ČSOB in Frankfurt, thereafter he became a member of the Board of Directors of Prager Handelsbank. Since 1993 he has been Vice-Chairman of the Board of Directors and Senior Executive Officer.

With effect from January 31, 2001 Mr. Josef Tauber resigned from the Vice-Chairmanship of the Board of Directors. He was replaced by Luc Seynaeve.

Luc Seynaeve (born on September 29, 1948)

Member of the Board of Directors and Senior Executive Officer

Education: Louvain University. He has been employed in KBC Bank since 1971, particularly in the commercial and lending fields, both domestic and international. Since September 2000 he has been Senior Executive Officer and in February, replaced Mr. Tauber.

Vladimír Staňura (born on March 18, 1955)

Member of the Board of Directors and Senior Executive Officer

Education: Prague School of Economics, Erasmus University, Rotterdam School of Management. He has been employed in ČSOB since 1978. From 1983 he was adviser and Deputy Director at MBHS in Moscow for 5 years but did not interrupt his employment at ČSOB. In 1990 he was appointed member of the Board of Directors and Senior Executive Officer.

Petr Knapp (born on May 7, 1956)

Member of the Board of Directors and Senior Executive Officer

Education: Prague School of Economics. He came to ČSOB in 1979. Since 1984, he worked in Teplotechna Praha, first as Deputy Director and later as Director of Foreign Operations. In November 1991 he came back to ČSOB and was appointed Director of Large Enterprises Finance Section and then Director of the Credits Section. Since May 1996, he has been a member of the Board of Directors and Senior Executive Officer.

Jan Lamser (born on December 8, 1966)

Member of the Board of Directors and Senior Executive Officer

Education: Mathematics-Physics Faculty of Charles University, Prague School of Economics and Ecole des Hautes Etudes Commerciales in Paris. He has been employed in ČSOB since 1995 and has been a member of the Board of Directors since 1997. In 1998 he was appointed Director of the Strategic Development Section and in 1999 Director of the Planning and Controlling.

Ladislav Unčovský (born on April 15, 1965)

Member of the Board of Directors and Senior Executive Officer

Education: Prague School of Economics and Universite D'Aix in Marseille. He has been working in ČSOB since 1997. He has been a member of the Board of Directors and Senior Executive Officer since June 1998.

Carl Rossey (born on May 16, 1961)

Member of the Board of Directors and Senior Executive Officer

Education: State University in Gent, Belgium. He has been in KBC Bank since June 1995 as an organisational advisor, Director of the Organisation Section and later Senior Executive Officer of the Organisation Division. Since August 1999 he has been a member of the Board of Directors and Senior Executive Officer.

MEMBERS OF THE SUPERVISORY BOARD

Remi Vermeiren

Chairman

KBC Bank, President

Herman Agneessens

Vice-Chairman

KBC Bank, Managing Director

Members

William Duron

KBC Bank, Managing Director

Frans Florquin

KBC Bank, Managing Director

Farida Khambata

IFC, Director

Gavin Anderson

EBRD, Director

Roman Glasberger

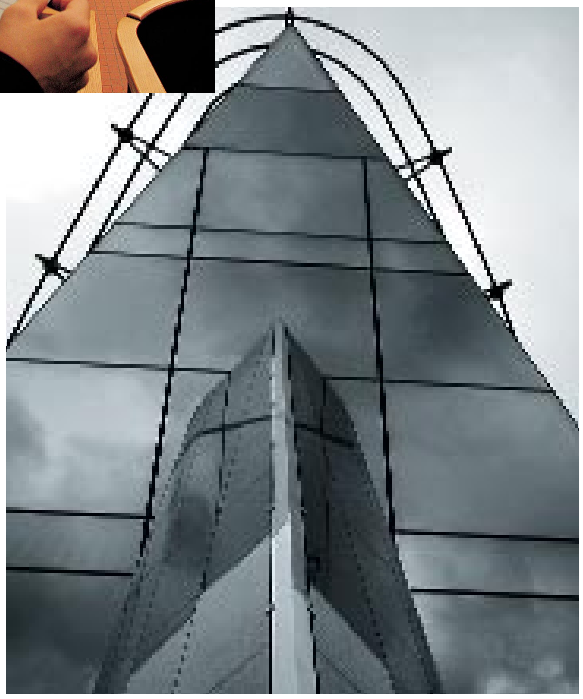
ČSOB, Deputy Director of the SME in Prague 2 region

Petr Korous

ČSOB, Director of FM Sales

Kateřina Součková

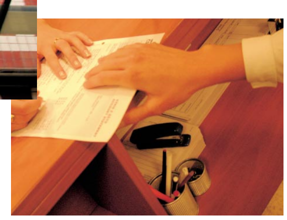
ČSOB, Liberec Branch, Head of the Payment Operations



Following ČSOB's successful privatisation by way of the sale of a controlling stake to Belgian KBC Bank NV in 1999, 2000 witnessed another milestone

BOARD OF DIRECTORS' REPORT

in the Bank's history: the acquisition of operations of Investiční a Poštovní banka (IPB). The transaction boosted ČSOB's market position, particularly in the retail segment.



I. EXECUTIVE SUMMARY

IPB acquisition

Following ČSOB's successful privatisation by way of the sale of a controlling stake to Belgian KBC Bank NV in 1999, 2000 witnessed another milestone in the Bank's history: the acquisition of operations of Investiční a Poštovní banka (IPB). The transaction boosted ČSOB's market position, particularly in the retail segment. Its share in the country's primary deposit market rose from 9.7% to 23.4% and the number of its customers from 400,000 to about 3.4 million. Thanks to the acquisition, ČSOB has the largest diversified distribution network in the Czech Republic. The acquisition of IPB effectively allowed ČSOB to leapfrog the development of its retail banking activities which had been identified as a key strategic priority in the wake of its privatisation. All IPB business activites including subsidiares were transferred to ČSOB. The entire IPB transaction process will be finalised during the year 2001 by signing a restructuring plan with Konsolidační banka and the Czech Ministry of Finance. This will include split of all IPB assets, liabilities and business activites into those which ČSOB will keep and those which will be transferred to the state.

Strategic shift

ČSOB was traditionally a corporate-and market-driven financial institution, however, the limited expansion potential in corporate lending and financial markets since the mid-1990s resulted in a strategic move towards the under-explored markets of banking for retail and SME clients, including the cross-selling of insurance and other non-banking financial products.

In 2000, ČSOB achieved the most ambitious strategic shift ever seen in the financial services industry in the Central & Eastern European region. ČSOB became:

- the leading bank and diversified financial services group in the CEE region
- one of the major retail operations in the Czech Republic
- provider of complete portfolio of financial services

This strategic shift is due to both the takeover of IPB (and consequent merger) and the prior-to-takeover intended internal growth.

ČSOB in 2000

- still corporate-and market-driven bank
- forth market player in the Czech Republic
- medium - sized retail operation (300,000 clients)
- embryonic bancassurance and other financial services (insurance, pension fund, building society)

Internal growth and acquisition of IPB

ČSOB in 2001

- leading bank and financial services group in the CEE region
- doubled its income stream for the same capital base: optimization of the capital allocation
- evenly distributed income streams from 3 major segments (retail, SME, corporate)
- leading market positions in non-banking financial services:
  3rd insurance company
  1st building society
  1st mortgage operation
  one of leading pension funds
  2nd leasing company
  1st factoring company

Our market position

ČSOB's market position in terms of assets, deposits and number of clients rates ČSOB as the first or second largest bank in the Czech Republic. Today, ČSOB has the first or second largest franchise in all of its key segments in Czech Republic: retail (2nd bank), SMEs (2nd bank), corporate (2nd bank), FI (1st bank).

- the IT and regional integration has clear direction and already started
- the headcount is partly already rightsized

Major challenges

Strategic decision to diversify the bank's activities has been fully achieved and there is only little room for further extensive growth.

as at 31 Dec 2000

	Total assets in the CR CZKbn (CAS)	Market share (%) Client deposits	Loans (net)	Assets	Branch network	Number of clients (millions)	Number of employees
ČSOB	524	23.4	12.9[c]	19.5	240 CR[b] 26 SR	3.4	9,200[a]
ČS	451	23.9	11.3	16.7	707	3.9	14,100
KB	477	20.9	14.1	17.7	334	1.3	10,700

(a) a futher reduction in the number of employees is planned in order to achieve 8,000 by the end of the year including employees in the SR
(b) plus additional 3,336 points of sale at the counters of Česká pošta
(c) including IPB assets which ČSOB intends to keep

ČSOB's franchise is firmly anchored today:

- the Bank's operations are more than double compared with early 2000 (by all measures)
- the profit stream is evenly distributed between the 3 main customer segments (Retail + Postal Savings Bank's (PSB's) mass market, SMEs and Corporate) by 1/3 each
- also in other financial products (insurance, building society, pension fund, leasing), the Bank's subsidiaries are major players in the Czech Republic
- ČSOB continued to strengthen its Retail and SME positions in Slovakia through internal growth programmes

In addition, the merger process of ČSOB and IPB passed the critical stage by the end of 2000:

- the full management team has been in place since September 2000
- the new organizational structure was implemented within 6 months of the merger (before end of 2000), with clear segment /channels/ product definition
- the engine of the merger process is in place and running

The major challenges are now set distinctively from the pre-takeover strategy, as follows:

- enrichment of the product portfolio in each of the main customer segments, more customer-friendly products and services
- more aggressive marketing and sales approach
- enhancement of retail credit policies
- rationalisation and efficiency of the business processes
- full achievement of the merger tasks (IT, merger in the regions)
- promotion of the new brand (logo) and identity

Business activities

The Retail segment, including Postal Savings Bank, expects to:

- continue to grow its franchise (+8% in retail and 7% in PSB in terms of clients)
- adopt a more customer-friendly approach (by subsegments)
- enhance its product portfolio by modern, e-driven products

- grow aggressively in the lending to individuals (mortgages, consumer loans, credit cards) and keep the pace with the market in deposit growth (approximately +10%)
- move customers towards less cost-intensive products and processes (from branches to cards, Internet, call center)

The SME segment expects to:

- launch and optimise a SME- specific product porfolio
- offer e-banking products
- cooperate with public bodies promoting SMEs and apply a specific approach towards municipalities

The Corporate banking segment expects to:

- enhance deposit structure
- focus on sophisticated products (trade & structured finance) and fees generated by cross-selling
- maintain a conservative risk profile

In addition, further investment and growth is planned for ČSOB's Slovak operation with more extensive branch coverage that should result in approximately 20% customer growth in the most promising Retail and SME segments.

Merger, processes and support services

The merger process is expected to continue to burden heavily the bank's operating costs (2.3%). Merger-related investments will represent approximately 30% of bank's CAPEX for 2001.

Nevertheless, these costs will soon be offset by increased efficiency and more rational processes, mainly driven by:

- planned lower headcount (by 25% compared to headcount on 19 June 2000)
- e-driven channels and products, with total e-banking investments nearly CZK 200m planned for 2001
- major IT investments over CZK 800m

II. 2000 PROFIT AND LOSS STATEMENT AND BALANCE SHEET

Despite the fact that a significant part of management's capacity was focused on integrating IPB in the second half of the year, ČSOB achieved very good results in 2000.

Profit and Loss Statement

Profit for the year was CZK 4.7bn, a 66% increase on the previous year. The main drivers contributing to the year-end result were acquisition of IPB, net release of provisions, operating costs under control and loss from trading with foreign fixed income instruments.

Net interest income increased by CZK 4.1bn (59%). The increase is mainly due to the impact of increased customer deposits during 2000 (from the IPB acquisition and the success of the retail expansion programme initiated in 1999 and suspended after the merger).

Net commission income increased by 152%, mainly as a result of the CZK 2.0bn contribution from ex-IPB.

The increase was attributable to growth in fees for account maintenance (number of clients has increased significantly following the merger with IPB), securities operations (sales of new funds) and payments (due to a higher level of activity). The trend of decreasing documentary transaction fees (guarantees, letters of credit and documentary collections) continued in 2000 due to competition and clients selecting clean payments, rather than documentary payments.

Net profit on financial operations decreased by CZK 1,737m (71%), mainly due to the losses resulting from unauthorised short forward derivatives positions in foreign government bonds. The after tax effect of this unauthorised trading loss is CZK 1,686m.

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Operating expenses increased by CZK 5.7bn (91%) to CZK 12.0bn due to the merger with IPB. Although the Bank succeeded in keeping operating expenses under control, the cost savings due to merger synergies will not be fully visible until later in 2001 due to the timing of headcount reductions, one-off costs relating to merger and integration activities, and IT migration programmes.

Group cost : income ratio increased from 53.0% to 66.1% mainly due to the merger, integration and transaction costs related to the IPB acquisition. The target cost:income ratio of 55% is expected to be achieved when the merger synergies are fully realised.

Credit loss provisions are in credit balance for 2000 due to the release of CZK 850m on VSŽ Košice credit exposures following an agreement to restructure its credit facility in view of the acquisition by US Steel.

Balance Sheet

At the end of 2000, consolidated assets totalled CZK 535.7bn, which represents an increase of 108% over 1999. The increase was primarily due to the addition of CZK 264.0bn of assets from ex-IPB.

Cash and balances with central banks increased by CZK 8.5bn (81%).

Treasury bills increased by CZK 9.3bn (107%), mainly due to purchases based on the relatively higher yields over other low-risk financial instruments.

Loans and advances to banks decreased by CZK 4.9bn (4%) mainly due to the funding requirement for the merger with ex-IPB.

Net loans and advances to customers, increased by CZK 51.9bn (53%), mainly from the addition of CZK 45.2bn from ex-IPB.

Debt securities increased by CZK 23bn (231%) due to the acquisition of IPB (CZK 9.8bn) and a net increase in the ex-ČSOB investment portfolio of Czech Republic Government Bonds (CZK 5.3bn) and Slovak Republic Bonds (CZK 3.5bn).

State-assisted acquisition receivable represents compensation to ČSOB for the unwanted IPB assets and state-assistance to cover the IPB net assets shortfall as at 18 June 2000.

Goodwill of CZK 692m includes CZK 1bn relating to the acquisition of IPB, CZK 4m from other acquisitions, less CZK 312m in negative goodwill arising on the consolidation of Finop Holding, a.s. Goodwill arising on acquisition of IPB net assets of CZK 1,059m (less amortization of CZK 59m during the year) includes cost of acquisition of CZK 1,203m less fair value of IPB net assets of CZK 144m.

Amounts owed to banks decreased by CZK 7.8bn (17%) due to the early repayment of expensive borrowing facilities.

Amounts owed to customers increased by CZK 222.3bn (176%) due to the acquisition of IPB and the success of a retail expansion programme prior to the merger with IPB and the attraction of funds from other Czech banks, mainly IPB, in the 1st half of the year.

In addition, ČSOB fully drew down its line of credit with the Slovak Ministry of Finance (SKK 10.3bn) during the year.

Debt securities in issue increased by CZK 27.5bn (71%) due to the assumption of issued debt from IPB and an increase in the volume of promissory notes. This is partially offset by the repayment of the CZK 6bn ČSOB bond issue in June 2000.

Other provisions increased by CZK 13,213m mainly due to the assumption of losses arising from litigation, loan purchase commitments and onerous rent contracts.

Return on average equity increased from 9.6% to 14.3% due to IPB's profits and the sufficient existing capital to absorb the IPB acquisition.

Capital adequacy ratio (CNB-based unconsolidated) fell from 20.2% to 13.7% mainly because of the recognised credit and market risks associated with the IPB exposures ČSOB will keep in its portfolio. Regulatory capital is comprised entirely from Tier 1 capital.

III. SEGMENTS AND PRODUCTS

During 2000, ČSOB further intensified its segment-oriented approach to customer service focusing on four main customer segments: corporates, small- and medium-sized enterprises, retail (individuals and microcompanies) and financial institutions. The retail segment is sub-segmented into two main operations, mass-affluent retail run directly by the Bank and mass-market retail run by Postal Savings Bank in the Czech Republic. The Bank takes a specific approach to these segments, in order to satisfy their needs, and adapts both its product offer and service distribution channels accordingly.

Retail segment

During 2000, the Retail segment (excluding the Postal Savings Bank):

- continued its expansion as organic growth of former ČSOB
- gained a new market position - the second largest retail operation in the Czech Republic - because of the takeover of IPB
- launched a new product package "Konto Kompakt" in both areas of operation
- targeted young clientele through the newly offered Student and Junior Programmes
- pro-actively distributed 120 KBC and ČSOB mutual and investment funds
- strengthened its Retail Branch network by 8 new branches in CR and similarly in SR
- re-organised all retail distribution in the Czech Republic into14 retail regions and 232 points of sale
- launched E-banking facilities in July 2000 in the Czech Republic and in January 2001 in the Slovak Republic (call center)
- became the second largest payment card issuer with a market share of 30%

Postal Savings Bank (PSB)

During 2000, the PSB (Retail sub-segment):

- serviced, through its 9 branches and 3,340 Czech Post Office outlets, its 2.5 million customers
- increased the number of users of Postgiro accounts to 840,000 while the numbers of hybrid card users increased to 700,000
- maintained stable deposit volume

Small- and medium-sized enterprises (SMEs)

During 2000, the SME segment:

- carried out pilot operations at a selected branch in the first half of 2000 in order to set up a separate SME segment approach. After the merger with IPB, the pilot experience was deployed by the entire Bank to service SMEs
- formed alliances with European and Czech Public Authorities: administrator of Phare's energy-saving fund, administrator of Phare's Business Environmental Programme and Phare's Gas-for-municipalities fund, long-term credit line provided by the European Investment Bank (EIB) to cover the long-term investment needs of customers (primarily SMEs)

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- focused on municipalities, with already increased market shares and dedicated products and marketing campaign

Corporate banking

During 2000, the Corporate banking segment:

- established a separate corporate banking segment with individualised account management system, tailor - made offer and 9 regional branches in CR and 3 in SR
- executed successful deals in structured finance: USD 450m transaction with Chase Manhattan and CIBC World Markets in Czech Mobile financing, mandate to Synthesia plant etc.
- closed further high quality deals in syndicated loans and project finance with KBC for foreign banks, Czech Railways, large scale real estate projects, etc.

Financial institutions

During 2000, the Financial institutions segment:

- strengthened its traditional franchise
- maintained its leading role in CZK and SKK clearing
- doubled its non-banking financial institutions operations
- despite the crisis on the Czech capital markets, maintained custody portfolios exceeding CZK 50bn for foreign clients and CZK 30bn for Czech clients
- became the largest depository bank (under Czech law) for the investment and pension funds

Financial markets operations

During 2000, Financial markets operations:

- strengthened its already unrivalled leadership position in the forex market
- continued its market making role in EUR/USD and Polish Zloty
- maintained its position as a key market player in the domestic interbank market (CZK deposits and credits) and capital markets CZK (repos, sell/buy and T-bills)
- dedicated a team for derivatives and established tailor-made products
- due to the trading loss the bank has suspended trading in foreign fixed income instruments

IV. SLOVAK OPERATION

ČSOB has historically operated a strong corporate, financial institutions and financial markets franchise in Slovakia.

The market will become strongly competitive with the privatization of practically all Slovak banks to foreign hands by the end of 2001.

ČSOB's reaction is bold actions and investments in retail operation, SME banking, e-channels and other financial services.

During 2000, the Slovak operation:

- in retail banking, opened 8 new branches on the basis of a well-analysed and defined marketing policy; consequently, the customer franchise is growing steadily
- enriched the retail product portfolio by offering new cards, call center services and deposit certificates
- launched a new ČSOB Building Society operation in December: the first 4 months of operation indicate a success story with 26,000 contracts signed in the month of December, appr. 10% market share, and managed deposits of SKK 420m at the end of 1Q 2001. The product offer is currently considered as being of the highest quality on the Slovak market
- structured Corporate banking in 3 regional corporate branches
- closed a prestigious pioneering sale and leaseback deal for AEE (Swiss leasing on behalf of the Slovak Railways)

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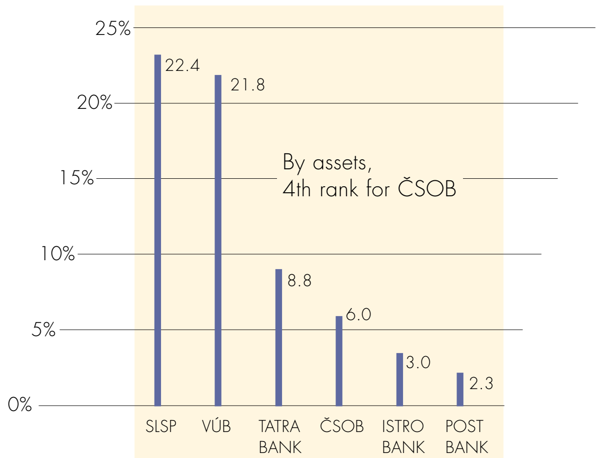

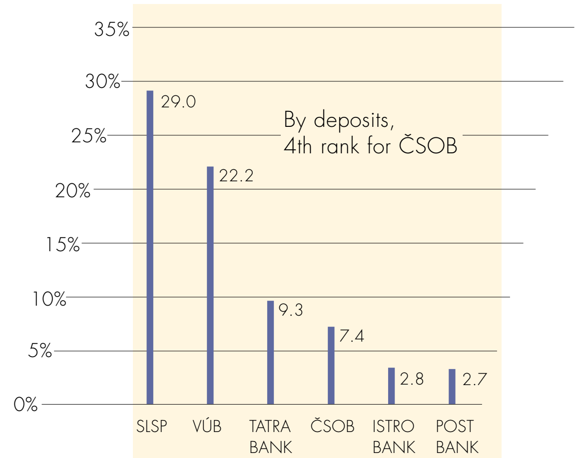

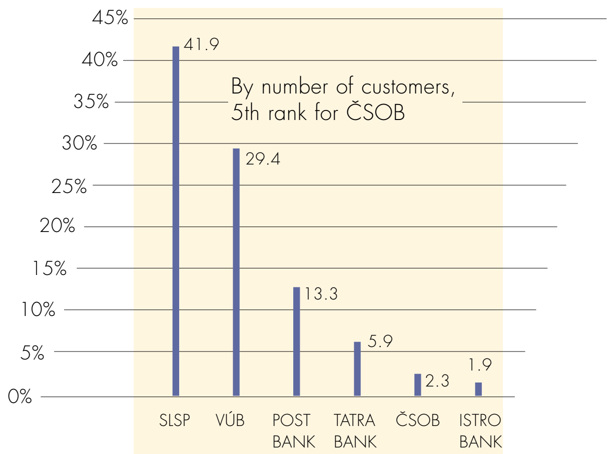

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- acquired a significant number of new SME customers
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- started sales of KBC/ČSOB mutual funds

V. TAKEOVER OF THE IPB FINANCIAL GROUP AND SUBSEQUENT MERGER, RESTRUCTURING AND TRANSACTION

The acquisition of Investiční a Poštovní banka, a.s. (IPB) represents the major event in the Czech and Central European landscape of financial services because the operation produced the regional champion: new ČSOB.

Since the beginning of 2000, dedicated teams of ČSOB and external advisors in mergers, acquisitions and strategy screened the opportunities on the Czech market and prepared the action plans for a rapid conclusion of a deal should an opportunity arise.

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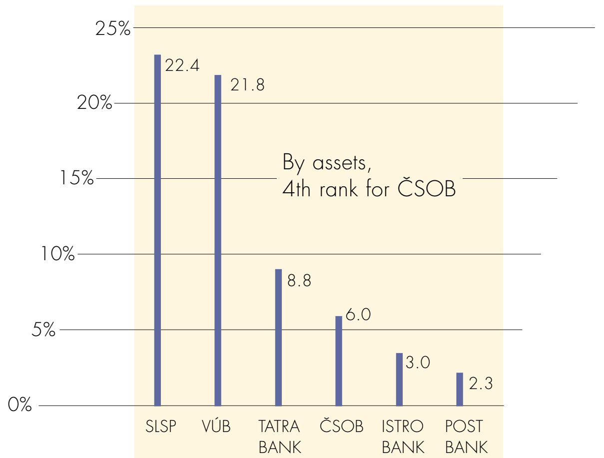

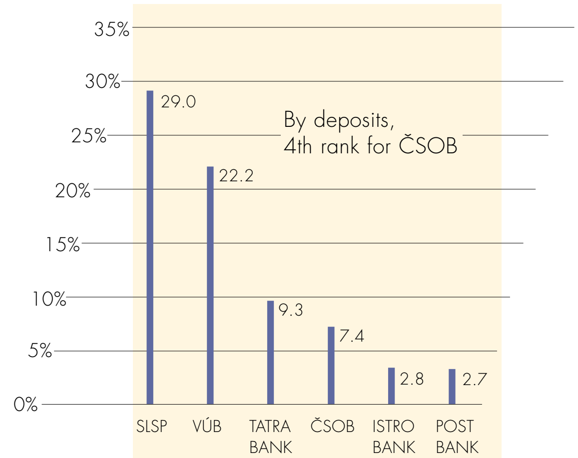

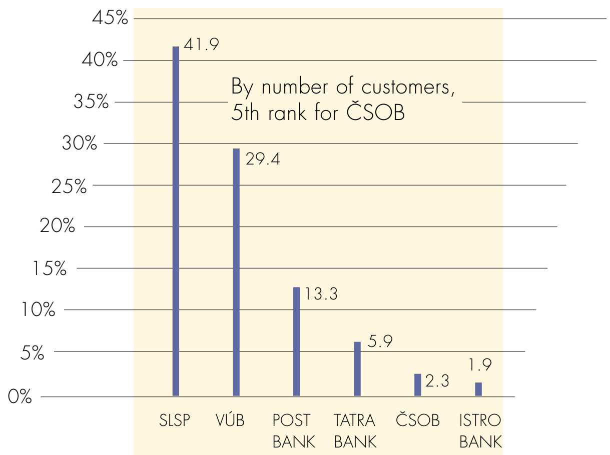

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In June 2000, IPB came under increasing liquidity pressure as a result of a rapid loss of its deposit base. The worsening situation eventually led to the intervention of the Czech National Bank (CNB), which placed the bank under forced administration on 16th June. On 19th June, following intense negotiations between ČSOB, the CNB-appointed Administrator and representatives of the Czech State, ČSOB acquired the business of IPB through a Sale of Enterprise scheme. Under the arrangement, the whole of IPB's business, assets, liabilities and contingent liabilities were transferred over to ČSOB against a deferred compensation to be established following completion of a valuation to be conducted by two international investment banks. The Czech State undertook to compensate ČSOB for any shortfall which may arise in IPB's assets against its liabilities and all financial risks arising out of the transaction were to be covered by the Czech authorities. The agreement signed on 19th June between ČSOB, the Ministry of Finance and the CNB is to be refined into a fully fledged restructuring plan to be agreed between ČSOB and Konsolidační banka. In December 2000, ČSOB and Konsolidační banka agreed the framework of such a plan and a final agreement is expected to be reached by June 2001.

The takeover

The actual takeover took place on the 19th of June 2000. The first actions were focused on stabilising the situation: critical areas were identified and approximately 90 ČSOB managers took over the daily management of IPB, bringing the bank's operations in line with ČSOB's own rigorous business standards, particularly in terms of the management of its credit portfolio.

In parallel, the first steps were taken in the preparation of the transaction and the creation of a Merger Office to co-ordinate the various integration activities. By the end of June the credibility of IPB in the eyes of customers was restored which permitted a rapid stabilisation of IPB's deposit base, and the first marketing actions to retain customers and attract them back were launched.

In the period immediately following the takeover, ČSOB also devoted much attention and resources, including team of ČSOB top managers, to mitigate the financial and operational risks IPB was facing at that time. By July 2000 IPB enterprise was stabilised in financial, operating and personnel terms.

Organisation of the merger

The real merger of the two banks started in early August, just one month after the takeover. For each area of activity, a task force was established to co-ordinate all aspects of the merger. Each task force is headed by a line manager, who is ultimately responsible for the integration. The Merger Office is supporting the merger from the point of view of methodology, planning and co-ordination and is monitoring the progress.

Main merger achievements in 2000

- by the end of October 2000, the blueprint of the integrated bank was finalised and all management layers were appointed and fully operational
- the physical integration of Head Offices services started immediately thereafter. Around 2,800 people will change their offices. One fourth of the movements were already finalised before the end of the year, 90% by 1Q2001
- the integration of IT systems is of vital importance for the merger. Already from the beginning the choice was made to adopt the IT platform of the former IPB (Profile). This means that customers of the former ČSOB will be transferred to the IPB-platform. The ČSOB system will be continued only for Corporate Clients, because most of the Corporate clients are already in the ČSOB system and the system offers more advanced possibilities for tailor-made solutions, especially regarding Trade Finance, Cash Management and Commercial Loans

- in 2000, most of the IT-efforts were focused on the analysis of the differences in functionalities and the preparation for the upgrade of Profile
- the first cost-synergies were realised in 2000. Cost-synergies are mainly driven by headcount reduction. In 2000 already more than 500 employees left the bank

Key merger tasks in 2001

- during 2001 the actual migration will take place. Before migrating the clients, additional functionalities will be added to the Profile system. The first step is an upgrade to the next version of Profile, needed to minimise development efforts. The second step is the development of the new functionalities. And the third step is the actual migration of customers
- the rightsizing will reach the overall target of 25% headcount reduction by the end of the year
- merger in the regions: new regional structure and the rationalization of the branch network. The branch network was mapped and analysed in terms of coverage of the market. The aim is to bring the overall number of branches down from 240 to 176, covering the most important cities and locations of the Czech Republic.
  - 8 retail and SME regions
  - 9 corporate regions
  - 176 branches (final target)
- branding achievements were as follows
  - new logo adopted by 1Q2001
  - image campaign launched
  - new house style to be developed and restyling of the branches implemented
- although the merger process demands a lot of management attention and creates an additional workload, it is important to note that many non-merger-related initiatives are continuing. Especially in the area of product development (e-banking, consumer credits, cash management and cash pooling) and process improvements (Financial Markets, management accounting, Credit Risk Management)

VI. FURTHER DEVELOPMENTS

ČSOB's critical long term issues

ČSOB's critical long-term issues are as follows:

- upgrade and renewal of the management structures
- enhancement of the customer service standards and of the customer friendliness of the bank's services
- enhance risk management procedures in the area of market and operational risks
- structure the management of the group of financial services companies and realise cross-selling synergies
- develop and benefit from IT and e-banking efforts
- maintain operating costs under control utilising the merger synergies

The main business challenges

Even if we consider that our current customer franchise is close to our most ambitious dreams of two years ago, ČSOB has still extensive room to retain its customers by upgraded services and cross-selling, exploit revenue better, optimize current distribution channels and develop new ones.

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Retail

- growth of 8% in the number of customers
- substantial increase in loans to individuals
- enhancement of the product portfolio with focus on sub segmentation
- launch and increase of the quality of e-banking
- focus on sale of mutual funds

SME

- launch and adapt SME specific product portfolio
- offer e-products for SMEs
- set alliances with public bodies oriented on the SME promotion
- finalize the setting of the SME segment (staff, motivation schemes, management information system)

Corporate

- optimise the deposit structure
- focus on sophisticated products (trade & structured finance)
- fee generating cross-selling
- maintain the conservative risk profile
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Slovak operation

- roll out the branch expansion (+11 new branches)
- increase the number of retail customers by more than 20%
- rationalize head office
- look for new opportunities in pension funds market and insurance
- focus on sale of mutual funds

VII. ČSOB: GROUP OF PROVIDERS OF THE FINANCIAL SERVICES

The principles

- ČSOB Group philosophy consists of providing comprehensive financial services on the following common standards by:
  - providing the highest value proposition for the customer
  - achieving above-average profitability for shareholders
  - maintaining the highest ethical standards in the business
  - becoming a major player in each of the respective businesses
  - having the best reputation amongst peers
- ČSOB Group are financial services providers: ČSOB does not hold industrial conglomerates
- ČSOB's strategic aim is to increase its profitability through exploiting cross-selling opportunities

Companies and businesses

- insurance – IPB Pojišťovna, ČSOB Pojišťovna
- building society and mortgages – ČMSS, ČSOB Stavebná Sporiteľňa and ČMHB
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ČSOB






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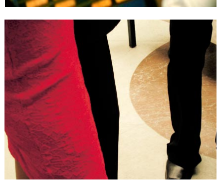
RISK MANAGEMENT

at the top level. Operating management of the individual types of risk is delegated to responsible Bank-wide committees, especially the Asset and Liability Committee (ALCO) and the Credit Committee.



The Bank's approach to risk management is conservative. The Board of Directors of the Bank has overall responsibility for the system of risk management at the top level. Operating management of the individual types of risk is delegated to responsible Bank-wide committees, especially the Asset and Liability Committee (ALCO) and the Credit Committee. The continuous development of the system of risk management reflects both the new business activities of the Bank and developments in the financial markets as well as new procedures and trends in the management of bank risks.

The major risks arising from ČSOB's business activities are credit risk, market risks and liquidity risk. The measurement and management of the individual types of bank risks are fully covered by intrabank procedures. The Bank sets binding limits for individual types of risk, the observance of which is subject to a systematic and periodic monitoring. Besides intrabank controlling mechanisms, risk positions of the Bank are also periodically evaluated on the side of the majority owner.

In the second half of 2000, the risk management activities of the former Investiční a Poštovní banka, a.s. (IPB) were integrated into the standards of ČSOB. Even after this integration, the risk position of the Bank has remained stable and the Bank is taking a relatively low level of risk.

Credit risk management

Credit policies

The Board of Directors approves the basic credit policy document which contains the most important principles determining the risk profile of the whole Bank. To these principles belong, amongst others, the Bank's policy towards selected credit products, types of credit transactions, industrial sectors or customer segments which is applied in a differentiated way with regard to the quality of clients. The credit policy also contains basic responsibilities, powers and controlling mechanisms which are in line with the regulatory requirements of the Czech National Bank (CNB).

The Credit Committee, set up at the Head Office level and composed of representatives from the credit risk management area and business departments, apart from evaluating individual credit cases also approves the credit methodology contained in the internal regulation of the Bank - the so-called Credit Manual. The Credit Manual describes the basic procedures for the credit area, all of the decisive phases of the credit process – from the standard structure of a credit proposal to principles of internal rating system, determining basic rules for the area of collateral instruments, creation of provisions, and continuous monitoring. The Credit Manual also sets out co-operation amongst individual Bank departments (eg, the special procedures solving bad debts). The Credit Manual also includes standard contractual documentation that is continuously updated with regard to the development of legislation and the Bank's experience.

Organisation – separate management, centralisation, independence

The model of independent and centralised credit risk management based on the best practice of West European banks, had already existed at ČSOB before its privatisation, well in advance of domestic competitors. After privatisation, the quick integration with the KBC system took place. Further organisational changes were carried out in 2000, in the spirit of the present concept, which primarily meant transferring the retail credit risk management and the Credit Analysis and Real Estate Appraisal units to the competence of units responsible for credit risk management. The new structure, of course, preserved the existing principles of good credit risk management at ČSOB, such as: delegation of powers to an individual based upon annual appraisals, consistent adherence to the "four eyes" principle, utilisation of experience gained from monitoring the branch network and involvement of the most experienced credit officers in the training process. Selected employees working in credit risk management also attended special courses organised at the KBC Group level. This bilateral exchange of know-how strengthened the existing communication lines necessary for efficient operational management of limits for bank counterparties, countries and selected international corporate clientele.

Credit rating system

To evaluate solvency, the Bank uses a rating system which determines a solvency grade on the basis of assessing both financial and non-financial criteria of a customer and taking into account payment default as well as the default of other obligations. The Bank uses a seven-grade scale, where the first three grades (A-C) represent "standard" or "unclassified" loans, the remaining grades (D-G) represent "classified" loans. This categorisation expresses the level of risk related to a specific exposure according to which appropriate limit approval is required, a minimum risk margin is applied, a system of a continuous monitoring is adopted and in some cases provisions are created. Therefore, in evaluating financial criteria, the Bank consistently applies a "look behind the figures" rule. A no less cautious approach is also taken in evaluating non-financial criteria. Key factors which enter into the overall risk evaluation within the Bank's rating system are, in particular, management quality, transparency of ownership relations, customer competitiveness and supplier and buyer diversification.

Internal control

The controls conducted by the credit audit team contribute significantly to the Bank's continuous improvement of its credit portfolio quality. The purpose of the controls is not to penalise but to back-test and draw attention to the most important parts of the credit process: proposal of an appropriate structure of finance, assignment of credit rating, selecting financial covenants, establishing collateral values and, in general, adhering to the internal regulations and assigned powers. The main benefit is to take the lessons learned from the very early detection of potential problems and, accordingly, update the credit policies and improve the credit methodology. The credit review outcome forms a starting point for the regular assessments of the branch network and influence the credit-granting powers assigned to an individual.

Software support

During 2000, the Bank, in co-operation with an external supplier, executed decisive user amendments to the RICOS system. Its implementation will lead to a significant simplification in the area of credit risk management, in particular monitoring the drawing of limits down to the transaction level, monitoring group risks and providing standard and ad hoc credit portfolio reports. At the end of 2000, the Bank started to use this system for bank clientele and, at the pilot run stage, tested a solution developed for non-bank clientele. The system is expected to be fully operational in the first half of 2001.

Collateral valuation

The Bank continued its cautious approach in the valuation of security instruments held as collateral, especially in valuing pledged real estate.

Transaction with IPB assets

On 19 June 2000, the Bank took over the credit portfolio, along with other assets and the whole business, of the former IPB. This portfolio has been managed separately from the original ČSOB portfolio. However, in treating the respective credit risk, the Bank has proceeded according to its own standard methodology; that is, using the ČSOB Credit Manual including the credit rating system, standard contractual documentation and ex-post monitoring rules. Since the very moment of taking over the ex-IPB credit portfolio, the credit process has been re-directed to the existing ČSOB structures, especially as far as the powers to approve credit deals and the authority to sign credit contractual documentation is concerned.

Quality of customer (non-banking) loan exposure

The positive credit risk management trends from the past were retained in 2000 – continued diversification of portfolio with regard to the reduction of concentrations of exposure to individual debtors or groups of debtors and an increase in the volume of quality deals in the overall portfolio of granted credits. A significant factor is also the continuing growth of the total volume of granted credits while naturally maintaining its traditional cautious approach to risk assessment of those new deals, where counterparties are creditworthy entities from the corporate and SME segments.

Loans to non-banking customers

	as at 31 Dec 1998 CZKbn	as at 31 Dec 1999 CZKbn	as at 31 Dec 2000 CZKbn
Historical cases	56.8	45.4	39.5
of which: CI	16.1	11.8	8.2
SI	15.2	18.9	20.5
other	25.5	14.7	10.8
Current cases	48.5	58.3	67.0
of which: A – E	46.1	53.6	63.4
F + G	2.4	4.7	3.6
Total	**105.3**	**103.7**	**106.5**
Write-offs (during the year)	9.8	5.5	2.1

Note: The figures are only for ex-ČSOB – according to International Accounting Standards, gross amounts, unconsolidated.

The table above confirms a long-term positive development of the portfolio structure – the growth of new quality loans is matching the decline in the volume of the historical portfolio.

Loan exposures and provisions (incl. off-balance sheet exposures)

		as at 31 Dec 1999		as at 31 Dec 2000	
		Loan exposures CZKbn	Provisions CZKbn	Loan exposures CZKbn	Provisions CZKbn
Current cases	standard	64.7	0.6	81.3	0.6
	classified	30.6	4.6	24.8	3.8
Historical cases	standard	34.2	0.0	31.4	0.0
	classified	16.3	12.8	12.7	11.0
Total		**145.8**	**18.0**	**150.2**	**15.4**

Note: The figures are only for ex-ČSOB – according to International Accounting Standards, gross amounts, unconsolidated.

Historical cases: Česká Inkasní (CI), Slovenská Inkasná (SI) and all other loan clients included in the second stage of ČSOB's consolidation at the end of 1993 (ie, bad loans from the period of the centrally managed economy against which provisions were created in 1993). CI and 90% of SI exposure are considered to be non-risky and, therefore, standard rated.

Non-performing loans (NPLs = loans > 90 days overdue)

	as at 31 Dec 1999		*as at 31 Dec 2000*	
	Current business	Historical cases	Current business	Historical cases
	CZKbn	CZKbn	CZKbn	CZKbn
Total loans	58.3	45.4	66.9	39.6
of which NPLs	3.1	12.3	1.5	10.6
Total provisions	4.4	10.8	3.6	9.4
NPLs to total loans ratio (%)	5.3	27.1	2.3	26.8
% coverage of NPL by provisions	143.1	87.8	231.0	88.7

Note: The figures are only for ex-ČSOB – according to International Accounting Standards, gross amounts, unconsolidated.

Non-performing loans (NPLs): ČSOB applies a conservative approach – if at least one instalment of principal or interest of a client is more than 90 days overdue, then all loans of that client are indicated as non-performing.
The table above shows a high level of provision coverage over non-performing loans.

Country and bank risks

Policies and procedures

The country and bank risk management functions have been centralised in the Credit Risk Management unit. Correspondent Banking is responsible for proposing country and bank limits. The takeover of IPB represented minimum interference with the existing country and bank risk management system because IPB activities in this area were limited.

Country risk

Being part of the KBC Group, ČSOB continues to take a conservative approach towards country risk management, the same as KBC, and also shares country limits with KBC. The assessment of an individual country's risk starts with an internal analysis of the respective political and economic factors. Rating agency risk assessments are used for comparison as supplementary sources of information. On the basis of the overall assessment, the Bank then follows its own procedures in the management of individual foreign assets. The Bank's exposures to emerging market countries with higher potential risk are very low, compared to the Bank's total credit exposure.

Country exposures by main geographical regions at 31 December 2000

		Risk exposure by transaction		
	Total risk exposure	Dealing	Short-term commercial	Credits
Region	CZKm	CZKm	CZKm	CZKm
Western Europe	51,316	46,768	550	3,818
North America	4,055	3,689	362	4
Central and Eastern Europe*	1,668 1)	111	246	758
Asia	1,224 1)	7	557	471
Africa	323	9	50	264
Latin America	56	-	41	15

Notes: The figures are only for ex-ČSOB – according to International Accounting Standards, gross amounts, unconsolidated.

Dealing – money market, foreign exchange and financial derivatives
Short-term commercial – confirmed documentary letters of credit, forfaited trade-related paper with bank risk and trade-related bank guarantees
Credits – credits and securities investment portfolio

* Czech Republic and the Slovak Republic excluded
1) Total risk exposure includes also other specific transactions, different from the transactions tabled above.

Country exposures in emerging market countries with higher risk as at 31 December 2000

Region	Total risk exposure CZKm	Risk exposure by transaction: Short-term commercial CZKm	Credits CZKm	Export financing CZKm	Performance risk CZKm	Total provisions CZKm
Central and Eastern Europe	770	12	301	62	395	385
Russia	704	9	300	-	395	323
Yugoslavia	59	-	-	59	-	59
Romania	6	3	-	3	-	2
Bosnia & Herzegovina	1	-	1	-	-	1
Asia	637	363	244	30	-	170
Turkey	583	363	190	30	-	116
Iraq	54	-	54	-	-	54
Latin America	6	6	-	-	-	1
Brazil	5	5	-	-	-	1
Argentina	1	1	-	-	-	-

Notes: The figures are only for ex-ČSOB – according to International Accounting Standards, gross amounts, unconsolidated.

Performance risk - transactions with the performance risk of commercial obligation by the borrower (the risk of nonfulfilment of an obligation to manufacture or deliver goods)

Bank risk

Similar to country risk management, the Bank in managing the credit risk carefully monitors individual exposures to all of its banking counterparties. Initially, the creditworthiness of a bank is evaluated by analysing the country risk, the bank's position in the market, the financial as well as non-financial risk factors and the probability of support. After that, the appropriate and approved limits for individual banks structured by asset categories are entered into the Bank's internal information systems. The Bank shares counterparty limits with KBC but is responsible for evaluating its own proposed transactions and ensuring a proper level of diversification in the credit portfolio.

Market risk management

Market risk means the risk of incurring a financial loss from open positions of the Bank which arises from movements in market prices (foreign exchange rates, interest rates, share and commodity prices) on financial markets.

Market risk management is a process comprising the measurement of individual risks with the aim to manage the negative financial effects that can arise as a result of changes in market prices. In the process, individual risks arising from open positions are evaluated and compared with corresponding limits. In general, if some of the limits are exceeded, the open positions are closed or hedged through appropriate hedging instruments.

The actual market risk management is carried out in both the trading and the non-trading (banking) books. The trading book maintains a record of transactions executed with the aim to make a profit on the purchase and the sales price of a product in the short-term horizon. The banking book mainly includes deals relating to the provision of customer services which includes hedging that portfolio against financial risks. At the same time, the Bank's overall risk position is monitored and limited.

The basic tool used for risk management is a comprehensive set of limits that cover foreign exchange risk, interest rate risk, equity risk and commodity risk (presently, the Bank is not active in commodity trading). The limits of the trading book are checked on a daily basis, the limits of the banking book and Bank-wide limits are checked daily (foreign exchange risk, short-term liquidity), weekly (medium-term liquidity) or monthly (interest rate risk, long-term liquidity).

All risk positions are monitored by the Risk Management unit, which is independent of the Bank's trade units. Asset and Liability Management unit (in the case of the banking book) and Financial Markets unit (in the case of the trading book) are responsible for observing individual limits. Report on observing limits is regularly submitted to the Asset and Liability Management Committee and to the ČSOB Board of Directors.

Market risk of the trading and banking books

Foreign exchange risk

Traditionally, the Bank has been active in the area of foreign exchange operations on the domestic and international markets and also in trading with clients. The Risk Management unit monitors the foreign exchange risk of the entire Bank (both the trading and banking books) and is able, through the Bank's information system, to identify open foreign exchange positions in real time.

Foreign exchange risk is monitored and managed on the basis of:

- open currency positions in individual currencies and relevant currency groups. External limits for open foreign currency positions have been established by CNB regulation. The Bank adheres to a conservative policy in the area of foreign exchange risk – internal limits of the Bank are stricter than the regulatory limits

Open foreign currency position (as a % of regulatory capital)

	CNB limit	*as at 31 Dec 1999*	*as at 31 Dec 2000*
Total open position	20.00	3.67	4.62
CZK open position	15.00	0.89	2.38

As at 31. 12. 2000, limits for the open foreign currency position were not exceeded.

- Value-at-Risk limit

  VAR limits are internal limits, contrary to the regulatory limits of the open foreign currency position, and are not established by CNB. The fulfilment of VAR limits for foreign exchange risk of the trading book is shown in the table "VAR exposures from financial markets trading operations". The exposure was within the limit during 2000.

Interest rate risk

ČSOB has a broad trading activity both in the banking book (trades with clients) and the trading book (trades on financial markets) which are naturally associated with interest risk. The Risk Management unit monitors both interest rate risk of the entire Bank and interest rate risk arising from trading on financial markets.

All-bank interest rate risk is monitored and managed, based on analyses of the development of the Bank's open interest rate position by individual currencies reflecting differences between interest rate-sensitive assets and liabilities by respective time bands. Monitoring interest rate risk is carried out mainly using an interest rate GAP analysis. The comparison of the average open interest rate positions with the respective limits takes place monthly. The limits for an interest rate position are expressed as the maximum acceptable open interest rate position as a percentage of the total assets in a specific currency. If the actual open position exceeds the limit, the position is reduced by changing the time or material structure of the assets, or hedged through a derivative operation. The decision to carry out such an interest rate hedging operation in the banking book is the responsibility of ALCO.

In addition to the above-mentioned procedure, the Bank's interest rate risk on financial markets (the trading book) is evaluated daily with the use of Value-at-Risk and respective limits. Interest rate positions of the trading book are continuously closed or hedged through derivative transactions so as not to exceed the binding limit for Value-at-Risk. The fulfilment of VAR limits for interest rate risk of the trading book is shown in the table "VAR exposures from financial markets trading operations".

The cumulative interest rate GAP analysis of the Bank in CZK at end-2000 shows that the Bank's position, after the IPB takeover, is interest rate sensitive on liabilities, contrary to the asset sensitive position of ex-ČSOB. This was due to the interest rate structure of the balance sheet items. During 2000, open interest rate positions were corrected by the Asset and Liability Management unit, especially by changing the structure of the asset items of the balance sheet. Based on the decision of ALCO, no derivative hedging of CZK interest rate position was executed during the year. The SKK interest rate position at end-2000 was minimal. Interest rate risks arising from open USD and EUR positions were not reduced by new hedging transactions during 2000.

VAR exposures from financial markets trading operations

	as at 31 Dec 1999 CZKm	*as at 31 Dec 2000* CZKm	Limit for 4Q. 2000 CZKm
Foreign exchange risk CZK	4.66	4.98	20.00
Foreign exchange risk SKK	N/A	8.19	12.00
Interest rate risk	22.33	11.17	63.00
Equity risk	N/A	3.36	7.40

Note:
The calculation of Value-at-Risk (VAR) exposure is based on the following parameters:

holding period: 1 day
probability: 97.5%
historical period: (last) 100 business days

Value-at-Risk (VAR) expresses the maximum possible loss that can be expected within a pre-defined degree of probability.

As at December 31, 2000, the Bank did not exceed any of the pre-set VAR limits.

Equity risk

Even though the Bank's activity in the area of equity trading is not significant in comparison with the above-mentioned areas, nominal volume limits as well as limits based on Value-at-Risk are used to manage risk. In the case of equity risk, the liquidity of individual equity shares on the market is evaluated in addition to the limits (by the Middle Office unit). The exposures and VAR limits for equity risk of the trading book are shown on page 33.

Liquidity risk

The liquidity of the Bank is monitored by the Risk Management unit from two time perspectives:

- short-term (operational) liquidity
- medium - and long-term (structured) liquidity

The executive management of the short-term as well as medium- and long-term liquidity is the responsibility of the Asset and Liability Management unit. The liquidity is managed particularly through operations on the interbank money market.

Short-term liquidity is managed by the Asset and Liability Management unit through monitoring the payment account balances with CNB and NBS (clearing account/statutory minimum reserves) on a daily basis and through monitoring of the following liquidity ratios on a weekly basis:

- liquid assets ratio (liquid assets/total assets)
- liquidity ratio (customer loans/customer deposits)
- securities ratio (liquid securities/total assets)

Internal limits for liquid assets and liquidity ratios were fulfilled as at December 31, 2000. The Bank's SKK liquidity has improved considerably and in year 2000 it fluctuated around the internal SKK limit. The Bank's liquidity was sufficient.

The liquid assets ratio - liquid assets / total assets (in %)

	Internal limit	*as at 31 Dec 1999*	*as at 31 Dec 2000*
CZK	min. 20.00	38.67	23.93
USD	min. 20.00	28.12	N/A
EUR	min. 20.00	35.91	N/A
SKK	min. 20.00	31.52	31.90
USD and EUR	min. 20.00	N/A	27.77

The liquidity ratio - customer loans / customer deposits (in %)

	Internal limit	*as at 31 Dec 1999*	*as at 31 Dec 2000*
CZK	max. 110.00	56.79	51.22
USD	max. 120.00	76.99	N/A
EUR	max. 120.00	89.61	N/A
SKK	max. 110.00	123.48	114.31
USD and EUR	max. 120.00	N/A	61.43

Medium-term liquidity is managed separately by individual currency through the annual plan of the time structure of the balance sheet and through liquidity ratios for risk management and measurement. The balance sheet time structure plan indicates the maximum time mismatch limit for asset refinancing by the Bank's adequate liabilities and is valid for a given calendar year. It is evaluated on a monthly basis.

Operational risk

The development of methodology for operational risk monitoring and management continued in 2000. From the operational risk perspective the most important event was the acquisition of IPB. The merged bank brought an increased number of operations and change in structure, especially for the retail operations. This fact is connected with the possibilities of mining data for operational risk measurement from the Profile (retail) system.

The collection of operational risk data (e.g. losses due to errors, claims, frauds, back valuations, etc.) also continued in 2000. In operational risk, the most important area - losses due to errors - was the addition of IPB and ČSOB data beginning in the third quarter of 2000.

The process of operational risk monitoring and management was initiated with the co-operation of KBC, especially with regard to standardisation, processes and reporting. Standardisation includes the definition and classification of possible losses. Processes include the implementation of obligatory rules for carrying out operations in selected bank departments. These rules are based upon KBC's ICPM (Internal Control Policy Manual). Reporting includes the intention to build a "loss" database (compatible with KBC's), which will be the basis for efficient analysis of increasing losses and to establish corrective measures to eliminate or mitigate these losses.

In December 2000, losses from unauthorised securities trading arose. Large unauthorised and unrecorded short positions in certain foreign government bonds were discovered and closed immediately. Steps have been taken to prevent any possibility of the occurrence of similar cases. Short positions in US and German government bonds were squared in the dealing system by entry of only the buy leg of short-term buy/sell securities transactions, thus concealing the short leg and the actual short positions that existed. Further, the buy legs were executed at off-market prices which, after entry into the dealing system, resulted in profits rather than the actual losses had appropriate market prices been agreed and entered. The off-market prices prevented earlier detection of the unauthorised trading.
The concealed sell leg of the buy/sell transactions was eventually recorded before its maturity as a spot sale (erroneously). Rather than settling the sale with cash, it was rolled over at an adjusted (off-market) price into a new forward sale transaction only to be falsely covered again with the entry of only the buy leg of fresh buy/sell transactions to carry the concealed short positions forward. Between maturities, further concealed sell transactions were executed to reach a better selling average on the open position.

Remedial actions taken by the Bank:

- all dealing in foreign bonds ceased
- dealers responsible were given notice
- back office responsibilities were separated from the front office
- a full investigation into the incident has been carried out and corrective measures have been implemented immediately
- an internal project has been launched to enhance all dealing processes, controls and reporting

The investigations carried out by KBC and ČSOB internal audit teams concluded that such unauthorised trading was isolated to foreign bond trading only, which had neither relation nor impact on other dealing activities and operations.

STATEMENT BY THE SUPERVISORY BOARD OF ČESKOSLOVENSKÁ OBCHODNÍ BANKA, A.S.

1. The Supervisory Board has performed its tasks in accordance with Articles 197 - 201 of the Commercial Code as amended, ČSOB's Articles of Association and Supervisory Board's rules of conduct. The Board of Directors has submitted regular reports on ČSOB's activities and its financial situation to the Supervisory Board.
2. The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards. The Bank has also prepared unconsolidated financial statements in accordance with the Act on Accounting and relevant legislation of the Czech Republic.
3. The financial statements were audited by PricewaterhouseCoopers Audit, s.r.o., Praha. The auditors have opined that the consolidated financial statements present fairly, in all material respects, the financial position of the consolidated group as at 31 December 2000, and of the consolidated group results of operations and cash flows for the year ended 31 December 2000 in accordance with International Accounting Standards. The auditors have also opined that the unconsolidated financial statements present fairly, in all material respects, the assets, liabilities and equity of ČSOB as at 31 December 2000 and the results of its operations for the year ended 31 December 2000 in accordance with the Act on Accounting and relevant legislation of the Czech Republic.
4. The Supervisory Board has reviewed the 2000 annual financial statements and the proposal for distribution of profit and has accepted the results of the audit of the 2000 annual financial statements and has recommended to the General Meeting to approve them.

CHIEF ECONOMIST'S REPORT

For the Czech Republic, 2000 was a year of ongoing economic revival. After three years of recession, the Czech economy reached GDP growth of 3.1% in particular due to the favourable development of all domestic demand components, especially investment. The impact of foreign trade involving goods and services on the growth of GDP was slightly negative.

ON THE 2000 MACROECONOMIC DEVELOPMENT

THE CZECH REPUBLIC

For the Czech Republic, 2000 was a year of ongoing economic revival. After three years of recession, the Czech economy reached GDP growth of 3.1% in particular due to the favourable development of all domestic demand components, especially investment. The impact of foreign trade involving goods and services on the growth of GDP was slightly negative.

So far, the revival of the Czech economy took place without giving rise to additional inflation pressures. In 2000, the rate of inflation reached 3.9%, while it still had the character of cost-push inflation (negatively influenced by the high prices of oil and the USD). The net inflation rate was only 3%, which means that the CNB (the Czech National Bank) has 'undershot' its monetary target for three years running. During the year, the Central Bank did not have to change the settings of its monetary policy. Its two-week repo rate stayed at 5.25% (it declined to 5% in February 2001), the compulsory minimum reserve rate stayed at 2% (still without paying interest). This allowed the financial markets to maintain relatively low levels of interest rates throughout 2000. In the second half of 2001, CNB will start to pay interest on compulsory minimum reserves.

Export expansion continued, but the growth of domestic demand and the unfavourable development of terms of trade caused an increase in the foreign trade deficit and the current account deficit. The current account deficit corresponded to 4.8% of GDP (in cumulative terms), while in 1999, it was only 3%. The external imbalance, however, was easily offset by a high inflow of foreign direct investments (USD 4.6bn).

The unemployment rate decreased slightly, year-on-year, to 8.8% because of the increased creation of new jobs, especially in companies under foreign control. The growth of real wages lagged behind the trend in labour productivity growth.

The development of public finance was relatively unfavourable. The state budget deficit exceeded the planned figure by about CZK 11bn, especially due to lower tax collection. The negative trends of public budgets remained; therefore, a large amount of offerings of high-quality, low-risk securities can be expected.

During most of 2000, the Czech crown strengthened against the euro and weakened against the dollar, which was a consequence of the negative development of the USD/EUR cross rate.

The consolidation of the banking sector progressed significantly in 2000. State assistance was provided through guarantees for selected credits and the purchase of problematic credits by Konsolidační Banka. The imposition of forced administration on Investiční and Poštovní banka and the subsequent sale of the enterprise to ČSOB accelerated the recovery process also in IPB, the largest Czech financial group showing long-term problems. The second largest bank in the Czech Republic, Česká Spořitelna, was privatised and the sale of Komerční Banka is being prepared. By completing privatisation, the state will rid itself of the responsibility for developments in this sector; the majority of the Czech banking sector will be under control of prominent foreign banks.

The improving financial situation of a substantial part of the banking sector in the Czech Republic resulted in the achievement of profit for the whole sector after several years of systematic losses. This happened despite low interest rates and a slight decrease in interest rate margins. The recovery of the banking sector resulted in an increase in the sector's capital adequacy ratio up to 14.9% and a decrease in the portion of classified credits down to 29.5%.

In 2000, a real credit crunch continued (the volume of credits in the economy decreased in nominal terms even after adjustment for one-time effects of consolidation), with a significant drop in foreign currency credits. The development of credit issuance was different in individual segments. Banks showed great interest in providing credits to foreign-controlled companies and retail clients, while the sector did not show any interest in wholly domestically-owned problematic companies, except some companies involved in the state revitalisation programme. This is a desirable result reflecting a more cautious approach to doing business in the banking sector that also works as a catalyst to restructure the Czech economy. The favourable liquidity position of banks accompanied by a continuing credit crunch led to a high degree of interest in CNB's sterilisation operations, in which CZK 240bn was placed at the end of the year.

The process of improving the quality of the legal framework, determining the business of banks (the so-called Bankruptcy, Out-of-Court Auctions and Private Executors Act) also progressed, which should lead to a speedier solution of existing problematic credits and also to the removal of obstacles in the revival of credit financing in the Czech Republic.

Macroeconomic indicators of the Czech Republic 1996-2000

Indicator	Unit	*1996*	*1997*	*1998*	*1999*	*2000*
GDP	annual growth in %	4.8	(1.0)	(2.2)	(0.8)	3.1
Industrial production	annual growth in %	2.0	4.5	1.6	(3.1)	5.1
Building production	annual growth in %	5.3	(3.9)	(7.0)	(6.5)	5.3
Inflation rate	annual average in %	8.8	8.5	10.7	2.1	3.9
Net inflation rate	at year-end in %	6.6	6.8	1.7	1.5	3.0
Unemployment rate	at year-end in %	3.5	5.2	7.5	9.4	8.8
Balance of payments						
Current account	USDm	(4,292.2)	(3,211.0)	(1,335.7)	(1,567.1)	(2,369.2)
Capital account	USDm	4,184.9	1,091.8	2,925.2	3,077.7	3,354.1
Trade balance	CZKbn	(148.9)	(148.2)	(78.6)	(68.1)	(126.8)
Foreign exchange reserves of CNB	USDbn	12.4	9.8	12.6	12.8	13.1
Gross foreign debt	USDbn	20.8	21.4	24.0	22.6	21.3
Money supply M2[1)]	annual growth in %	9.2	10.1	5.2	8.1	6.5
Interest rates on credits	annual average in %	12.5	13.2	12.9	8.7	7.2
Interest rates on deposits	annual average in %	6.8	7.7	8.1	4.5	3.4
Exchange rate CZK/USD	annual average	27.14	31.71	32.27	34.60	38.59
Exchange rate CZK/DEM	annual average	18.06	18.28	18.33	18.86	18.21

1) float and short-term operations of some banks and Czech Telecom contribution were eliminated
Source: Czech National Bank (CNB), Czech Statistical Office

THE SLOVAK REPUBLIC

The year 2000 was the second year of stabilisation for the Slovak economy. A period of marked economic growth, accompanied by a considerable external and internal disequilibrium, was followed by a decline of domestic aggregate demand, induced by the continuing restrictive economic policy.

GDP growth remained approximately at the same level as in 1999 (+ 2.2%). A precipitous decline in domestic demand was offset by a strong improvement in foreign trade results and so the economy of the Slovak Republic avoided recession. The deficit in the current account fell to 3.7% of GDP from an earlier 5.8%. The reason for this positive development was the decline in the foreign trade deficit, which took place despite the negative trend of prices of imported raw materials.

Radical price deregulation resulted in the maintenance of a relatively high rate of inflation, which reached 12% in the year 2000. However, in the second half of the year an explicit disinflationary tendency was seen and in December the year-on-year growth of the CPI (Consumer Price Index) only reached 8.4%. The favourable price development enabled the fulfilment of the NBS currency goal, set in the form of a core inflation target. In 2000, the Central bank adopted a qualitatively new attitude towards monetary policy management, through repo-rates. Beginning with the use of overnight operations, by the end of May the NBS proceeded to announce 2 week repo rate and during the year it reduced it from 8.5% to 8.0%. In addition to this step, the Central bank lowered the ratio of compulsory minimum reserves from 8.0% to 6.5% (to 5% in January 2001).

Significant improvement was also attained in the development of public budgets. Although the budget ended with a higher deficit than the planned one, it was caused by higher expenditures for the consolidation of the banking and enterprise sectors.

The Government of the Slovak Republic made notable strides in the recovery of the largest banks in the country. Upon the initial steps realised at the end of 1999, consisting of an increase of capital stock of the biggest banks (VÚB, SLSP and also IRB) as well as the purchase of problem credits, the Government proceeded to make further purchases of bad credits of selected banks. These steps especially led to a substantial improvement in the banking sector's situation (liquidity, capital, quality of assets), which created the conditions for standardising the situation in the domestic financial market. After several years, the banking sector reached profitability again.

Fiscal restrictions accompanied by lower demand of the State for resources from the capital market and the continuing real credit crunch (concerning commercial credits) combined with the systematic growth of deposits and advanced liquidity, due to the consolidation of banks, enabled the development of trading assets with longer maturities. Since June, nine and twelve month interest rates have started to be quoted in the interbank market (BRIBOR/BRIBID); continuously higher volumes of primary issues of State securities have had maturities over one year. The banks have placed continuously higher volumes of free liquidity in the framework of intervention operations of the NBS. Liberalization of the currency policy led to the decline of interest rates during the whole year.

Political uncertainty, the persistently relatively low inflow of foreign capital (likewise subject to intervention by the NBS) and the drop in the interest differential resulted in the weakening of the SKK exchange rate almost for the whole of year 2000.

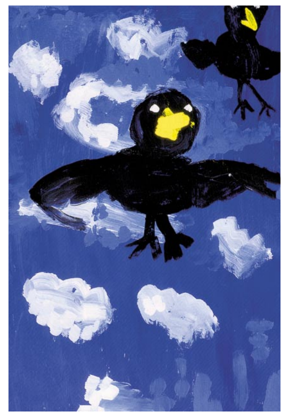
The long-standing problems of the Slovak economy remained, the high unemployment rate and the structural deficit of public budgets.

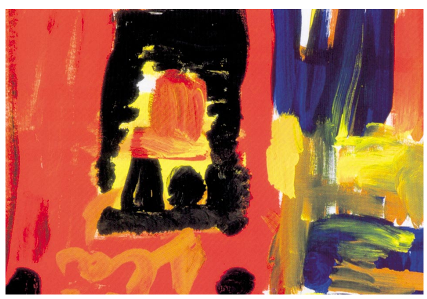
In 2000, the Slovak Republic entered the OECD. It advanced negotiations regarding accession to the European Union and has partially closed the gap with those countries of the so-called first wave. The positive economic and political development of the country was also attested by the major rating agencies (Standard & Poor's and Moody's) resulting in a change in the rating outlook from neutral to positive. However, the country still has a rating of speculative grade.

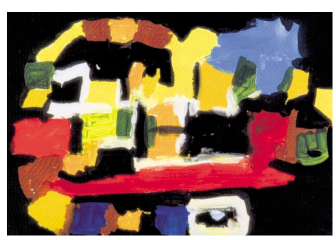
Macroeconomic indicators of the Slovak Republic 1996-2000

Indicator	Unit	*1996*	*1997*	*1998*	*1999*	*2000*
GDP	annual growth in %	6.2	6.2	4.1	1.9	2.2
Industrial production	annual growth in %	2.5	2.7	5.0	(3.4)	9.1
Building production	annual growth in %	4.4	9.2	(3.5)	(25.8)	(0.4)
Inflation rate	annual average in %	5.8	6.1	6.7	10.6	12.0
Unemployment rate	at year-end in %	12.8	12.5	15.6	19.2	17.9
Balance of payments						
Current account	USDm	(2,098.1)	(1,952.3)	(2,063.1)	(1,147.9)	(713.0)
Capital account	USDm	2,192.2	1,830.0	1,843.8	1,890.4	1,416.5
Trade balance	SKKbn	(70.3)	(70.0)	(82.9)	(45.2)	(42.4)
Foreign exchange reserves of NBS	USDbn	3.5	3.3	2.9	3.4	4.1
Foreign exchange reserves total	USDbn	5.7	6.5	6.1	4.4	5.5
Gross foreign debt	USDbn	7.8	9.9	11.9	10.5	10.8
Money supply M2	annual growth in %	16.6	8.9	2.7	12.3	14.4
Interest rates on credits	annual average in %	13.7	14.9	16.7	15.7	11.7
Interest rates on deposits	annual average in %	6.7	8.0	10.2	10.5	7.2
Exchange rate SKK/USD	annual average	30.65	33.62	35.24	41.42	46.20
Exchange rate SKK/DEM	annual average	20.39	19.41	20.07	22.56	21.78

Source: National Bank of Slovakia (NBS), Statistical Office of the Slovak Republic







Olga Havlová 1933 - 1996

1990–2000

Výbor dobré vůle - Nadace Olgy Havlové

uděluje

poděkování

Československá obchodní banka, a.s.

za významnou finanční podporu

Dana Němcová

Dana Němcová

předsedkyně správní rady

10 let Výboru dobré vůle - Nadace Olgy Havlové • 1990 - 2000

VDV

Výbor dobré vůle

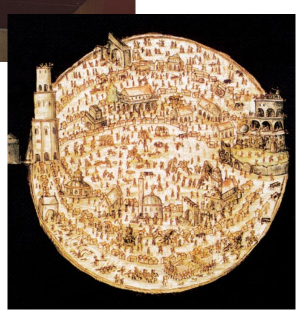
Nadace Olgy Havlové

V Praze dne 22. května 2000

We are aware of the fact that the good name of the bank is derived from particular financial parameters, commercial competence and the quality of our financial results. The strength of the

SPONSORSHIP PROGRAMME

brand and success also comes from the responsible behaviour of the firm toward the community in which it operates.



Therefore the common denominator of sponsorship and communication activities of ČSOB is long-term projects recognising the social values and importance of the partner.

We are aware of the fact that the good name of the bank is derived from particular financial parameters, commercial competence and the quality of our financial results. The strength of the brand and success also comes from the responsible behaviour of the firm toward the community in which it operates. Therefore the common denominator of sponsorship and communication activities of ČSOB is long-term projects recognising the social values and importance of the partner. In entering new projects ČSOB applies demanding criteria for the selection of partners. We can state that after significant changes in ČSOB (acquisition by a strategic partner and integration with IPB) these criteria have proven to be correct. In accordance with the principles of our sponsorship policy we perceive sponsoring not only as some kind of financial support to a project but we establish a partnership based on mutual trust, an open approach and friendly attitude.

In the role of sponsor we also support the principle of proactive co-operation: bringing forth creative ideas from which meaningful events arise. Common partnership is based on sharing similar values, interests and standard of high quality. We esteem those mutual values which form the basis for our further activities.

In 2000, ČSOB continued in its traditional support of four basic fields: culture, charity, education and sports.
With respect to culture the bank prefers projects which reflect both national traditions and the integration of the Czech culture into European and world culture – co-operation with the Czech Commission for UNESCO, long-term partnership with the Arts and Crafts Museum, the theatre presentations of the professional ensemble, "Czech Theatre", and guest performances of Czech theatres in Slovakia.

Charitative projects focused on education are implemented via a long-term partnership with the Board of Good Will and the Olga Havlová Foundation.

We feel that we are a part of the community and try to return part of our success back to the community, on which we depend.

PricewaterhouseCoopers Audit, s.r.o.
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120 00 Prague 2
Czech Republic
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Facsimile +420 (2) 5115 6111
ID No. 40765521

REPORT OF INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF ČESKOSLOVENSKÁ OBCHODNÍ BANKA, a.s.

We have audited the accompanying consolidated balance sheet of Československá obchodní banka, a.s. and its subsidiaries ("the Group") as at 31 December 2000 and the related consolidated profit and loss and cash flow statements and statement of changes in equity for the year then ended. These financial statements are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2000, and the results of its operations, its changes in shareholders' equity and cash flows for the year then ended, in accordance with International Accounting Standards.

21 March 2001

PricewaterhouseCoopers

PricewaterhouseCoopers Audit, s.r.o.

PricewaterhouseCoopers Audit, s.r.o. is registered in the Commercial Register with the Municipal Court in Prague, part C, section No 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Licence No 21.

CONSOLIDATED FINANCIAL STATEMENTS

for the Year Ended 31 December 2000

(Prepared in accordance with International Accounting Standards)

Table of Contents:

CONSOLIDATED PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2000

(According to International Accounting Standards)

(CZKm)	Notes	*2000*	*1999*
Interest income		29,391	21,255
Interest expense		(18,277)	(14,264)
Net interest income	5	**11,114**	**6,991**
Net commission income	6	4,032	1,600
Net profit on financial operations	7	699	2,436
Other operating income	8	2,273	813
Non-interest income		**7,004**	**4,849**
Operating income		**18,118**	**11,840**
General administrative expenses	9	(9,412)	(4,505)
Depreciation		(1,373)	(1,093)
Other operating expenses		(1,190)	(674)
Operating expenses		**(11,975)**	**(6,272)**
Operating profit before provisions		**6,143**	**5,568**
Credit loss provisions	14	448	(938)
Other provisions	26	(126)	(64)
Operating profit		**6,465**	**4,566**
Income tax expense	10	(1,696)	(1,683)
Profit after taxation		**4,769**	**2,883**
Minority interests		(78)	(60)
Profit for the year		**4,691**	**2,823**

The accompanying notes are an integral part of these consolidated financial statements.

Československá obchodní banka, a.s.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2000

(According to International Accounting Standards)

(CZKm)	Notes	*31.12.2000*	*31.12.1999*
ASSETS			
Cash and balances with central banks	11	18,959	10,493
Treasury bills		17,955	8,677
Loans and advances to banks	12	110,394	115,257
Loans and advances to customers	13	148,926	97,046
Debt securities	15	33,147	10,004
Equity shares	16	3,847	1,479
Interests in associated companies	17	273	262
Property and equipment	18	14,411	9,345
Goodwill	19	692	(579)
Other assets, including tax assets	20	9,100	3,382
Prepayments and accrued income		5,079	2,332
State-assisted rescue acquisition receivable	4	172,924	-
Total assets		**535,707**	**257,698**
LIABILITIES			
Amounts owed to banks	22	37,519	45,363
Amounts owed to customers	23	348,819	126,498
Debt securities in issue	24	66,213	38,750
Other liabilities, including tax liabilities	25	25,632	8,018
Accruals and deferred income		4,061	3,209
Provisions for off-balance sheet credit risk	14	3,772	3,809
Other provisions	26	13,277	64
Total liabilities		**499,293**	**225,711**
Minority interests		**2,078**	**509**
SHAREHOLDERS' EQUITY			
Share capital	27	5,105	5,105
Reserves		19,564	19,659
Treasury shares		(338)	(68)
Retained earnings		10,005	6,782
Total shareholders' equity		**34,336**	**31,478**
Total liabilities and shareholders' equity		**535,707**	**257,698**

The accompanying notes are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors on 21 March 2001 and signed on its behalf by:

Pavel Kavánek
Chairman of the Board of Directors
and Chief Executive Officer

Jan Lamser
Member of the Board of Directors
and Senior Executive Officer

Československá obchodní banka, a.s.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2000

(According to International Accounting Standards)

(CZKm)	Share capital	Reserves: Statutory	Reserves: Share premium	Reserves: Translation	Treasury shares	Retained earnings	Total Equity
At 1 January 1999	5,105	15,395	-	(46)	(203)	7,250	27,501
Currency translation differences, not recognised in the profit and loss statement	-	-	-	13	-	-	13
Profit for the year	-	-	-	-	-	2,823	2,823
Transfer to statutory reserve	-	3,291	-	-	-	(3,291)	-
Purchase of treasury shares	-	-	-	-	(776)	-	(776)
Sale of treasury shares	-	-	1,006	-	911	-	1,917
At 31 December 1999	**5,105**	**18,686**	**1,006**	**(33)**	**(68)**	**6,782**	**31,478**
At 1 January 2000	5,105	18,686	1,006	(33)	(68)	6,782	31,478
Currency translation differences, not recognised in the profit and loss statement	-	-	-	(95)	-	-	(95)
Profit for the year	-	-	-	-	-	4,691	4,691
Purchase of treasury shares	-	-	-	-	(270)	-	(270)
Dividends	-	-	-	-	-	(1,468)	(1,468)
At 31 December 2000	**5,105**	**18,686**	**1,006**	**(128)**	**(338)**	**10,005**	**34,336**

The accompanying notes are an integral part of these consolidated financial statements.

Československá obchodní banka, a.s.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2000

(According to International Accounting Standards)

(CZKm)	Note	*2000*	*1999*
Cash flows from operating activities			
Profit before taxation		6,465	4,566
Adjustments for:			
Credit loss provisions		(448)	938
Other provisions		126	64
Depreciation		1,373	1,093
Net loss on sales of investment securities		84	20
Net gain on sale of property and equipment		(46)	(3)
Goodwill amortisation		(313)	(267)
Other		145	(214)
(Increase) decrease in operating assets			
Trading securities		11,312	813
Loans and advances to banks, non-demand		6,547	(18,691)
Loans and advances to customers		(2,318)	(70)
State-assisted rescue acquisition receivable		6,815	-
Other assets		(305)	785
Prepayments and accrued income		(1,307)	(77)
Increase (decrease) in operating liabilities			
Amounts owed to banks, term		(39,192)	(10,149)
Amounts owed to customers		17,476	15,646
Promissory notes and certificates of deposit		9,035	18,445
Other liabilities		(5,098)	(2,740)
Accruals and deferred income		(98)	(320)
Net cash flow from operating activities before income tax		10,253	9,839
Net income tax paid		(852)	(804)
Net cash flow from operating activities		9,401	9,035
Cash flows from investing activities			
Acquisition of IPB, net of cash paid		17,123	-
Change in consolidation scope		(102)	-
Purchase of investment securities		(22,979)	(1,035)
Purchase of associated companies		(34)	-
Purchase of property and equipment		(1,214)	(830)
Proceeds from sales and redemptions of investment securities		7,807	408
Proceeds from sales of associated companies		3	42
Proceeds from sales of property and equipment		258	279
Net cash flow from investing activities		862	(1,136)
Cash flows from financing activities			
Issue of bonds		549	-
Repayment of bonds		(6,085)	(2,127)
(Purchase) sale of treasury shares		(270)	1,141
Decrease in minority interests		(274)	(139)
(Decrease) increase in borrowings		(6,317)	3,450
Dividends paid		(1,468)	-
Net cash flow from financing activities		(13,865)	2,325
Effect of exchange rate changes on cash and cash equivalents		(274)	160
Net (decrease) increase in cash and cash equivalents	29	**(3,876)**	**10,384**

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

(According to International Accounting Standards)

1. INTRODUCTION

Československá obchodní banka, a.s. (the Bank or ČSOB) was incorporated in the former Czechoslovakia as a joint-stock company under the former Joint-Stock Companies Act on 21 December 1964. It is a universal bank operating in the Czech Republic and the Slovak Republic providing a wide range of banking activities in Czech crowns and foreign currencies for domestic and foreign customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

The consolidated financial statements comprise the accounts of the Bank and its subsidiary companies (together the Group) which have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee. They have been prepared under the historical cost convention, except as modified by the revaluation of certain trading assets and liabilities to fair value, and full accrual accounting. The accounts are expressed in millions of Czech crowns (CZKm).

b) Consolidation

Consolidated financial statements include all subsidiary companies that are controlled by the Bank and all companies jointly controlled by the Bank (joint ventures), other than those excluded because control or joint control is assumed to be temporary or because they are immaterial, in aggregate, to the Group. Subsidiaries and joint ventures excluded from consolidation are presented in the financial statements as "Equity shares" held for investment.

Control over subsidiary companies is presumed to exist when one of the following circumstances exists:

- more than one-half of the subsidiary company's voting power is controlled by the Bank
- the Bank is able to govern the financial and operating policies of the subsidiary company
- the Bank can control the removal or appointment of a majority of the subsidiary company's Board of Directors

Joint control exists when two or more venturers are bound by a contractual arrangement, which includes the establishment of joint control.

Subsidiary companies included in the Group consolidation are fully consolidated, which includes the elimination of all significant intra-group balances and transactions and a separate disclosure for minority interests. Joint ventures included in the Group consolidation are proportionally consolidated, which requires a venturer's share of the assets, liabilities, incomes and expenses in the joint venture to be combined with those of the venturer on a line-by-line basis.

c) Interests in associated companies

An associated company is one in which the Group holds, directly or indirectly, more than 20% but less than 50% of the voting power of the company, or where the Group has power to exercise significant influence over the company, but not control.

Interests in associated companies are accounted for under the equity method. Where interests in associated companies are considered immaterial, they are accounted for at cost less any permanent diminution in value. All associated companies of the Group for 2000 and 1999 are considered immaterial.

d) Acquisitions

(i) Purchase method

For its material corporate acquisitions, the Group has used the purchase method of accounting, which defines the cost of acquisition and the values to ascribe to the individual assets and liabilities acquired. The cost of acquisition is the amount of cash or cash equivalents paid plus the fair value, at date of exchange, of other purchase consideration paid by the Group. The identifiable assets and liabilities acquired are recognised at their fair values on acquisition date.

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill is deferred and amortised on a straight-line basis over 10 years to "Other operating expense".

Negative goodwill represents the excess of the fair value of the Group's share of the net assets of the acquired subsidiary/associated company over its cost of acquisition as at the date of acquisition. Unamortised negative goodwill is presented in "Goodwill" and amortised through income in "Other operating income".

Change in accounting policy – amortisation of negative goodwill
Before 2000, the Group followed the allowed alternative treatment under IAS 22 which enabled negative goodwill to be treated as deferred income and amortised over five years. In 2000, IAS 22 (revised 1998) became effective which contained, among other items, an amendment changing the accounting standard for amortising negative goodwill. Under IAS 22 (revised 1998), negative goodwill that exceeds reliably measurable future losses and expenses of an acquired entity (not reflected in its identifiable assets and liabilities) and the fair values of its depreciable non-monetary assets is recognised in the income statement immediately. This accounting change has been applied prospectively, which means this new policy is applied to events and transactions occurring after the effective date of change - 1 January 2000. Accordingly, this new accounting policy applies to negative goodwill arising after 1 January 2000, and negative goodwill that brought forward from 1999 continues to be amortised under the previous amortisation period of five years.

As a result of applying the new accounting standard, all negative goodwill that arose in 2000 was credited to income because there were neither reliably measurable future losses or expenses nor material depreciable non-monetary assets of the company in which additional equity shares were purchased. The net profit effect from this accounting standard change in the current period was an increase of CZK 58m (Note 19). Another result of the accounting standard change is unamortised negative goodwill that was reclassified from "Other liabilities, including tax liabilities" to "Goodwill".

Subsequent changes in the value of goodwill
The calculation of goodwill and negative goodwill requires Bank management to make estimates in connection with the fair valuation of the identifiable assets and liabilities acquired. Subsequent information, obtained by the end of the first annual accounting period commencing after acquisition, that provides better evidence as to the fair value of the identifiable assets and liabilities, including the effect of state financial assistance, will be used to adjust the carrying value of the particular identifiable assets and liabilities acquired. Against that, goodwill is adjusted with changes to its amortisation reflected prospectively over its remaining useful life.

Required additional acquisition compensation payments that become probable and reliably estimable and further direct acquisition costs incurred in the future are charged to goodwill with future amortisation adjusted accordingly.

(iii) State financial assistance granted in connection with rescue acquisitions
State financial assistance granted in connection with rescue acquisitions is recognised to the extent that receipt is probable and the amount is reasonably estimable. The fair value of such assistance is recognised as an identifiable asset on acquisition.

When the receipt and amount of state financial assistance becomes probable and reasonably estimable, its fair value is recorded as a reduction of goodwill before the end of the first annual accounting period commencing after acquisition. Accordingly, goodwill amortisation is adjusted prospectively over its remaining useful life.

State financial assistance is also issued by the Czech state in the form of embedded derivative financial instruments in connection with rescue acquisition (see Note 4). Such derivatives generally provide two types of financial assistance: 1) fair value assistance on certain assets acquired on the date of acquisition and 2) revenue assistance after the date of acquisition. Derivative revaluation gains, providing fair value assistance, are recognised in the carrying values of the particular assets hedged at the date of acquisition. Such revalued assets are recorded under "State-assisted rescue acquisition receivable". Derivative gains providing revenue assistance are recognised in income. Income which is equivalent to the return on Czech sovereign debt is recorded under "Interest income" whilst income in excess of that return is presented as "Commission income".

Other financial assistance income is accrued and recognised in the period in which it is earned.

Future losses or damages resulting from contingencies related to a rescue acquisition that are covered by indemnification provisions of an agreement to provide state financial assistance are recognised simultaneously with reimbursements receivable from the agreement.

e) Interest income and expense
Interest income and expense are recognised in the profit and loss statement on an accruals basis. Interest income includes coupons earned on fixed income securities and amortised discount. Interest expense includes borrowing cost amortisation on other provisions.

f) Employee retirement benefits
Pensions are provided by the Czech Republic and the Slovak Republic to resident employees financed by salary-based social security contributions of the employees and their employers.

Certain Group companies contribute to a defined contribution retirement benefit scheme for participating Czech Republic employees, which is in addition to the employer social security contributions required by the Czech Republic. Contributions are charged to the profit and loss statement as they are made.

g) Loans and advances and finance leases

Loans and advances are carried at the amount of principal outstanding, net of provisions for credit losses and any discounts or premiums if purchased. Finance leases are carried at the aggregate level of lease payments receivable plus estimated residual value of the leased property, less unearned income. Unearned income is amortised over the lease terms by methods that approximate the interest method.

Generally, loans are placed on non-accrual status when they become 90 days overdue as to principal or interest. At that point, all accrued and unpaid interest is reversed and any subsequent payments are accounted for on a cash receipt basis.

h) Provisions for credit losses

Provisions for credit losses are made against on- and off-balance sheet credit exposures representing management's estimate of credit losses. Bank management uses financial and non-financial criteria, in addition to the number of days in arrears, to classify its on- and off-balance sheet credit exposures internally for credit risk management and prudent provisioning (as well as to comply fully with the regulatory requirements of the Czech National Bank). Provisions are also created for losses contained in the credit portfolio not yet specifically identified. Pledged collateral is discounted to achieve conservative estimated net realisable values that are considered in the provisioning assessment. State coverage granted in connection with credit exposures is reflected in the carrying values of the particular state-covered exposures.

Provisions raised, released and used during the year are charged to or released from the profit and loss statement. Outstanding credit exposures are written off when there is no realistic prospect of recovery.

i) Sale and repurchase agreements

Where securities are sold under a commitment to repurchase at a predetermined price ('repos'), they remain on the balance sheet and a liability is recorded equal to the consideration received. Conversely, securities purchased under a commitment to resell ('reverse repos') are not recorded on the balance sheet and the consideration paid is recorded as a loan. The difference between the sale price and repurchase price is treated as interest and accrued evenly over the life of the transaction.

Repo and reverse repo operations are recognised on a settlement date basis.

j) Securities (treasury bills, debt securities and equity shares)

Investment debt securities and treasury bills are those that management intend to hold for the long-term or until maturity and are stated at cost as adjusted for the amortisation of premiums and discounts over the period to maturity, less permanent diminution in value.

Investment equity shares are long-term investments management hold for strategic and operational purposes. Such investments are carried at cost less permanent diminution in value.

Dividends on investment equity shares are included in "Other operating income".

Trading securities are carried at fair value based upon quoted market prices, adjusted for liquidity circumstances where necessary, or estimates from quoted market prices of comparable instruments. Realised and unrealised gains and losses are included in "Net profit on financial operations".

Interest earned on treasury bills and debt securities is reported as "Interest income". Dividends received on trading equity shares are included in "Net profit on financial operations".

Security operations are recognised on a settlement date basis.

k) Property and equipment

All property and equipment is stated at historical cost less accumulated depreciation and any permanent impairment in value.

Depreciation is calculated under the straight-line method to write off the cost of each asset to its residual value over its estimated useful life, as follows:

Buildings	30 years
Furniture	6 years
Equipment	4–12 years

l) Deferred income taxation

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Enacted future tax rates are used to determine deferred income tax.

The principal temporary differences arise from credit loss provisions, accelerated tax depreciation on property and equipment, securities valuation, derivatives valuation, finance lease valuation and shares in Group companies. All deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised. Deferred tax assets and liabilities are netted only within the individual Group companies.

At 31 December 2000 and 1999, the Group recorded a net deferred tax asset under "Other assets, including tax assets" and a net deferred tax liability under "Other liabilities, including tax liabilities".

m) Funding (Amounts owed to banks and customers and Debt securities in issue)
Generally, funding is recognised at the amounts received. Issued funding is recorded as the amount of issue proceeds net of transaction costs, if material. Funding acquired is recognised initially at the present values of amounts to be disbursed discounted at appropriate current interest rates as at the date of acquisition. Interest on such funding is recognised using the effective yield method.

n) Derivative financial instruments
Derivative financial instruments include swaps, forwards, options and futures. The Group uses various types of derivative instruments in both its trading and asset and liability management activities.

Derivative financial instruments entered into for trading purposes or to hedge trading positions are carried at fair value. Unrealised gains and losses are reported under "Other assets, including tax assets" and "Other liabilities, including tax liabilities". Realised and unrealised gains and losses are recognised in "Net profit on financial operations".

Fair values are based upon quoted market prices, discounted cash flow models and option pricing models as appropriate.

Derivative financial instruments specifically designated for asset and liability management are accounted for on the same basis as the underlying transactions they hedge.

o) Treasury shares
Own shares of the Group held at the balance sheet date are designated as "Treasury shares". Treasury shares are recorded at cost and deducted from the Group's equity. Gains and losses on sales of treasury shares are credited and charged to "Share premium reserve" net of taxation and related costs.

p) Foreign currencies
Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates on the date of the transaction. Assets and liabilities denominated in foreign currencies are translated at official rates of exchange effective on the balance sheet date. Realised and unrealised gains and losses on foreign exchange are recognised in the profit and loss statement.

Profit and loss statements of foreign entities are translated into the Group's reporting currency at average exchange rates for the year and the balance sheets are translated at the year-end exchange rates ruling at 31 December. Exchange differences arising from retranslating the net investments in the foreign subsidiaries and exchange differences arising from retranslating the annual results of foreign entities from the average rate to the exchange rate ruling at year-end are accounted for in the "Translation reserve". Other exchange differences are recognised in the profit and loss statement.

q) Offsetting
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

r) Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 3 months maturity from the date of acquisition including: cash and balances with central banks, treasury bills, debt securities, loans and advances to banks (demand) and amounts owed to banks (demand).

s) IAS accounting and reporting developments
In 2001, IAS 39 (Financial Instruments: Recognition and Measurement) comes into force. IAS 39 represents a significant change in the accounting and presentation of financial assets and liabilities for banks, especially those used in connection with hedging activities. ČSOB is currently assessing the impact of IAS 39 on the Group's operating performance and financial condition.

3. ČSOB's SHAREHOLDERS

The significant shareholder structure of ČSOB as at 31 December 2000 is as follows:

	%
KBC Bank N.V.	70.44
European Bank for Reconstruction and Development	7.47
KBC Bank and Insurance Holding Company	5.55
KBC Verzekeringen N.V.	5.55
International Finance Corporation	4.39
Others	6.60
Total	100.00
KBC Group	81.54

4. RESCUE ACQUISITION OF INVESTIČNÍ A POŠTOVNÍ BANKA, A.S. (IPB)

Introduction

IPB was placed under forced administration on 16 June 2000 by the Czech National Bank (CNB) to protect IPB's depositors and preserve the stability of the Czech banking sector. At 7am on 19 June 2000 (19 June 2000) ČSOB purchased the net assets of IPB, from IPB's forced administrator, in a state-assisted bank rescue acquisition.

Summaries of the four main agreements executed in connection with the rescue acquisition that day follow:

- *Purchase Agreement*. Executed between IPB's forced administrator and ČSOB, this agreement transferred IPB's net assets to ČSOB in exchange for deferred compensation. The level of such compensation will be determined after the completion of a special-purpose valuation on the IPB enterprise, to be completed in 1H 2001, by appointed investment banks.
- *Agreement and State Guarantee*. Executed between the Czech Ministry of Finance (CMoF) and ČSOB, this agreement (CMoF agreement) effectively guarantees that ČSOB will be compensated for any shortfall in IPB's net assets through various state financial assistance mechanisms. One of the state-assistance mechanisms is a specific asset swaption, discussed further below. Another is a state note receivable for any IPB net assets shortfall, after considering the effect of state financial assistance received from the specific asset swaption. The final IPB net assets shortfall amount, if any, will be agreed by two independent auditors. The CMoF agreement is to be replaced by a Restructuring Plan developed jointly by Konsolidační banka, a.s. (KoB) and ČSOB.
- *Agreement and Indemnity*. Executed between the CNB and ČSOB, this agreement (CNB agreement) sets out the various indemnities (state financial assistance) granted by the CNB to reimburse ČSOB for losses and damages it may incur arising from contingencies and commitments in connection with the purchase of IPB.
- *Compensation for State Guarantee*. Executed between the CMoF and ČSOB, this agreement sets out a level of net compensation ČSOB is to pay for the state guarantee. It is based upon the total risk weighted assets of IPB which ČSOB intends to keep in its portfolio.

Restructuring Plan

The CMoF agreement requires KoB and ČSOB to agree on a Restructuring Plan, the purpose of which is to produce a more comprehensive state financial assistance and asset restructuring programme. The Restructuring Plan will replace the CMoF agreement thus passing responsibility for the IPB state financial assistance and asset restructure from the CMoF to KoB.
ČSOB and KoB are currently negotiating the terms and conditions of the Restructuring Plan which is expected to be finalised shortly. ČSOB's estimate of the final outcome of the negotiations is summarised as follows:

- The IPB assets that ČSOB does not want to keep in its portfolio as at 31 December 2000 will be transferred to KoB. The transfer will have economic effect from 19 June 2000, which includes all cash flows on those assets to the date of legal transfer to KoB. ČSOB will be compensated for funding and managing those assets up until their date of transfer to KoB in the form of KoB note receivables with terms structured to complement ČSOB's balance sheet.
- Off-balance sheet customer credit exposures connected with unwanted IPB customer on-balance sheet credit exposures will be transferred to KoB as well.

State Financial Assistance - Specific Asset Swaption

Pursuant to the CMoF agreement, ČSOB has been granted the option to sell any IPB asset to the CMoF or KoB and all of the respective contractual cash flows on such assets from 19 June 2000 to the date of option exercise. In exchange, ČSOB would obtain short-term CMoF/KoB receivables with notional amounts equal to the originally-recorded 19 June 2000 net book values of the IPB assets to be sold. Income accrues at the appropriate three-month interbank offer rate (for the particular currencies) plus 90 basis points to the date of option exercise. This embedded financial instrument is an option to swap an identified IPB asset for a CMoF/KoB asset (specific asset put swaption) from 19 June 2000 which, in substance, provides a form of state financial assistance to ČSOB for purchasing the net assets of IPB.

In the same agreement, ČSOB has granted KoB the option to buy from ČSOB specified IPB assets under the same terms and conditions as ČSOB's specific asset put swaption (specific asset call swaption). However, such assets must already be part of revitalisation/restructuring programmes implemented by the Czech Government, KoB or its subsidiaries.

ČSOB's and KoB's rights to exercise their respective specific asset swaptions expire on the later of 19 June 2001 or the date on which the auditors agree the IPB net assets shortfall amount.

From 19 June to 31 December 2000, KoB exercised asset call swaptions and ČSOB exercised asset put swaptions on IPB assets with original accounting values of CZK 1,377m and CZK 1,419m respectively. Those asset swaptions were settled in cash in December 2000 and January 2001.

Valuation of the Specific Asset Swaptions

ČSOB's Board of Directors passed a resolution on 31 January 2001 confirming the division of IPB's assets and liabilities as at 19 June 2000 into those the Bank will keep and those it will subject to the available state-assistance mechanisms. For the remaining unwanted assets as at 31 December 2000 (which excludes those on which specific asset swaptions were exercised during 2000) the Bank intends to exercise the specific asset put swaptions embedded in them pursuant to the CMoF agreement.

To recognise state financial assistance on the remaining unwanted assets as at 31 December 2000, ČSOB has valued the embedded specific asset put swaptions which has resulted in the following financial statement effects:

- Establishment of a synthetic receivable from CMoF/KoB at a notional value equal to the 19 June 2000 originally-recorded net book value of the unwanted IPB assets at 31 December 2000 but with Czech sovereign risk (zero credit risk weighting).
- Income accrued on the above asset at the respective three-month interbank offer rate plus 90 basis points.
- Net cash inflows from 19 June 2000 to year-end on the unwanted IPB assets being accumulated and deducted from the synthetic receivable from CMoF/KoB. Interest expense accrued on the average cash inflow balance using the two-week CNB repo rate for the period (5.25%) and is deducted from interest income accrued on the synthetic receivable.

The above financial statement effects reflect the intrinsic value of the embedded specific asset swaptions as at 31 December 2000.

No state financial assistance on the individual IPB assets ČSOB will keep in its portfolio
On the individual IPB assets ČSOB has kept in its portfolio, all respective risks and returns have been recognised from 19 June 2000.

State Financial Assistance - Compensation for Net Assets Shortfall
Should the net assets of IPB at 19 June 2000 be negative (after considering the effects on the unwanted IPB assets from specific asset put swaption valuation) ČSOB is entitled, pursuant to the CMoF agreement, to obtain a note receivable from the CMoF for the amount of the net assets shortfall. Income on the receivable accrues at the three-month Prague interbank offer rate plus 90 basis points.

The IPB net assets, as calculated by ČSOB management according to the CMoF agreement, amounted to a negative CZK 3,850m at 19 June 2000. Accordingly, ČSOB has recognised a note receivable from the CMoF in that amount.

State Financial Assistance - CNB Indemnities
A provision has not been raised for losses or damages in connection with ČSOB acquiring IPB because such losses or damages are neither probable nor reliably estimable as at 31 December 2000. Accordingly, it is not necessary to recognise any indemnity financial assistance as at 31 December 2000.

CNB damage and loss indemnity coverage is expected to expire in the second quarter of 2002.

State-Assisted Rescue Acquisition Receivable
As a result of applying the state financial assistance available under the CMoF agreement, ČSOB has recognised a State-assisted rescue acquisition receivable which is comprised of the following as at 31 December 2000, including the respective effects on income for 2000:

		2000	
(CZKm)	*31.12.2000*	Interest income	Commision income
Net receivable - unwanted IPB assets	168,942	5,036	739
CMoF note receivable - net assets shortfall	3,982	132	-
State-assisted rescue acquisition receivable	**172,924**	**5,168**	**739**

Fair value of IPB net assets acquired

(CZKm)	Fair value *19. 6. 2000*
IPB assets and liabilities ČSOB will keep in its portfolio	
Cash and cash equivalents	17,208
Treasury bills	14,286
Loans and advances to banks	22,908
Loans and advances to customers, net	52,019
Trading debt securities	276
Investment debt securities (Note 15)	11,911
Trading equity shares	1,275
Investment equity shares (Note 16)	248
Interests in associated companies (Note 17)	2
Property and equipment, net (Note 18)	5,536
Other assets	6,882
Amounts owed to banks	(43,087)
Amounts owed to customers	(206,254)
Debt securities in issue	(24,895)
Provisions for off-balance sheet credit losses	(1,157)
Other provisions (Note 26)	(13,003)
Other liabilities	(21,907)
Minority interests	(1,843)
IPB assets ČSOB will not keep in its portfolio	
Assets to be transferred to KoB via ČSOB exercising specific put swaptions*	175,889
Additional Ministry of Finance state financial assistance	
Net asset shorfall as at 19 June 2000, after valuation of specific asset put swaptions	3,850
Fair value of IPB net assets acquired	**144**

*Fair value of these IPB assets includes the valuation effect of the embedded specific asset put swaptions (state financial assistance) which results in the fair value of such assets being equivalent to their originally recorded IPB net book value at 19 June 2000.

The fair value of the IPB net assets acquired approximates but does not equal zero because the valuation methods used to calculate the net asset shortfall financial assistance differ slightly from those used to value the individual consolidated assets and liabilities of IPB.

Fair values of the individual IPB assets and liabilities, as at 19 June 2000, that ČSOB will keep in its portfolio have been calculated by ČSOB management using the best available information and reasonable estimates.

Full fair valuation was not carried out on the unwanted IPB assets because valuation work on them was only undertaken to the extent necessary for management to decide whether they would not be retained by ČSOB. A full fair valuation of the unwanted IPB assets would have required ČSOB to suffer unreasonable additional costs, which would have outweighed any additional benefits that may have been realised.

Goodwill

Goodwill arising on the acquisition of IPB's net assets was calculated as follows:

(CZKm)	*19. 6. 2000*
Total consideration (of which CZK 100m in cash has been paid)	918
Costs directly attributable to the acquisition	285
Cost of acquisition	1,203
Less: Fair value of IPB net assets acquired	(144)
Goodwill arising on the acquisition of IPB's net assets (Note 19)	**1,059**

Off-balance sheet items ČSOB will not keep in its portfolio

The IPB off-balance sheet credit exposures ČSOB will not keep in its portfolio, the risks of which are fully covered by the Czech state, are set out as follows:

(CZKm)	*31.12.2000*
State-covered, unwanted IPB contingent liabilities	7,403
State-covered, unwanted IPB commitments	4,983

Financial effects of the IPB rescue acquisition on the ČSOB group
The state-assisted acquisition of IPB increased ČSOB's balance sheet as at 31 December 2000 significantly. Total assets increased CZK 264,042m which includes: CZK 172,924m in State-assisted rescue acquisition receivable and CZK 45,236m in Loans and advances to customers, net. Total liabilities increased CZK 260,189m which include: CZK 192,946m in Amounts owed to customers and CZK 26,563m in Debt securities in issue.

The net profits arising from IPB's operations (including the effects of state assistance) for the period from 19 June 2000 to 31 December 2000 was CZK 2,030m.

5. NET INTEREST INCOME

(CZKm)	*2000*	*1999*
Interest income		
Loans and advances to banks	6,910	6,598
Loans and advances to customers	12,333	11,150
Treasury bills and debt securities	2,460	1,448
Off-balance sheet items	2,520	2,059
State-assisted rescue acquisition receivable (Note 4)	5,168	-
	29,391	**21,255**
Interest expense		
Amounts owed to banks	3,316	3,672
Amounts owed to customers	10,976	6,688
Debt securities in issue	1,613	1,679
Off-balance sheet items	2,235	2,225
Borrowing cost amortisation on other provisions (Note 26)	137	-
	18,277	**14,264**
Net interest income	**11,114**	**6,991**

6. NET COMMISSION INCOME

(CZKm)	*2000*	*1999*
Commission income	4,474	2,607
Commission expense	(1,181)	(1,007)
State financial assistance for administrating unwanted IPB assets	739	-
	4,032	**1,600**

7. NET PROFIT ON FINANCIAL OPERATIONS

(CZKm)	*2000*	*1999*
Net foreign exchange gains	2,972	1,901
Net trading securities (losses) gains	(4)	847
Net trading interest rate derivative (losses)	(2,308)	(312)
Net equity derivative gains	39	-
	699	**2,436**

Net foreign exchange gains include results arising from both non-trading and trading activities in foreign exchange cash, spot, forward, swap and option operations.

On 11 December 2000, large unauthorised and unrecorded short forward derivative positions in certain foreign government bonds at ČSOB were discovered and closed immediately. The resulting losses from these derivative trading operations totalled CZK 2,443m (CZK 1,686m after-tax). Since that time, all foreign bond proprietary trading at ČSOB has been prohibited. Subsequent investigations into this trading incident revealed that the dealing improprieties were isolated to foreign bond trading only; therefore, all other ongoing ČSOB dealing operations are not affected.

8. OTHER OPERATING INCOME

(CZKm)	*2000*	*1999*
Non-banking service revenues	1,599	-
Negative goodwill amortisation	372	267
Other	302	546
	2,273	**813**

9. GENERAL ADMINISTRATIVE EXPENSES

(CZKm)	*2000*	*1999*
Analysis of general administrative expenses		
Staff costs:		
Wages and salaries	3,130	1,771
Social security costs	1,086	638
Other pension costs, including retirement benefits	39	27
Deposit insurance	756	237
Fees to Česká Pošta	358	-
Other administrative expenses	4,043	1,832
	9,412	**4,505**

Retirement benefits

The Bank provides its Czech Republic employees with a voluntary defined contribution retirement scheme. Participating employees can contribute 1% or 2% of their salaries to a pension fund to which the Bank contributes 3% or 4% of their salaries, respectively. As an alternative, the Bank provided its employees who contributed 1% or 1.5% of their salaries to the Českomoravský pension fund, a company controlled by ČSOB, or the ČSOB pension fund, a wholly-owned subsidiary of ČSOB, with a contribution of 2% or 2.5%, respectively.

The average number of Group personnel, including Executive Board members, (full-time equivalents) during 2000 was 13,201 (1999: 5,125). The Supervisory Board had 9 and 15 members as at 31 December 2000 and 1999, respectively.

10. INCOME TAX EXPENSE

(CZKm)	*2000*	*1999*
Current tax expense	1,322	218
Previous year under (over) accrual	46	(115)
Deferred tax expense relating to the origination and reversal of temporary differences	328	1,585
Deferred tax expense resulting from reduction in tax rate	-	(5)
	1,696	**1,683**

(CZKm)	*2000*	*1999*
Profit before taxation	6,465	4,566
Applicable tax rates	31%	35%
Taxation at applicable tax rates	2,004	1,598
Previous year under (over) accrual	46	(115)
Tax effect of non-taxable income	(732)	(370)
Tax effect of non-deductible expenses	385	516
Effect on closing deferred taxes due to reduction in tax rate	-	(5)
Effect of foreign taxes	(2)	8
Other	(5)	51
	1,696	**1,683**

11. CASH AND BALANCES WITH CENTRAL BANKS

(CZKm)	*31.12.2000*	*31.12.1999*
Cash on hand	8,588	5,544
Balances with central banks	8,784	4,543
Other cash values	1,587	406
	18,959	**10,493**
Amounts include		
Mandatory minimum reserves with central banks	8,185	4,246

12. LOANS AND ADVANCES TO BANKS

(CZKm)	*31.12.2000*	*31.12.1999*
Analysed by product and bank domicile		
Current accounts		
domestic	410	71
foreign	1,257	17,312
Term placements		
domestic	16,393	17,843
foreign	35,142	25,623
Loans and advances		
domestic	42,221	34,618
foreign	15,221	20,135
	110,644	115,602
Credit loss provisions (Note 14)	(250)	(345)
	110,394	**115,257**
Analysed by internal classification		
Standard	110,352	115,268
Watch	-	-
Sub-standard	-	-
Doubtful	164	39
Loss	128	295
	110,644	**115,602**

13. LOANS AND ADVANCES TO CUSTOMERS

(CZKm)	*31.12.2000*	*31.12.1999*
Analysed by category of borrower		
Slovenská inkasná	20,525	18,879
Česká inkasní	8,179	11,789
Industrial companies	33,172	16,147
Other service companies	28,316	28,753
Retail customers	23,580	1,594
Trade companies	17,331	18,686
Leasing customers	11,189	9,427
Government bodies	4,217	363
Other	17,214	7,310
	163,723	112,948
Credit loss provisions (Note 14)	(14,797)	(15,902)
	148,926	**97,046**
Amounts include		
Gross non-accrual loans and advances	13,103	16,354

The loans and advances to customers include finance lease receivables, which may be analysed as follows:

(CZKm)	*31.12.2000*	*31.12.1999*
Not later than 1 year	6,478	5,100
Later than 1 year and not later than 5 years	7,414	6,492
Gross investment in finance leases	13,892	11,592
Unearned future finance income on finance leases	(2,703)	(2,165)
Net investment in finance leases	**11,189**	**9,427**
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	4,859	4,148
Later than 1 year and not later than 5 years	6,330	5,279
Net investment in finance leases	**11,189**	**9,427**

The allowance for uncollectable finance lease receivables included in the provision for credit losses amounted to CZK 305m at 31 December 2000 (31 December 1999: CZK 195m).

Analysed by internal classification

The total gross loans under the Group's classification system and the respective estimated net realisable collateral values are as follows:

	31.12.2000			*31.12.1999*		
(CZKm)	Gross loans	Collateral value	Net loans	Gross loans	Collateral value	Net loans
Exceptional loans with Czech-state coverage*	28,704	27,438	1,266	30,668	29,258	1,410
Standard	94,127	47,689	46,438	46,825	24,590	22,235
Watch	18,932	12,780	6,152	14,174	6,769	7,405
Sub-standard	7,410	5,031	2,379	4,011	2,102	1,909
Doubtful	9,381	1,466	7,915	11,820	4,705	7,115
Loss	5,169	587	4,582	5,450	321	5,129
	163,723	**94,991**	**68,732**	**112,948**	**67,745**	**45,203**

* Slovenská inkasná (90% Czech-state support) and Česká inkasní.

1993 restructuring

In 1993, the Bank's assets and capital were restructured by the governments of the Czech Republic and the Slovak Republic. As part of this restructuring, the Ministries of Finance of the Czech Republic and the Slovak Republic created separate collection companies (Česká inkasní and Slovenská inkasná, respectively) which assumed certain loans and off-balance sheet obligations of identified non-performing customers. Repayment of collection company loans is scheduled through to the year 2003. The Ministries of Finance agreed to fully support their respective collection companies; however, the Slovak Ministry of Finance has not provided financial support to Slovenská inkasná, as described below.

Slovenská inkasná

Background

Pursuant to the Agreement on Basis Principles of Financial Consolidation of ČSOB (Consolidation Agreement), on 31 December 1993 the Bank assigned and transferred to Slovenská inkasná, s.r.o. (SI), a wholly-owned subsidiary of the Slovak Ministry of Finance (SMoF), certain non-performing customer credit receivables in the Slovak Republic that had arisen under the previous command economy. In exchange for the receivables so assigned and to finance their purchase, the Bank extended credit in the form of loans to SI. Also pursuant to the Consolidation Agreement, the SMoF committed financial support to SI to enable it to satisfy fully its payment obligations to the Bank.

Proceeds from the assigned receivables were not sufficient to cover SI's scheduled payment obligations to the Bank. In addition, the SMoF did not provide any of the financial support to SI that it was contractually obliged to extend under the terms of the Consolidation Agreement. Consequently, SI defaulted on its debt to the Bank. On 10 April 1997 the Bank's Board of Directors decided to exercise its right, under the applicable agreements, to call the entire SI debt immediately due and payable.

Legal proceedings

On 18 April 1997, the Bank filed a request for arbitration under the auspices of the International Centre for Settlement of Investment Disputes (ICSID) in Washington, D.C., of its claim against the Slovak Republic arising from the Slovak Republic's failure to perform under the Consolidation Agreement. The Slovak Republic objected to ICSID's jurisdiction over the Bank's claims. In accordance with ICSID's arbitration rules, the ICSID Tribunal must rule on the question of jurisdiction as a preliminary matter. The ICSID Tribunal rendered its decision on 24 May 1999, ruling that it has jurisdiction over the matter and ordered the parties to proceed to the merits of the Bank's claims. On 15 November 1999, the Bank filed its memorial on the merits, which included a calculation of the damages that it claims. On 21 December 1999, the Slovak Republic raised further and partial objections to the ICSID Tribunal's jurisdiction, which substantially delayed issuance of a final award. On 1 December 2000, the Tribunal unanimously rejected the Slovak Republic's further and partial objections and ordered the parties to continue the proceedings on the merits of the case. A final award on the merits is expected no earlier than spring 2002. Based on the opinion of legal experts, the Bank believes that its position in the arbitration is very strong and that recovery on the obligation as well as the damage claims is likely.

State coverage

In 1997 the Bank's Czech-state shareholders pledged their support in principle to protect the Bank against negative financial or regulatory impacts that may arise from the SI issue. On 14 April 1998 the Czech Government adopted resolution No. 269 specifying the form of its support. In accordance with that resolution the Czech Ministry of Finance (CMoF) agreed, in a contract dated 24 April 1998 (Coverage Agreement), to advance on 31 December 2002, 90% of the outstanding balance of SI's debt to the Bank including interest. As a condition for receiving that support, the Bank is obliged to continue using its best efforts to enforce its rights as creditor of SI by all means available to it.

In view of the legal considerations arising from the SI bankruptcy (see below), a second coverage agreement was executed on 25 June 1998 between the Bank and the CMoF pursuant to which the CMoF agreed to provide support to the Bank as above.

SI bankruptcy

On 6 May 1998, SI was declared bankrupt by the Bratislava Regional Court. (The Bankruptcy petition had been filed in accordance with provisions of the Slovak Bankruptcy Act by SI itself.) The Bank, as SI's sole creditor, submitted its outstanding claims to the Court in the total amount of SKK 16,676m (SKK 15,271m and CZK 1,326m). The Bank also requested the ICSID Tribunal to order a stay of the bankruptcy proceedings pending the conclusion of the ICSID arbitration. The ICSID Tribunal responded favorably to the Bank's request ordering that the bankruptcy proceedings be suspended to the extent that such proceedings might include determinations as to whether SI has a claim in the form of a right to receive funds from the Slovak Republic to cover its losses as contemplated in the Consolidation Agreement at issue in the arbitration. Despite the ICSID Tribunal's order, the bankruptcy proceedings have continued. On 9 December 1999, the bankruptcy trustee acknowledged SKK 4,900m and rejected SKK 11,776m of the Bank's claim against SI. In response, the Bank made a further request to the ICSID Tribunal to order the bankruptcy court to suspend the bankruptcy proceedings until the conclusion of the ICSID arbitration. The ICSID Tribunal again ordered the bankruptcy proceedings to be suspended "to the extent that such proceedings might include determinations as to whether (SI) has made a loss resulting from the operating costs and the schedule of payments for the receivables assigned to it by (the Bank), including payment of interest, as contemplated in the Consolidation Agreement at issue in this arbitration." The Bank also filed a challenge to the bankruptcy trustee's determinations in the Bratislava Regional Court on 13 March 2000 and simultaneously petitioned the Court to suspend that proceeding until the conclusion of the ICSID arbitration. In the last quarter of 2000 the Bank again petitioned the bankruptcy court to dismiss the bankruptcy proceedings and, pursuant to the amendment to the Slovak Bankruptcy and Composition Act, petitioned the Court to replace the bankruptcy trustee.

Accounting treatment

Due to the Czech Government's agreement to pay 90% of the SI loan balance in accordance with the terms of the second coverage agreement, the Bank continues to recognise 90% of interest accruing (according to the agreed loan terms) and continues to suspend and exclude from income the remaining 10%.

14. CREDIT LOSS PROVISIONS

(CZKm)	2000	1999
Movements in credit loss provisions		
At 1 January	20,154	23,745
IPB acquisition	1,531	-
Change of consolidation scope	(146)	-
Exchange adjustments	46	429
Net (credit) charge against profits	(448)	938
Amounts written off against provisions	(2,234)	(4,958)
At 31 December	**18,903**	**20,154**
Analysis as at 31 December		
Loans and advances to customers (Note 13)	14,797	15,902
Loans and advances to banks (Note 12)	250	345
Other assets	84	98
Provisions for off-balance sheet credit risk (Note 28)	3,772	3,809
	18,903	**20,154**

15. DEBT SECURITIES

	31.12.2000		*31.12.1999*	
(CZKm)	Balance sheet	Fair value	Balance sheet	Fair value
Investment securities				
Issued by:				
Financial services companies	3,639	3,711	1,344	1,393
Other private companies	2,259	2,254	572	572
Government bodies	21,907	21,971	-	-
	27,805	27,936	1,916	1,965
Trading securities				
Issued by:				
Financial services companies	1,058		661	
Other private companies	500		986	
Government bodies	3,784		6,441	
	5,342		8,088	
Total Debt securities	**33,147**		**10,004**	
Investment securities				
Listed	25,329	25,465	1,916	1,965
Unlisted	2,476	2,471	-	-
	27,805	27,936	1,916	1,965
Trading securities				
Listed	4,637		7,926	
Unlisted	705		162	
	5,342		8,088	
Total Debt securities	**33,147**		**10,004**	

Schedule of Activity in Portfolio of Debt Investment Securities

(CZKm)	*2000*	*1999*
At 1 January	1,916	989
Exchange adjustments	37	100
Purchases	21,780	1,010
IPB acquisition (Note 4)	11,911	-
Change in consolidation scope	(788)	-
Disposals and amounts repaid	(7,737)	(203)
Transfer to trading portfolio	(366)	-
Transfer from trading portfolio	1,055	-
Amortisation of discounts and premiums	(80)	22
Other	77	(2)
At 31 December	**27,805**	**1,916**

16. EQUITY SHARES

	31.12.2000		*31.12.1999*	
(CZKm)	Balance sheet	Fair value	Balance sheet	Fair value
Investment securities				
Listed	100	72	13	13
Unlisted	2,239	2,397	387	354
	2,339	2,469	400	367
Trading securities				
Listed	1,297		665	
Unlisted	211		414	
	1,508		1,079	
Total Equity shares	**3,847**		**1,479**	
Investment securities include subsidiary companies not consolidated	**1,321**	**1,314**	**201**	**149**

Schedule of Activity in Portfolio of Equity Investment Securities

(CZKm)	*2000*	*1999*
At 1 January	400	617
Exchange adjustments	(22)	3
Purchases	1,199	25
IPB acquisition (Note 4)	248	-
Disposals	(44)	(186)
Change in consolidation scope	658	-
Permanent diminution in value	(100)	-
Transfer to Trading securities	-	(59)
At 31 December	**2,339**	**400**

17. INTERESTS IN ASSOCIATED COMPANIES

(CZKm)	*31.12.2000*	*31.12.1999*
Financial services companies	237	260
Other	36	2
	273	**262**
Listed	61	205
Unlisted	212	57
	273	**262**
Market value of listed Interests in associated companies	61	223

Schedule of Activity

(CZKm)	*2000*	*1999*
At 1 January	262	348
IPB acquisition (Note 4)	2	-
Purchases	34	-
Disposals	(3)	(79)
Exchange differences	(22)	(7)
At 31 December	**273**	**262**

18. PROPERTY AND EQUIPMENT

(CZKm)	Land and buildings	Furniture and equipment	Construction in progress	Total
Cost				
At 1 January 2000	8,261	5,072	343	13,676
Exchange adjustments	(70)	(44)	(5)	(119)
IPB acquisition (Note 4)	4,034	3,044	585	7,663
Transfers	224	1,077	(1,301)	-
Additions	-	-	1,214	1,214
Disposals	(146)	(557)	(34)	(737)
At 31 December 2000	12,303	8,592	802	21,697
Accumulated depreciation				
At 1 January 2000	846	3,485	-	4,331
Exchange adjustments	(3)	(28)	-	(31)
IPB acquisition (Note 4)	335	1,792	-	2,127
Disposals	(30)	(484)	-	(514)
Charge for the period	313	1,060	-	1,373
At 31 December 2000	1,461	5,825	-	7,286
Net book value				
At 1 January 2000	**7,415**	**1,587**	**343**	**9,345**
At 31 December 2000	**10,842**	**2,767**	**802**	**14,411**

19. GOODWILL

(CZKm)	Positive	Negative	Net
Net book value			
At 1 January 2000	-	(579)	(579)
IPB acquisition (Note 4)	1,059	-	1,059
Other acquisitions	4	(105)	(101)
Amortisation	(59)	372	313
31 December 2000	**1,004**	**(312)**	**692**
Gross amount acquired	1,063	(1,446)	(383)
Accumulated amortisation	(59)	1,134	1,075
31 December 2000	**1,004**	**(312)**	**692**

ČSOB changed its accounting policy, prospectively, for amortising negative goodwill because of a new accounting treatment contained in IAS 22 (revised 1998), that came into force on 1 January 2000 (see Note 2 d) (ii)).

20. OTHER ASSETS, INCLUDING TAX ASSETS

(CZKm)	31.12.2000	31.12.1999
Unrealised trading derivative gains (Note 30)	1,907	1,781
Receivables from security clearing entities	1,325	7
Other receivables from clients	1,047	176
Other taxes receivable	1,031	508
Other debtors, net of provisions	908	81
Items in the course of collection	809	199
Net deferred tax asset (Note 21)	801	255
Other clearing accounts	600	71
Current income tax receivable	497	282
Estimated receivables	175	22
	9,100	**3,382**

21. DEFERRED INCOME TAX

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 31% (1999: 31%). Deferred income tax assets and liabilities are attributable to the following items:

(CZKm)	31.12.2000	31.12.1999
Deferred income tax assets		
Credit loss provisions	341	266
Tax loss carryforward	287	-
Permanent diminution in value of buildings	119	-
Interest rate bonus	59	-
Unrealised foreign exchange results	34	43
Securities valuation	12	-
	852	**309**
Deferred income tax liabilities		
Securities valuation	45	54
Accelerated tax depreciation	6	-
	51	**54**
Net deferred income tax asset	**801**	**255**
Deferred income tax assets		
Credit provisions	390	731
Derivatives valuation	243	169
Securities valuation	134	59
Tax loss carryforward	3	-
	770	**959**
Deferred income tax liabilities		
Shares in Group companies	1,185	1,018
Finance lease valuation	232	254
Accelerated tax depreciation	53	48
	1,470	**1,320**
Net deferred income tax liability	**700**	**361**

Bank management believes it is probable that the Group will fully realise its gross deferred income tax assets based upon the Group's current and expected future level of taxable profits, the increasing proportion of the Group's tax-deductible credit provisions since 1993 and the expected offset within each Group company from gross deferred income tax liabilities.

22. AMOUNTS OWED TO BANKS

(CZKm)	31.12.2000	31.12.1999
Analysed by product and bank domicile		
Current accounts		
domestic	387	206
foreign	1,358	1,652
Term deposits		
domestic	9,186	8,896
foreign	6,164	7,868
Borrowings		
domestic	8,069	8,474
foreign	12,355	18,267
	37,519	**45,363**

23. AMOUNTS OWED TO CUSTOMERS

(CZKm)	31.12.2000	31.12.1999
Analysed by product		
Current accounts	109,742	42,073
Term deposits	239,077	84,425
	348,819	**126,498**
Analysed by customer type		
Individuals and households	217,454	49,775
Private companies and entrepreneurs	73,030	40,654
Foreign	27,841	17,164
Government bodies	15,399	6,979
Other financial institutions	6,563	4,336
Insurance companies	6,268	5,898
Other	2,264	1,692
	348,819	**126,498**

24. DEBT SECURITIES IN ISSUE

Issue date	Currency	Maturity date	Effective interest rate	31.12.2000	31.12.1999 (CZKm)
Bonds issued:					
June 1995	CZK	June 2000	11.00%	-	6,000
July 1999	SKK	July 2000	18.50%	-	85
May 1996	CZK	May 2001	5.64%	5,010	-
September 1996	CZK	September 2001	11.00%	972	-
December 1996	CZK	December 2001	11.00%	542	-
July 1997	CZK	July 2002	PRIBOR + 0.10%	6,000	6,000
March 2000	SKK	March 2003	14.00%	80	-
April 1998	CZK	April 2003	6.54%	6,222	-
June 1998	CZK	June 2003	12.00%	639	-
February 1999	CZK	February 2004	6.76%	3,174	-
February 1999	CZK	February 2004	8.90%	3,118	-
June 1999	CZK	June 2004	8.20%	579	-
May 2000	CZK	May 2005	6.40%	1,948	-
December 2000	CZK	December 2005	6.85%	408	-
				28,692	**12,085**
Promissory notes				35,946	24,095
Certificates of deposit				1,575	2,570
Debt securities in issue				**66,213**	**38,750**

25. OTHER LIABILITIES, INCLUDING TAX LIABILITIES

(CZKm)	*31.12.2000*	*31.12.1999*
Items in the course of transmission	14,187	2,475
Unrealised trading derivatives losses (Note 30)	2,453	2,056
Other creditors	2,296	645
Estimated payables	1,806	156
Current income tax payable	1,514	1,234
Other taxes payable	997	503
Current accounts from which value was collected	758	179
Net deferred tax liability (Note 21)	700	361
Payables to security clearing entities	70	1
Other clearing accounts	-	99
Other	851	309
	25,632	**8,018**

26. OTHER PROVISIONS

(CZKm)	Litigation losses	Loan purchase commitment losses	Onerous rent contract losses	Total
At 1 January 2000	64	-	-	64
Assumed by acquiring IPB (Note 4)	8,200	4,323	470	12,993
Net provision charge	126	-	-	126
Borrowing cost amortisation (Note 5)	-	130	7	137
Utilised during year	-	(5)	(38)	(43)
At 31 December 2000	**8,390**	**4,448**	**439**	**13,277**

Litigation losses
On acquiring IPB, ČSOB assumed litigation losses of CZK 8,200m that were both probable and reliably estimable in amount as at 19 June 2000.

Loan purchase commitment losses
IPB entered into an agreement with the CNB to buy back bad loans in connection with the restructure of Banka Haná. Those loans, with an estimated value of zero, will be purchased in 2004 and 2005. The present value of that commitment as at 19 June 2000 was CZK 4,323m and represents an obligation assumed by ČSOB in connection with its acquisition of IPB.

Onerous rent contract losses
ČSOB acquired a number of leasehold property arrangements from IPB in which the unavoidable contractual rental costs exceeded normal market rental conditions existing as at 19 June 2000. The present value of the excess rental costs of CZK 470m represents an obligation assumed by ČSOB in connection with its acquisition of IPB.

27. SHARE CAPITAL AND TREASURY SHARES

The total authorised share capital as at 31 December 2000 and 1999 is CZK 5,105m made up of 5,105,000 ordinary shares with a nominal value of CZK 1,000 each and is fully paid up.

All shareholders are entitled to one vote for every CZK 1,000 of nominal value owned. Shares are transferable upon approval of the Bank's Supervisory Board.

The number of Treasury shares held by the Group as at 31 December 2000 was 97,300 (1999: 35,000 shares).

28. CONTINGENT LIABILITIES AND COMMITMENTS

	31.12.2000		31.12.1999	
(CZKm)	Contract amount	Risk weighted amount	Contract amount	Risk weighted amount
Contingent liabilities				
Acceptances and endorsements	810	488	410	361
Guarantees issued	15,569	5,986	14,589	5,780
	16,379	**6,474**	**14,999**	**6,141**
Commitments				
Undrawn formal standby facilities, credit lines and other commitments to lend	36,284	14,880	31,771	-
Documentary credits	1,294	522	1,430	604
Forward forward deposits placed	8,008	1,602	519	-
	45,586	**17,004**	**33,720**	**604**
Provisions for off-balance sheet credit risk (Note 14)	3,772		3,809	

The above contractual amounts represent the maximum credit risk which would arise if the contracts are fully drawn, the customers default and the value of any existing collateral becomes worthless. Risk weighted amounts represent the on-balance sheet credit risk equivalents of the contractual amounts, weighted by customer risk factors, calculated in accordance with the Czech National Bank guidelines for capital adequacy measurement purposes. The calculation aims to achieve a measure of the likely occurrence of credit exposure arising from those instruments.

On 1 April 2000, new Czech National Bank capital adequacy regulations became effective. Amongst the changes, a zero credit risk weighting is available for undrawn credit commitments which have an original maturity of less than one year, are unconditionally irrevocable and can be cancelled without a notice period. Previously, such commitments could qualify for zero-weighting under the sole criterion that their original maturity was less than one year. Further, the new regulations require a 100% risk weighting for forward forward deposits; under the previous regulations no weighting was specified.

29. CONSOLIDATED CASH FLOW STATEMENTS

Analysis of changes in cash and cash equivalents during the year

(CZKm)	*2000*	*1999*
At 1 January	28,919	18,535
Net (decrease) increase in cash and cash equivalents	(3,876)	10,384
At 31 December	**25,043**	**28,919**

Analysis of the balances of cash and cash equivalents as shown in the balance sheets

(CZKm)	*31.12.2000*	*31.12.1999*
Cash and balances with central banks	18,959	10,493
Treasury bills, purchased within 3 months of maturity	5,317	2,127
Debt securites, purchased within 3 months of maturity	582	775
Loans and advances to banks, demand	1,786	17,383
Amounts owed to banks, demand	(1,601)	(1,859)
Cash and cash equivalents	**25,043**	**28,919**

30. DERIVATIVE FINANCIAL INSTRUMENTS

The notional amounts and positive and negative fair values of the Group's outstanding trading and asset and liability management derivative contracts entered into with third parties were as follows:

	31.12.2000			*31.12.1999*		
	Notional	Fair value		Notional	Fair value	
(CZKm)	amount	Positive	Negative	amount	Positive	Negative
TRADING						
Interest rate related contracts						
Swaps	30,608	1,040	1,152	25,978	1,184	1,374
Forwards	66,551	62	53	124,575	275	346
	97,159	**1,102**	**1,205**	**150,553**	**1,459**	**1,720**
Exchange rate related contracts						
Swaps	55,105	331	270	40,469	45	62
Forwards	14,442	412	179	6,076	66	-
Options purchased	8,225	62	-	12,412	211	-
Options written	16,708	-	86	15,504	-	274
	94,480	**805**	**535**	**74,461**	**322**	**336**
Equity related contracts						
Forwards	1,260	-	-	-	-	-
Options	700	-	713	-	-	-
	1,960	**-**	**713**	**-**	**-**	**-**
Total trading derivatives	**193,599**	**1,907**	**2,453**	**225,014**	**1,781**	**2,056**
ASSET AND LIABILITY MANAGEMENT						
Interest rate related contracts						
Swaps	5,400	415	266	34,581	1,281	1,059
Forwards	-	-	-	300	2	-
	5,400	**415**	**266**	**34,881**	**1,283**	**1,059**
Exchange rate related contracts						
Swaps	16,271	166	489	21,298	653	876
Equity related contracts						
Forwards	173	-	-	-	-	-
Options	1,793	-	78	-	-	-
	1,966	**-**	**78**	**-**	**-**	**-**
Total asset and liability management derivatives	**23,637**	**581**	**833**	**56,179**	**1,936**	**1,935**

Notional amounts represent the volume of outstanding transactions at a point in time; they do not represent the potential for gain or loss associated with market risk or credit risk of such transactions.

All derivatives are traded over-the-counter.

The maximum credit exposure on the Group's outstanding derivatives is measured as the cost of replacing their cash flows with positive fair value if the counterparties default, less the effects of bilateral netting arrangements and collateral held. The Group's actual credit exposures are less than the positive fair value amounts shown in the table above as netting arrangements and collateral have not been considered.

There are no significant concentrations of trading and asset and liability management derivative credit exposures other than with the international banking sector, which are the usual counterparties to transactions undertaken for trading and managing the Group's own risks.

State financial assistance derivatives received by ČSOB as part of its acquisition of IPB are not presented separately as they are embedded in the IPB assets acquired (see Note 4).

The remaining maturities of the derivative counterparty transactions as at 31 December 2000 are set out below:

(CZKm)	Up to 1 year	1-5 years	Over 5 years	Total
TRADING				
Interest rate related contracts				
Swaps	11,312	19,296	-	30,608
Forwards	56,866	9,685	-	66,551
	68,178	**28,981**	**-**	**97,159**
Exchange rate related contracts				
Swaps	49,903	1,755	3,447	55,105
Forwards	13,051	1,391	-	14,442
Options purchased	8,225	-	-	8,225
Options written	16,357	351	-	16,708
	87,536	**3,497**	**3,447**	**94,480**
Equity related contracts				
Forwards	510	750	-	1,260
Options	700	-	-	700
	1,210	**750**	**-**	**1,960**
Total trading derivatives	**156,924**	**33,228**	**3,447**	**193,599**
ASSET AND LIABILITY MANAGEMENT				
Interest rate related contracts				
Swaps	950	4,450	-	5,400
Exchange rate related contracts				
Swaps	10,574	5,622	75	16,271
Equity related contracts				
Forwards	173	-	-	173
Options	1,718	75	-	1,793
	1,891	**75**	**-**	**1,966**
Total asset and liability management derivatives	**13,415**	**10,147**	**75**	**23,637**

The remaining maturities of the derivative counterparty transactions as at 31 December 1999 are set out below:

(CZKm)	Up to 1 year	1-5 years	Over 5 years	Total
TRADING				
Interest rate related contracts				
Swaps	5,720	20,058	200	25,978
Forwards	124,175	400	-	124,575
	129,895	**20,458**	**200**	**150,553**
Exchange rate related contracts				
Swaps	40,469	-	-	40,469
Forwards	4,756	1,320	-	6,076
Options purchased	12,412	-	-	12,412
Options written	15,504	-	-	15,504
	73,141	**1,320**	**-**	**74,461**
Total trading derivatives	**203,036**	**21,778**	**200**	**225,014**
ASSET AND LIABILITY MANAGEMENT				
Interest rate related contracts				
Swaps	30,281	4,300	-	34,581
Forwards	300	-	-	300
	30,581	**4,300**	**-**	**34,881**
Exchange rate related contracts				
Swaps	18,213	3,085	-	21,298
Total asset and liability management derivatives	**48,794**	**7,385**	**-**	**56,179**

31. OTHER CONTINGENT LIABILITIES

a) Litigation

Other than the litigation for which provisions have already been raised in Note 26, the Group is named in and defending a number of legal actions in various jurisdictions arising in the ordinary course of business. Management does not believe a material impact on the financial position of the Group will result from the ultimate resolution of these legal actions. Further, the Group has initiated a number of legal actions to protect its assets.

Although none were provided as at 31 December 2000, litigation losses and damages that crystallise into obligations in the future originating from the acquisition of IPB are covered by state financial assistance into mid-2002.

b) Taxation

Czech and Slovak tax legislation, interpretation and guidance are still evolving. Consequently, under the current taxation environment, it is difficult to predict the interpretations the respective tax authorities may apply in a number of areas. As a result, the Group has used its current understanding of the tax legislation in the design of its planning and accounting policies. The effect of the uncertainty cannot be quantified.

32. OPERATING LEASE COMMITMENTS

Future minimum lease payments under land and building operating leases are as follows:

(CZKm)	*31.12.2000*	*31.12.1999*
Not later than 1 year	610	179
Later than 1 year and not later than 5 years	2,055	635
Later than 5 years and not later than 10 years	1,746	434
	4,411	**1,248**

From the year 2011, the Group's annual perpetual commitments under land and building operating leases amount to CZK 284m.

The above operating leases can be technically cancelled under Czech law; however, the Group is commercially bound to continue with these leases for the periods set out above.

33. SEGMENT REPORTING

Until 31 December 1999, the Group managed its business solely on geographical basis. From 1 January 2000, the Group reorganised its business by customer segment in order to focus on customer needs and diversify its business. No customer segment comparative information for 1999 has been presented as it is not currently available and to produce it would result in unreasonable additional costs which would have overweighed any additional benefits from the disclosure. The geographical segment information is not presented for the years 2000 and 1999 as it would not differ materially from the total Group results.

Segment reporting information by customer segments for 2000

(CZKm)	Retail Banking	SME	Financial Institutions	Corporate Banking	Historic	Other	Group Total
Net interest income	4,898	1,393	108	1,868	208	2,639	11,114
Non-interest income	1,753	2,105	91	817	92	2,146	7,004
Segment expenses	(4,880)	(1,177)	(49)	(789)	(84)	(4,996)	(11,975)
Segment result	1,771	2,321	150	1,896	216	(211)	6,143
Provisions	(93)	(95)	-	732	(167)	(55)	322
Operating profit before taxation	1,678	2,226	150	2,628	49	(266)	6,465
Income tax (expense) benefit	(520)	(690)	(47)	(815)	(15)	391	(1,696)
Segment profit	1,158	1,536	103	1,813	34	125	4,769
Minority interests	-	-	-	-	-	(78)	(78)
Profit for the year	**1,158**	**1,536**	**103**	**1,813**	**34**	**47**	**4,691**
Assets	**292,722**	**44,310**	**9,807**	**73,946**	**32,017**	**82,905**	**535,707**

Definitions of customer segments:
Retail Banking: private individuals.
SME (small- and medium-sized enterprises): entrepreneurs and companies with a turnover less than CZK 300m.
Financial Institutions: banking and non-banking institutions in the financial sector.
Corporate Banking: companies with a turnover greater than CZK 300m.
Historic: exceptional loans with Czech state coverage (see Note 13) and certain other loans granted by the Group to previously state-owned companies.
Other: non-banking subsidiaries, Asset Liability Management segment, Dealing segment, unallocated expenses and eliminating and reconciling items.

The Bank also operates Poštovní spořitelna (Postal Savings Bank) which has approximately 2.6bn customer accounts with deposits amounting to approximately CZK 71bn and a network that spans across approximately 3,500 points of sale in the Czech Republic. The results of the Postal Savings Bank are included above in the Retail Banking customer segment.

34. CURRENCY RISK

The significant net foreign exchange asset (liability) positions of the Group are as follows:

(CZKm)	*31.12.2000*	*31.12.1999*
SKK	1,663	366
USD	(102)	(296)
JPY	(13)	(244)
EUR	(2,368)	(131)

The foreign currency management policy for ČSOB's banking book is to minimise foreign currency positions to the extent practicable. Trading foreign currency positions are subject to limits and controlled continuously.

35. INTEREST RATE RISK

The Group's interest rate exposures are monitored and managed using interest rate sensitivity gap reports, amongst other methods. Those reports contain both on- and off-balance sheet net interest rate sensitive positions (interest rate sensitive assets less interest rate sensitive liabilities) of the Group (both non-trading and trading) which are segregated by currency and repricing time bands at a single point in time.

Set out below is management's estimate of the interest rate sensitivity gap positions for the Group in the major currencies as at 31 December 2000.

(CZKm)	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 12 months
CZK	(59,312)	12,921	20,012	1,532	47,609
USD	(2,157)	2,053	508	(13)	(514)
EUR	7,109	4,382	1,188	3,697	745
SKK	5,248	550	(1,371)	(2,428)	1,920

The above table was extracted from the management information systems of the Bank and other Group companies.

The increase in liability sensitive CZK amounts in the "Up to 1 month" gap period, in comparison to 31 December 1999, results from the assumption of IPB's customer deposit base.

Set out below is management's estimate of the interest rate sensitivity gap positions for the Bank and OB Leasing, a.s. (in the Czech Republic and the Slovak Republic) in the major currencies as at 31 December 1999. The positions of the other Group companies were not included as they were considered immaterial.

(CZKm)	Up to 1 month	1-3 months	3-6 months	6-12 months	Over 12 months
CZK	13,718	8,355	29,931	6,290	2,452
USD	10,074	3,490	(2,878)	(8,995)	(10,650)
EUR	5,724	9,589	(4,451)	(12,480)	4,999
SKK	9,729	(3,368)	(768)	(79)	638

The above tables set out the interest rate sensitivity gap positions as at the year-end and are not, therefore, indicative of such positions that existed during the year or will exist in the future.

36. MATURITIES OF FINANCIAL ASSETS AND LIABILITIES IN ALL CURRENCIES

The following table sets out the financial assets and liabilities of the Group by remaining maturity as at 31 December 2000:

(CZKm)	Demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	18,563	-	-	-	396	18,959
Treasury bills	-	12,442	5,513	-	-	17,955
Loans and advances to banks	1,786	81,458	20,440	7,207	150	111,041
Loans and advances to customers	63,804	44,676	50,054	79,222	36,262	274,018
Debt securities	-	3,285	3,481	20,341	6,040	33,147
Other financial assets	9,421	-	-	-	-	9,421
Total assets	93,574	141,861	79,488	106,770	42,848	464,541
Liabilities						
Amounts owed to banks	1,601	11,399	8,545	12,000	3,974	37,519
Amounts owed to customers	135,494	149,373	36,640	25,850	1,462	348,819
Debt securities in issue	1,957	30,347	10,946	16,741	6,222	66,213
Other financial liabilities	18,759	-	-	-	-	18,759
Total liabilities	157,811	191,119	56,131	54,591	11,658	471,310
Net liquidity gap	**(64,237)**	**(49,258)**	**23,357**	**52,179**	**31,190**	**(6,769)**

The above table includes IPB assets which ČSOB does not want to keep in its portfolio, amounting to CZK 163,167m, at their original residual maturities including the fair valuation impact of the embedded state assistance derivatives but not the impact on the maturities of such assets. The actual maturities of those assets will be based upon the date on which ČSOB exercises the specific asset put swaptions embedded in those assets or another date that may result from the Restructuring Plan (see Note 4).

The following table sets out the assets and liabilities of the Group by remaining maturity as at 31 December 1999:

(CZKm)	Demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and balances with central banks	10,493	-	-	-	-	10,493
Treasury bills	-	6,270	2,407	-	-	8,677
Loans and advances to banks	17,383	73,379	23,679	1,161	-	115,602
Loans and advances to customers	10,855	14,080	26,967	47,373	13,673	112,948
Debt securities	-	775	3,874	4,745	610	10,004
Other financial assets	534	-	-	-	-	534
Total assets	39,265	94,504	56,927	53,279	14,283	258,258
Liabilities						
Amounts owed to banks	1,859	15,375	15,572	11,427	1,130	45,363
Amounts owed to customers	42,073	79,827	4,045	485	68	126,498
Debt securities in issue	-	23,075	9,592	6,083	-	38,750
Other financial liabilities	3,398	-	-	-	-	3,398
Total liabilities	47,330	118,277	29,209	17,995	1,198	214,009
Net liquidity gap	**(8,065)**	**(23,773)**	**27,718**	**35,284**	**13,085**	**44,249**

A positive liquidity gap means expected cash receipts should exceed expected cash payments (including theoretically-possible customer deposit withdrawals) in a given period. Conversely, a negative liquidity gap means expected cash payments (including theoretically-possible customer deposit withdrawals) should exceed expected cash receipts in a given period.

Although Amounts owed to customers are strictly divided into maturity time bands according to their remaining contractual maturities, statistical evidence shows it is unlikely a majority of those customers will actually withdraw their deposits from the Bank on maturity.

Group liquidity management is carried out using various techniques including market operations which aim to ensure sufficient cash is available to satisfy its cash requirements.

The above tables set out the liquidity gaps as at the year-end and are not, therefore, indicative of such gaps that existed during the year or will exist in the future.

37. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The estimated fair values of the Group's financial assets and liabilities were as follows:

	31.12.2000		*31.12.1999*	
(CZKm)	Carrying value	Fair value	Carrying value	Fair value
FINANCIAL ASSETS				
Cash and balances with central banks	18,959	18,959	10,493	10,493
Treasury bills	17,955	17,955	8,677	8,677
Loans and advances to banks	110,394	110,402	115,257	115,257
Loans and advances to customers	148,926	149,675	97,046	97,046
Debt securities	33,147	33,278	10,004	10,053
Equity shares	3,847	3,977	1,479	1,446
State-assisted rescue acquisition receivable	172,924	172,924	-	-
Trading derivatives with positive fair value	1,907	1,907	1,782	1,782
Asset and liability management derivatives with positive fair value	440	581	239	1,936
FINANCIAL LIABILITIES				
Amounts owed to banks	37,519	37,519	45,363	45,363
Amounts owed to customers	348,819	348,865	126,498	126,500
Debt securities in issue	66,213	66,438	38,750	38,692
Trading derivatives with negative fair value	2,453	2,453	2,056	2,056
Asset and liability management derivatives with negative fair value	240	833	889	1,935

All financial assets and liabilities of the Group are presented above except for credit-related off-balance sheet financial assets, which include letters of credit and commitments to extend credit, as their carrying value and estimated fair values are not material.

The following methods and assumptions were used in estimating fair values of the Group's financial assets and liabilities:

Cash and balances with central banks
The carrying values of cash and balances with central banks approximate their fair value.

Loans and advances to banks
The carrying values of current account balances are, by definition, equal to their fair values. The fair values of term placements with banks are estimated by discounting their future cash flows using current interbank market rates. A majority of the loans and advances reprice within relatively short time spans; therefore, it is assumed their carrying values approximate their fair values.

Loans and advances to customers
A substantial majority of the loans and advances to customers reprice within relatively short time spans; therefore, it is assumed that their carrying values approximate their fair values. The fair values of fixed-rate loans to customers are estimated by discounting their future cash flows using current market rates.

Securities (Treasury bills, debt securities and equity shares)
Estimated fair values for securities are based on quoted market prices. Such quotes are obtained from relevant exchanges, if exchange activity for the particular security is considered sufficiently liquid, or from reference rates averaging market maker quotes. If quoted market prices are not available, fair values are estimated from quoted market prices of comparable instruments.

State-assisted rescue acquisition receivable
The state-assisted acquisition receivable is comprised of IPB assets which ČSOB will not keep in its portfolio and a receivable from the CMoF for the IPB net assets shortfall. The fair value of the unwanted IPB assets, after revaluation of the embedded specific asset put

swaptions, is estimated at their original IPB recorded accounting value at 19 June 2000 adjusted for the respective contractual cash flows on the underlying assets plus capitalised and accrued interest. The fair value of the CMoF receivable is estimated as its notional amount including capitalised and accrued interest.

Derivative financial instruments (assets and liabilities)
Estimated fair values for derivative financial instruments are based upon quoted market prices or discounted cash flow models and options pricing models as appropriate.

Amounts owed to banks
The carrying values of current account balances are, by definition, equal to their fair values. For other amounts owed to banks with equal to or less than one year remaining maturity, it is assumed their carrying values approximate their fair values. The fair values of other amounts owed to banks are estimated by discounting their future cash flows using current interbank market rates.

Amounts owed to customers
The fair values of current accounts as well as term deposits with equal to or less than one year remaining maturity approximate their carrying values. The fair values of other term deposits are estimated by discounting their future cash flows using rates currently offered for deposits of similar remaining maturities.

Debt securities in issue
Bonds issued are publicly traded and their fair values are based upon quoted market prices. The carrying values of promissory notes and certificates of deposit approximate their fair values.

38. CONDENSED FINANCIAL INFORMATION OF THE BANK

(According to principles of recognition and measurement of International Accounting Standards)

Condensed profit and loss statements

(CZKm)	*2000*	*1999*
Net interest income	9,374	5,852
Net commission income	3,844	1,558
Net profit on financial operations	754	2,023
Other operating income	1,647	1,646
Operating income	**15,619**	**11,079**
Operating expenses	(9,781)	(5,812)
Operating profit before provisions	**5,838**	**5,267**
Provisions	525	(802)
Operating profit	**6,363**	**4,465**
Income tax expense	(1,672)	(1,642)
Profit for the year	**4,691**	**2,823**

Condensed balance sheets

(CZKm)	*31.12.2000*	*31.12.1999*
ASSETS		
Cash and balances with central banks	18,292	10,390
Loans and advances to banks	103,376	111,545
Loans and advances to customers	120,204	88,463
Securities	46,893	18,230
Subsidiary and associated companies	8,877	5,019
State-assisted rescue acquisition receivable	172,924	-
Other assets	22,631	13,007
Total assets	**493,197**	**246,654**
LIABILITIES		
Amounts owed to banks	29,712	36,503
Amounts owed to customers	326,778	125,184
Debt securities in issue	60,398	40,282
Other liabilities	41,973	13,163
Shareholders' equity	34,336	31,522
Total liabilities and shareholders' equity	**493,197**	**246,654**

Included in shareholders' equity are non-distributable statutory reserves of CZK 18,686m as at 31 December 2000 and 1999.

Condensed cash flow statements

(CZKm)	*2000*	*1999*
Net cash flow from operating activities before income tax	11,934	11,151
Net income tax paid	(831)	(804)
Net cash flow from operating activities	11,103	10,347
Net cash flow from investing activities	(671)	(1,169)
Net cash flow from financing activities	(15,534)	721
Effect of exchange rate changes on cash and cash equivalents	(274)	160
Net (decrease) increase in cash and cash equivalents	**(5,376)**	**10,059**

39. SIGNIFICANT SUBSIDIARY AND JOINT VENTURE COMPANIES

The following are the significant subsidiaries and joint ventures of ČSOB as at 31 December 2000:

Name	Country of incorporation	*2000* Direct ownership	*1999* Direct ownership
Finop Holding, a.s.	Czech Republic	92%	84%
OB Leasing Group	Czech Republic	100%	100%
Business Center, s.r.o.	Slovak Republic	100%	100%
O.B. Heller, a.s. (joint-venture)	Czech Republic	50%	50%
Českomoravská stavební spořitelna, a.s. (joint-venture)	Czech Republic	55%	-
Českomoravská hypoteční banka, a.s.	Czech Republic	59%	-
První investiční společnost, a.s.	Czech Republic	81%	-
Podnik výpočetní techniky, a.s.	Czech Republic	37%	-

Prager Handelsbank AG (PHB), a wholly-owned subsidiary of ČSOB, entered liquidation on 29 June 2000. As PHB's activities were significantly reduced since 1999, PHB from 1 January 2000 is no longer a significant subsidiary.

40. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. KBC Bank and Insurance Holding Company N.V. controls directly and indirectly 81.54% of ČSOB voting shares. Almanij N.V. has control of KBC Bank and Insurance Holding Company N.V. through its 67.80% voting power.

A number of banking transactions are executed with related parties and employees in the normal course of business. These transactions were carried out on normal commercial terms and conditions and at market rates, except for certain transactions with ČSOB directors and eligible employees, who can obtain better loan and deposit rates. ČSOB's directors are offered the same transaction terms that are available to other eligible ČSOB employees. The outstanding balances from related party and employee banking transactions are as follows:

	Loans and advances to banks and customers		Amounts owed to banks and customers	
(CZKm)	*31.12.2000*	*31.12.1999*	*31.12.2000*	*31.12.1999*
Directors and employees	539	214	3,051	1,357
KBC Bank N.V.	18,577	18,415	79	6
Unconsolidated subsidiaries and associated companies - former ČSOB assets and IPB assets to be kept	7,235	8,241	986	924
Unconsolidated subsidiaries and associated companies - unwanted IPB assets	11,407	-	445	-

The loans to KBC Bank N.V., as at 31 December 2000, were collateralised by Belgian-state obligations, market value of CZK 9,525m (31 December 1999: CZK 16,030m), held directly in the name of ČSOB and can, therefore, be readily sold at any time.

41. DIVIDEND

The Board of Directors is expected to propose a 2000 dividend of CZK 2,276m to the Annual General Meeting scheduled for 18 April 2001. The financial statements for the year-ended 31 December 2000 do not reflect this proposal. The amount of the 2000 dividend ratified by the Annual General Meeting will be accounted for in shareholders' equity as an appropriation of retained earnings in the year-ending 31 December 2001.

42. POST BALANCE SHEET EVENTS

After the significant rescue acquisition of IPB, ČSOB is executing a number of integration and marketing initiatives to capitalise on the relative advantages of both IPB and ČSOB as well as realising economies of scale. The potential financial impact from these changes cannot be estimated at this time.

SUPPLEMENTAL FINANCIAL INFORMATION

PROFITS FOR THE YEAR RECONCILIATION

A reconciliation of the Czech Accounting Standard (CAS) and the International Accounting Standard (IAS) unconsolidated profits for the years ended 31 December 2000 and 1999 is set out below:

(CZKm)	*2000*	*1999*
Profit for the year - CAS	**4,009**	**5,197**
Adjustments in respect of:		
Equity accounting of Group companies	995	48
Effect on prior periods due to change in accounting for deferred income tax - CAS	(712)	-
Effect on prior periods due to change in accounting for trading derivatives - CAS	534	-
Trading derivatives and securities mark-to-market differences	(118)	(878)
Deferred income tax differences	(74)	(1,258)
Investment securities valuation differences	55	(45)
Foreign exchange differences	55	11
Social fund and Board bonuses accrual	(32)	(83)
Reverse interest on > 90 day overdue loans	(13)	-
Other	(8)	128
Sale of own shares	-	(297)
Profit for the year - IAS	**4,691**	**2,823**

SHAREHOLDERS' EQUITY RECONCILIATION

A reconciliation of the CAS and the IAS unconsolidated shareholders' equity balances as at 31 December 2000 and 1999 is set out below:

(CZKm)	*31.12.2000*	*31.12.1999*
Shareholders' equity - CAS	**31,758**	**29,268**
Adjustments in respect of:		
Equity accounting of Group companies	3,621	2,625
Net deferred tax liability	(949)	(163)
Reclassification of treasury shares to shareholders' equity	(338)	(24)
Trading derivatives and securities mark-to-market differences	125	(292)
Reclassification of social fund to liabilities	(124)	(119)
Social fund and Board bonuses accrual	(56)	(80)
Translation reserve	50	90
Investment securities valuation differences	(14)	(68)
Other	263	285
Shareholders' equity - IAS	**34,336**	**31,522**

THE ČSOB FINANCIAL GROUP

Českomoravská hypoteční banka, a.s. (ČMHB)

Date of Establishment	January 10, 1991
Shareholders as of December 31, 2000	ČSOB, a.s. 62.70% Coutts Bank, AG 8.49% Stream Holdings, Ltd. 8.49% Maitland Holdings, B.V. 8.49% C.D.E. Investments, B.V. 8.46%
Share Capital in CZK 000	1,328,373
Business Activities	Providing mortgage loans and subsequent loans including other banking activities and services necessary for making mortgage transactions in accordance with the Banking Act. Issuance of mortgage debentures pursuant to a specific law.

	2000	*1999*	*1998*
Number of contracts	13,307	9,943	7,098
Mortgage loans approved (CZK million)	15,557	11,750	9,217
Mortgage loans drawn down (CZK million)	12,106	9,281	7,738
Mortgage debentures issued (CZK million)	11,800	8,300	2,700
Market share in the CR (in%) (in terms of transactions)	27	29	26

Note: The data set out above has been accumulated since 1991.

ČMHB has established itself as a specialised bank operating nation-wide whose main business is to provide mortgage loans, particularly to private individuals and municipalities. It is the first Czech bank with a mortgage debenture licence. In 2000, the issuance of mortgage debentures amounted to CZK 3,500 million.

In addition to mortgage loans, ČMHB also provides clients with other facilities, particularly to bridge the period before the terms and conditions for mortgage loans are met, or to make up the mortgage loan. In 2000, 99.1% of the total loans were mortgage loans while supplementary and other loans comprised 0.9%.
ČMHB is represented in all "higher" terrirorial-administrative units of the Czech Republic. Commercial outlets have been established at two levels – the bank has 13 branches and 18 mortgage agencies which are operated by particular branches. The commercial network is augmented by some 280 business managers who work on a commission basis. In the long-term horizon ČMHB is making efforts to establish co-operators in each district.

In 2001, the strategy will concentrate on modifying existing products, preparing variants and developing their offerings electronically. The bank will focus on the improvement of the graphical "image", simplification of procedures and exclusion of needlessly complicated variants. There is also a great potential to combine mortgages and products of life insurance and construction savings. An interesting option might be the implementation of standardised credit insurance.

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Českomoravská stavební spořitelna, a.s. (ČMSS)

Date of Establishment	June 26, 1993
Shareholders as of December 31, 2000	ČSOB, a.s. 55% Bausparkasse Schwäbish Hall AG 45%
Share Capital in CZK 000	1,500,000
Business Activities	Construction savings in accordance with Law No. 96/1993 of the Collection and state support for construction savings as subsequently amended.

	2000	*1999*	*1998*
Number of valid contracts	1,328,011	1,095,572	973,243
Number of new contracts	437,851	312,704	272,120
Number of loans provided	185,550	148,968	101,266
Market share in the CR (in %) (by contracted amount)	39.7	33.4	40.3

Providing clients with the best quality financial products and customer service has been ČMSS's priority since its establishment. The efficacy of this orientation has been confirmed by the results obtained and the continued position at the very top among Czech construction savings banks. In terms of new contracts made in 2000 ČMSS ranks second in Europe.

The maximum availability of ČMSS products and services is ensured by a large commercial network made up of more than one thousand and three hundred financial advisors, 3,300 commercial outlets at post offices, the network of ČSOB branches, 5 ČMSS branches and 80 Information and Advisory Centres.
In order to satisfy clients ČMSS improved its products in the field of "temporary loans" enabling the clients to make lower initial advances – which were reduced to 30% of the target amount. The portfolio of loans and temporary loans provided by ČMSS is the largest one on the Czech market.

At the end of 1999, ČMSS launched a new programme intended for youth up to the age of 30 which, due to its high popularity is available also in 2001 (the construction savings scheme was augmented by an accident insurance bonus). Market research has confirmed that the primary market has not been saturated yet and some 1.8 million clients intend to conclude such contracts either in the short- or long-term horizon. Thanks to this prognosis we can expect in 2001 similar results as in the previous year. With this in mind, ČMSS will bring much more effort to bear in strengthening its position with the goal of providing for client's needs.

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ČSOB stavebná sporiteľňa, a.s. (ČSOB SP)

Date of Establishment	June 8, 2000
Shareholders as of December 31, 2000	ČSOB, a.s. 100%
Share Capital in SKK 000	500,000
Business Activities	Accepting deposits from, and providing loans to participants in construction savings scheme, guarantees to other banks for construction loans, mortgage and commercial loans, accepting deposits from banks, payments with respect to the construction savings and advisory services related thereto.

	2000
Number of valid contracts	26,000
Number of new contracts	26,000
Number of loans provided	0
Market share in the SR (in %) (by number of contracts)	*7.5*

In 2000, there were three construction savings banks on the Slovak market. ČSOB SP acquired a 7.5% market share in the Slovak Republic in terms of contracts while it operated for only one month. To sell and distribute products, ČSOB SP used its mobile and fixed network of sales representatives (agents). The fixed network consists particularly of ČSOB branches but also own commercial outlets in municipalities, mainly district seats where ČSOB has no branches, for example in Dubnica nad Váhom, Liptovský Mikuláš, Prievidza and Trenčín. In addition, the products of the construction savings bank were sold via a mobile network in the form of brokerage or agency activities (some 1,500 contractual partners).

In 2001, ČSOB SP will focus on making advisory services for clients more effective and maintain the growth rate. There are no plans to develop a branch network but construction savings products will be sold in new ČSOB branches. As for the product policy, ČSOB SP intends to establish supplementary products in co-operation with ČSOB, or to combine construction savings products with insurance and mortgage loans.

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Českomoravský penzijní fond, a.s. (ČMPF)

Date of Establishment	October 26, 1994	
Shareholders as of December 31, 2000	IPB Group Holding, a.s.	42.24%
	Cetus, a.s.	41.17%
	IPB Pojišťovna, a.s.	16.47%
	POAG, s.r.o.	0.12%

Note: ČSOB has an indirect interest of 58.71% in Českomoravský penzijní fond, a.s.

Share Capital in CZK 000 97,167

Business Activities Additional pension insurance with a state contribution.

	2000	*1999*	*1998*
Number of valid contracts	299,996	202,437	130,650
Funds credited on participants' accounts (CZK million)	4,567.6	2,914.9	1,859.3
of which contributions of participants (CZK million)	3,446.2	2,134.1	1,339.6
Market value of the investment portfolio (CZK million)	4,632.6	3,071.6	1,977.2
Enhancement of participants' funds (in %)	4.2	6.1	10.0
Market share in the CR (in %) (by number of participants)	12.7	10.1	7.5

ČMPF was established in 1994 as one of first pension funds in the Czech Republic. It is the legal successor to Občanský penzijní fond, a.s. (Civil Pension Fund), and Český penzijní fond zdraví, a.s. (Czech Pension Fund of Health) with which it merged in 1999 and 2000.

It provides additional pension insurance with a state contribution in accordance with Law No. 42/1994 as subsequently amended. The principle is to collect contributions from the participants of the additional pension insurance scheme, employers and the state. The Fund manages these assets and disburses amounts in accordance with the pension scheme.

ČMPF provides the participants in the additional pension scheme with a number of above standard services. They are invited to take out with IPB Pojišťovna insurance policies for households, family houses and recreational buildings at discounted premiums or travel insurance under advantageous terms and conditions. New participants of the young generation will enjoy the EURO< 26 cards for youth free of charge enabling them to travel at significantly discounted fares both in the Czech Republic and 30 other European countries.

"The First Corporate Additional Pension Insurance Plus" is intended for employers. This scheme combines the additional pension insurance of ČMPF and free accidental insurance of employees of IPB Pojišťovna while providing the opportunity of modification by adding further insurance products of IPB Pojišťovna under advantageous terms and conditions.

Thanks to its financial strength, stability and rapid growth in the number of participants ČMPF is among the most significant pension funds in the Czech Republic being supported by the largest information and service support network. It co-operates with ČSOB, Česká pošta, ČMSS, IPB Pojišťovna and PVT on a permanent basis and is developing its own commercial network. In 2000, some 100,000 new contracts were concluded thus making this fund the most successful fund for the third year in a row. The average age of participants as of the date of a new contract is 47.7 years while the average monthly contribution is CZK 396. The interest of employers in co-operation was due to the introduction of tax relief and a comprehensive offer tailored to the employer's needs. The total number of employers making contributions to the additional pension insurance exceeded 1,500.

In 2001, ČMPF plans to expand co-operation within the ČSOB financial group and strengthen its market position. It will acquire new participants and enlarge the existing co-operation with employers. The implementation of a new information system will improve the level of services to participants and partners.

The new "Optimum Effect" programme will enable the participants to acquire state contributions at a maximum level, make use of tax relief to the largest extent and significantly improve their benefit to clients.

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ČSOB Penzijní fond, a.s. (ČSOB PF)

Date of Establishment	May 27, 1994
Shareholders as of December 31, 2000	ČSOB, a.s. 100%
Share Capital in CZK 000	50,000
Business Activities	Additional pension insurance with a state contribution.

	2000
Number of contracts	2,049
Funds credited on participants' accounts (CZK million)	87.9
of which contributions of participants (CZK million)	18.2
Market value of the investment portfolio (CZK million)	133.7
Enhancement of participants' funds (in %)	5.6
Market share in the CR (in %) (by number of participants)	0.4

ČSOB PF started to operate under the name of Penzijní fond spokojenosti (Pension Fund of Satisfaction) and has been in existence for 6 years. It was a founding member of the Pension Fund Association.

Before 2000, the pension fund had its own fixed commercial outlets but after the assumption of the fund by ČSOB (May 2000) it focused more on the enlargement of the fixed commercial network. This was provided for by using the branch network of the ex-ČSOB. Front office workers were trained and an application enabling SW support to the sales of the product at branch counters and data transfer from the fund administration was implemented (sales started in October 2000). Thus the bank extended the offer of retail products while providing products and financial-advisory services to retail clients. The concept is that care about the product will not terminate at the moment of sale but will continue for the whole life of the product. At present the pension fund making use of the banking network of 63 branches located nation-wide has shown accelerated growth.

In 2000, the ČSOB PF product was restored in reaction to legislative changes, in particular the Income Tax Act. A new pension plan was prepared which launches the so-called "retired pension". Thus the product has become fully competitive. The new pension plan became effective as of January 1, 2001.

In 2001, ČSOB PF prepares common products with ČSOB and some other entities of the financial group in particular in the field of deposit products and life and non-life insurance and a comprehensive offer to corporate clients as well as SMEs which represent a large potential in the market of younger employees in these segments.

The commercial network will be augmented by ČSOB corporate branches and furthermore, co-operation with other members of the financial group, in particular with ČSOB Pojišťovna.

ČSOB PF has become an integral part of the ČSOB financial group in a short period of time. In 2001, it will focus on perfecting client services, product improvement, using synergies in the financial group and emphasising the role of cross-selling.

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První investiční společnost, a.s. (PIAS)

Date of Establishment	December 5, 1990	
Shareholders as of December 31, 2000	ČSOB, a.s.	81.3%
	Other shareholders	18.7%
Share Capital in CZK 000	60,000	
Business Activities	Collective investment	

PIAS was established in 1990 as První investiční akciová společnost. Business activities are in particular focused on the collection of funds of private individuals and legal entities via sales of unit shares of its open-ended and closed-ended funds and subsequent investment in the capital market. At present the company manages, through four investment funds and ten open-ended mutual funds, the assets of some 200,000 clients exceeding CZK 24 billion. Shares of investment funds are registered in the books of the Securities Centre and are traded on the PSE.

The general public is invited to invest through specifically profiled open-ended mutual funds which differ by their investment orientation. Unit trust shares of these funds are booked in a separate section in the Securities Centre which is kept by ČSOB and points of sale of the IPB commercial network and are offered under the collective name of "The Family of 1.IN Funds". ČSOB, a.s. is the depository for all funds.

In 2001, we expect further intensive development in closer co-operation with ČSOB, a.s., and its majority shareholder, KBC Bank. Improvement of the conditions in the collective investment market will be used for strengthening the company's market position. Besides the assumed extension of the product portfolio in the whole ČSOB network, the synergies of the financial group will be used and the offer of services will be made more effective by using all the elements of the marketing mix. The corporate identity will be adjusted to the ČSOB financial group.

For 2001, První investiční společnost, a.s., plans to complete the open-ending of its four other investment funds and to merge the Fond majetku (Property Fund), the Fond prosperity (Prosperity Fund) and the Fond pravidelných příjmů (Regular Income Fund) with 1.IN Středoevropský fond (1.IN Central European Fund). It is prepared to launch a new open-ended fund oriented toward foreign investment.

Funds Managed by První Investiční Společnost, a.s. as of December 31, 2000

Investment funds

IF bohatství, a.s.
IF obchodu, cestovního ruchu a služeb, a.s.
Křišťálový IF, a.s.
Rentiérský IF 1.IN, a.s.

Open-ended funds

IPB Restituční otevřený podílový fond
IPB Výnosový otevřený podílový fond
IPB Dluhopisový otevřený podílový fond
IPB Akciový otevřený podílový fond
IPB Středoevropský otevřený podílový fond
IPB Otevřený podílový fond peněžního trhu
IPB Otevřený podílový fond fondů
Fond majetku – otevřený podílový fond
Fond prosperity – otevřený podílový fond
Fond pravidelných příjmů – otevřený podílový fond

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OB Invest, investiční společnost, a.s. (OB Invest)

Date of Establishment	November 26, 1991
Shareholders as of December 31, 2000	ČSOB, a.s. 100%
Share Capital in CZK 000	25,000
Business Activities	Collective investment

	2000	*1999*	*1998*
Assets under Management (CZK billion)	2.6	2.6	2.6

The investment company, OB Invest, with a nine year tradition is among the oldest and largest investment companies in our market and is a significant member of the Union of Investment Companies in the CR.

The newly approved statutes of mutual funds managed by OB Invest in mid-2000 led to the clarification of investment strategies. Due to these changes the family of OB KVANTO funds was renamed the Family of ČSOB Open-Ended Mutual Funds. At the same time, their offers were enlarged in accordance with the interests and needs of clients.

The process of strategic stratification of funds was completed. Each fund is now characterised by relevant rate of risk, territorial orientation and specialisation on a group of selected investment instruments.

Both investment funds managed by OB Invest have made progress toward transformation to open-ended mutual funds. KVANTO investiční privatizační fond a.s., was nearly transformed to an open-ended mutual fund OB KVANTO Korunový dluhopisový (OB KVANTO Crown Bond) in mid-2000. We are sorry to say that due to the actions of a shareholder who is trying to prevent the fund from being transformed the fund has not been deleted from the Commercial Registry by which the process of the change is completed. Further development is conditional upon the results of court proceedings.

OB Invest manages two investment funds and five open-ended mutual funds for a total value of some CZK 2.6 billion of some 66,000 clients. Shares and unit trust shares of all funds can be traded on public markets. Unit trust shares of the family of open-ended mutual funds of ČSOB managed by OB Invest are a part of the product offer of ČSOB, as products of collective investments are one of the most important and most prospective products of the financial group. Investors are invited to buy and sell unit trust shares via the ČSOB branch network. The sale of unit trust shares is also executed in the RM-SYSTEM network and at the OB Invest Head Office.

Funds Managed by OB Invest

Investment Funds:

KVANTO, investiční privatizační fond a.s. (Investment Privatisation Fund)
Zlatý investiční fond Kvanto a.s.

Mutual Funds:

ČSOB světový akciový, OB Invest, investiční společnost, a.s., open-ended mutual fund (formerly: OB KVANTO Svět, O.B. INVEST, investiční společnost, a.s., open-ended mutual fund)

ČSOB český dluhopisový, OB Invest, investiční společnost, a.s., open-ended mutual fund (formerly: OB KVANTO Globální, O.B. INVEST, investiční společnost, a.s., open-ended mutual fund)

ČSOB český peněžní trh, OB Invest, investiční společnost, a.s., open-ended mutual fund (formerly: OB KVANTO Českomoravský, O.B. INVEST, investiční společnost, a.s., open-ended mutual fund)

ČSOB český akciový, OB Invest, investiční společnost, a.s., open-ended mutual fund (date of issue: July 24, 2000)

ČSOB smíšený, OB Invest, investiční společnost, a.s., open-ended mutual fund (date of issue July 24, 2000)

OB KVANTO Globální listinný, OB INVEST, investiční společnost, a.s., open-ended mutual fund (on December 26, 2000, the fund merged with ČSOB český dluhopisový, OB Invest, investiční společnost, a.s., open-ended fund)

Address: Milíčova 6, Praha 3, 130 00

Contact:

Telephone: 02-22111511
Fax: 02-22781402
E-mail: klient@obinvest.cz
Info line: 0800 1000 30
Internet: www.obinvest.cz

IPB Pojišťovna, a.s.

Date of Establishment	April 17, 1992
Shareholders as of December 31, 2000	ČSOB, a.s. 65% CETUS, a.s. 35%
Share Capital in CZK 000	500,000
Business Activities	Insurance of private individuals and entrepreneurs both in the field of life and non-life insurance

	2000	*1999*	*1998*
Number of contracts	304,961	523,923	328,385
Premium by law			
(CZK million)	6,129	5,975	3,225
of which life insurance	3,641	4,420	2,152
non-life insurance	2,488	1,555	1,073
Insured sums paid (CZK million)	3,206	1,795	1,197
Number of insured events settled (cases)	121,080	66,482	57,469
Share in the insurance market (in %)	9.0	9.6	5.8

IPB Pojišťovna is a full-service insurance company providing "insurance protection" both to private individuals and entrepreneurs in the field of life and non-life insurance. The clients are invited to provide for:

- life and pension insurance
- accident insurance - injury
- property insurance and citizen damage liability
- accident insurance - emergency
- travel insurance
- industry and entrepreneur policy with a wide scope of risk coverage
- motor vehicle liability insurance

The core kind of life insurance is capital life insurance while non-life insurance is represented by industrial risk insurance and motor vehicle liability insurance. In 2000, 13,500 new insurance policies to cover industrial risks and 51,000 insurance policies to cover motor vehicle liability were concluded.

In 2001, the branch network shall be stabilised and enlarged, in particular by ČSOB points of sale where the closest possible co-operation in the bancassurance field is assumed. The insurance company is going to increase sales of insurance products via ČSOB significantly. The plan is to provide insurance products via ČSOB commercial outlets which are simple to be explained and easy for policies to be made, for example travel insurance, accident insurance – injury and motor vehicle liability insurance (which should be augmented by life insurance, and insurance of family houses and households). The unambiguous target is to increase the ČSOB's share in the total sales of the company's products.

Address:	Smilova 315, Pardubice, 530 02
Contact:	Telephone: 040/6022111 Fax: 040/6615799 E-mail: info@ipbpojistovna.cz Internet: www.ipbpojistovna.cz

ČSOB Pojišťovna, a.s.

Date of Establishment	March 13, 1995	
Shareholders as of December 3, 2000	KBC Insurance NV	75.77%
	Chmelařství, družstvo Žatec	24.23%
Share Capital in CZK 000	350,003	
Business Activities	Insurance, both life and non-life, re-insurance activities and other activities related thereto.	

	2000	*1999*	*1998*
Number of contracts	50,333	28,000	17,000
Underwritten premium (CZK million)	290	178	118
of which life insurance	9	5	4
non-life insurance	281	173	114
Insured sums paid (CZK million)	144	87	70
Number of insured events settled	3,474	2,497	1,933
Share in the insurance market (in %)	0.42	0.28	0.21

In 2000, ČSOB Pojišťovna had been operating in the insurance market for the fifth year. Pursuant to the strategy setting a full-service status of this commercial insurance company, the company successfully launched motor vehicle mandatory insurance. The licence in this field enabled the company to complete its comprehensive offerings with mandatory liability in 2000. As with other products this one was constructed with high professionalism and makes use of segmentation viewpoints which favourably modify the structure of risks. In 2000, ČSOB Pojišťovna continued to maintain security at a high level and proved its operational approach to the liquidation of insured events.

The clients are invited to provide for:

- all kinds of property and liability insurance of entrepreneurs
- accident motor vehicle insurance for entrepreneurs and households
- motor vehicle liability insurance
- property and liability insurance of households
- life and accident insurance
- agricultural risk and cattle insurance
- supplementary insurance (electronics, wood)

The Belgian shareholder, KBC Insurance, acquired a majority stake in the company and shareholders decided to change the commercial name. On February 24, 2000, the General Shareholders' Meeting had approved a new name of Chmelařská Pojišťovna which was renamed ČSOB Pojišťovna, a.s. This new name shows better the universal character of the insurance company and its co-operation with the strong ČSOB Financial Group. At the same time it was decided to shift the registered office to Pardubice, Sladkovského ul. 383. The new commercial name binds the company to urgently improve the quality of services including service standards.

The company is in the stage of implementation of a demanding process of developing its own distribution network which shall be compatible with the distribution of insurance products in developed EU countries.

In 2001, ČSOB Pojišťovna plans to expand its co-operation with the ČSOB group and assume an important role in providing insurance services to the clients of the bank and subsidiaries. It will focus on SMEs and retail clients who are already served by members of the ČSOB Financial Group. The offerings of insurance services shall be placed more actively via cross-selling and sales channels of the bank and other members of the group.

Address:	Sladkovského 383, Pardubice, 530 02	
Contact:	Telephone:	040/6027111
	Green line:	0800/185937
	Fax:	040/6615123
	E-mail:	all@csobpoj.cz
	Internet:	www.csobpoj.cz

O.B. Heller, a.s.

Date of Establishment	June 18, 1992	
Shareholders as of December 31, 2000	ČSOB, a.s.	50%
	NMB-Heller Holding NV, the Netherlands	50%
Share Capital in CZK 000	35,400	
Business Activities	Factoring	

	2000	*1999*	*1998*
Turnover of assumed receivables (CZK billion)	10.3	8.3	5.6

O.B. Heller was established as a joint-venture of ČSOB and the Dutch company, NMB-Heller Holding NV, which is the market leader in Europe in the field of factoring. O.B. Heller has been a leader in the factoring market since 1993. In 1997, O.B. Heller established a subsidiary in Slovakia.

In 2000, O.B. Heller provided the following products:
- domestic factoring with recourse
- domestic factoring without recourse
- export factoring without recourse
- receivables management (ledgering)
- import factoring

In addition to the above-mentioned products the company provided reliable clients with other financial products, for example financing of inventory and orders.
In 2000, the five largest factoring companies associated in the Factoring Company Association made turnover of CZK 38.7 billion in total, of which CZK 35.2 billion was for factoring operations.
In 2000, O.B. Heller acquired a 32.56% market share by total turnover, or a 29.2% market share by factoring turnover. In comparison to 1999, its share in total turnover rose by 4.6% while the share of the factoring turnover decreased by 1.6%.
In 2000, O.B. Heller maintained the leading position in the factoring market, being some CZK 12.5 billion ahead of competitors.
The financial plan for 2001 calls for factoring turnover of CZK 12.5 billion which represents growth exceeding 22%.
The company expects to move smoothly to a large share of non-recourse financing which is becoming more and more required by clients and at the same time can be provided due to the improvement in the Czech economic situation.

Address: Křišťanova 3, Praha 3, 130 00

Contact:
Telephone: 02-6273701
Fax: 02-6274143
E-mail: obheller@obheller.cz
Internet: www.obheller.cz

OB Leasing, a.s.

Date of Establishment	October 31, 1995
Shareholders as of December 31, 2000	ČSOB, a.s. 100%
Share Capital in CZK 000	600,000
Business Activities	Financial services (leasing, hire-purchase)

	2000	*1999*	*1998*
Leasing transactions in the CR (CZK million)	12.1	8.1	6.2
Number of contracts in the CR	20,868	14,800	10,300
Market share in the CR (in %) (by volume of transactions)	13.5	10.0	10.0

OB Leasing is a universal leasing company providing financial leasing, operational leasing and hire-purchase of motor vehicles, industrial machines, equipment, computer, office and agricultural machines and equipment, and in exceptional cases, also the lease of real estate. As for motor vehicles it provides financing for all kinds of transport vehicles which makes up 80% of commercial turnover.

Clients of OB Leasing enjoy the occasion to select regimes and payment schedules, the amount of single payment in advance and fixed instalments. Instalments for financial leasing are to be made either in CZK or freely convertible foreign currencies (EUR, USD).

In 2000, OB Leasing launched a new product, hire-purchase, which is a new opportunity for financing both new and second-hand cars and machines. The main difference between financial leasing and hire-purchase lies in the ownership. As for hire-purchase, the client is the owner and not the leasing company. The product is intended both for entrepreneurs and private individuals and is suitable for clients from the municipal sphere who may use subsidies the provision of which is conditional upon the ownership of the acquired item. Another new product is operational leasing, namely in the form of accounting-tax leasing as well as the so-called full-service leasing.

Clients are served by co-operating dealers and within the company's own branch network. Branches are located in thirteen cities of the Czech Republic (mostly regional centres). As the first leasing company in the Czech Republic providing financial leasing, OB Leasing successfully completed the process of the implementation of the system of quality in accordance with the ISO 9001 standard. After the quality of leasing services was reviewed by the Inspection Body of the Association for the Award of the Czech Republic for Quality in February 2000, OB Leasing was granted again the "Czech Made" for leasing services which is in effect until 2002.

In 2001, the company will continue to develop the product portfolio leading to a comprehensive offer of financial services and the development of projects within e-business and focus on meeting the client's needs by providing quality services.

Leasing services in Slovakia are provided by the subsidiary, OB Leasing, a.s., with its registered office in Bratislava. In 2000, the volume of financed assets in the form of leasing made up SKK 3.52 billion. During 2000 6,723 lease contracts were concluded. OB Leasing is among the leaders of the leasing market also in Slovakia. In 2000, it ranked third among leasing companies in terms of new contracts and its market share was 15%.

In 2001, OB Leasing SR will launch a new form of operational leasing (the so-called full-service), hire-purchase for machines and equipment and second hand cars and a project for e-business sales support.

Address: Roháčova 1148/63, Praha 3, 130 00

Contact:
Telephone: 02-22012122
Fax: 02-22012363
E-mail: info@obleasing.cz
Internet: www.obleasing.cz

THE ČSOB FINANCIAL GROUP

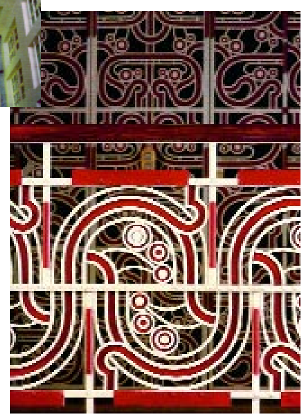
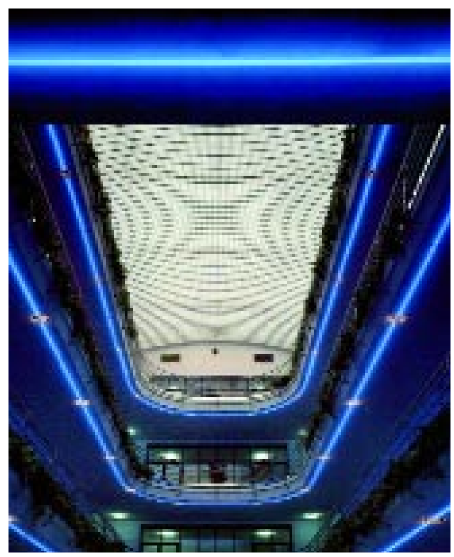
Československá obchodní banka, a.s.

- Českomoravská Hypoteční Banka, a.s.
- Českomoravská Stavební Spořitelna, a.s.
- ČSOB Stavebná Sporiteľňa, a.s.
- Českomoravský Penzijní Fond, a.s.
- ČSOB Penzijní Fond, a.s.
- První Investiční Společnost, a.s.
- OB Invest, a.s.
- IPB Pojišťovna, a.s.
- ČSOB Pojišťovna, a.s.
- O.B. Heller, a.s.
- OB Leasing, a.s.

The companies above are the ČSOB's main strategic subsidiaries providing financial services.

Legend: Interrupted connecting line – indirect interest (of the Bank), without the connecting line – sister




ČSOB REPRESENTATION (APRIL 2001)

Regional Corporate Branches in the CR

Region	Address	Telephone	Fax	Director
Praha 1	Na Poříčí 24, 115 20 Praha 1	02/24113006	02/24113953	Wim Eraly
Praha 2	Na Poříčí 24, 115 20 Praha 1	02/24113176	02/24114200	Vlastimil Seibert
Praha 3	Na Poříčí 24, 115 20 Praha 1	02/24113190	02/24113256	Jan Krob
Plzeň	Americká 60, 305 55 Plzeň	019/7219701	019/7237126	Milan Vopava
Ústí nad Labem	Mírové náměstí 20, 400 40 Ústí nad Labem	047/5231211	047/5231240	Luděk Zelinka
Hradec Králové	Ulrichovo nám. 735 (post address - Břetislavova 1622) 502 00 Hradec Králové	049/5812609	049/5812474	Ludmila Kuldová
České Budějovice	Lannova 3, 370 21 České Budějovice	038/7728201	038/7728209	Vladimír Strejček
Brno	Šumavská 33, 611 40 Brno	05/41212430	05/41211146	Ivona Janstová
Ostrava	Hollarova 5, 702 00 Ostrava	069/6112068	069/6116509	Ludvík Kopel

Regional Corporate Branches in the SR

Region	Address	Telephone	Fax	Director
Bratislava	Nám. SNP 29, 815 63 Bratislava	+421/7/59668601	+421/7/54414818	Eva Kalinová
Trenčín	Vajanského 3, 911 50 Trenčín	+421/831/7464102	+421/831/7431577	Eva Surovčíková
Košice	Nám. Osloboditeľov 5, 040 11 Košice	+421/95/6111700	+421/95/6228677	Vladislav Biačko

Regional Managers of Retail and SME Branches in the CR

Region	Address	Telephone	Fax	Director
Brno	Joštova 5, 601 79 Brno	05/42131300	05/42131302	Martin Novák
České Budějovice	Lannova 3, 370 21 České Budějovice	038/7728204	038/7728279	Tomáš Burian
Hradec Králové	Ulrichovo náměstí 734, 500 02 Hradec Králové	049/5812201	049/5210015	Karel Tomášek
Ostrava	Hollarova 5, 702 00 Ostrava	069/6106660	069/6106400	Jiří Sehnálek
Plzeň	Nám. T.G. Masaryka 12, 305 05 Plzeň	019/7213304	019/7227467	Zdeněk Štěpánek

Region	Address	Telephone	Fax	Director
Praha I	Perlová 5, 114 03 Praha 1	02/22045403	02/22045569	Jiří Franc
Praha II	Anglická 20, 120 00 Praha 2	02/61352000	02/61352400	Petr Neubauer
Ústí nad Labem	Mírové náměstí 20, 40 040 Ústí nad Labem	047/5231207	047/5220310	Roman Riedl

Regional Managers of Retail and SME Branches in the SR

Region	Address	Telephone	Fax	Director
Bratislava	Nám. SNP 29, 815 63 Bratislava	+421/7/59668204	+421/7/59668948	Branislav Straka
Northern Slovakia	Vajanského 3, 911 50 Trenčín	+421/831/7464101	+421/831/7431577	Peter Mikuš
Western Slovakia	Starohájska 11, 917 01 Trnava	+421/805/5446754	+421/805/5446345	Stanislav Plevák
Eastern Slovakia	Nám. Osloboditeľov 5, 040 11 Košice	+421/95/6111106	+421/95/6228677	Ľubomír Kováčik

PSB Branches

Region	Address	Telephone	Fax	Director
Brno	Orlí 30, 602 00 Brno	05/42215849	05/42213747	Lubomír Ptáček
České Budějovice	Lannova 54, 371 65 České Budějovice	038/7757202	038/7757200	Jan Molek
Olomouc	Horní nám. 27, 772 00 Olomouc	068/5571301	068/5226348	Jan Kunyt
Pardubice	Tř. 17. listopadu 233, 530 01 Pardubice	040/6530727	040/6535062	František Müller
Plzeň	Náměstí Republiky 8, 301 16 Plzeň	019/7191111	019/7237576	Kateřina Legnerová
Praha	Spálená 3, 110 00 Praha1	02/22047802	02/22047930	Petr Lebeda
Ústí nad Labem	Berní 2, 400 01 Ústí nad Labem	047/5253311	047/5211044	Petr Urban

Representation

Representation	Address	Telephone	Fax	Director
Moscow	2-ja, Tverskaya Yamskaya 31/35, 125 047 Moskva	(7-095)2325502	(7-095)2325503	Ivo Novák

ORGANIZATION CHART OF ČESKOSLOVENSKÁ

BOARD OF DIRECTORS

Pavel Kavánek
Chief Executive Officer

International Audit (Stanislav Maxa)
- Audit of Financial Markets and Credits
- Audit of Client Operations
- Audit of Automated Information System
- Audit of Non-Business Activites
- Inspection Unit
- Internal Audit SR
- Analyses, Planning and Audit Support

Corporate Office (Petr Vocetka)

Risk Management (Roman Somol)
- Market Risk Management
- Structural Risk Management

FM Transactions Monitoring (Ladislav Vašků)
- FM Transactions Monitoring SR

HRM (Jiří Šrámek)
- HRM Conception and Methodology
- Budgeting and Compensation
- Recruitment and Assessment
- HR Administration
- Training and Education

Vladimír Staňura
Senior Executive Officer

Corporate Banking (Petr Hutla)
- Corporate Segment Marketing
- International Corporate Desk
- Credit Administration Unit
- Regional Corporate Branch – Brno
- Regional Corporate Branch – České Budějovice
- Regional Corporate Branch – Hradec Králové
- Regional Corporate Branch - Ostrava
- Regional Corporate Branch –Plzeň
- Regional Corporate Branch – Praha 1
- Regional Corporate Branch – Praha 2
- Regional Corporate Branch – Praha 3
- Regional Corporate Branch – Ústí nad Labem
- Corporate Country Management SR

Financial Institutions (Pavel Linhart)
- Correspondent Banking
- Custody/Trustee
- Non-Banking Financial Institutions

Trade Finance (Miloslav Dudek)
- Documentary Transactions and Guarantees
- Export and Import Finance

Structured Finance (Jan Blaho)
- Loan Syndication
- Project Finance
- Corporate Finance Advisory

Luc Seynaeve
Senior Executive Officer

Retail (Dirk Hinze)
- Planning and Distribution
- Subsegment Management and Sales Support
- Product Development
- Retail and SME – Region Brno
- Retail and SME – Region České Budějovice
- Retail and SME – Region Hradec Králové
- Retail and SME – Region Olomouc
- Retail and SME – Region Ostrava
- Retail and SME – Region Pardubice
- Retail and SME – Region Plzeň
- Retail and SME – Region Praha I
- Retail and SME – Region Praha II
- Retail and SME – Region Central Bohemia
- Retail and SME – Region Ústí nad Labem
- Retail and SME – Region Zlín
- Retail and SME – Country Manager SR

SME Segment Management (Eduard Pálka)
- Planning and Distribution Support
- Product and Subsegment Management

PSB (Petr Blažek)
- Administration and Business Support
- Active Sales
- Sales Network Management
- Co-operation with Czech Post
- PSB Branch Brno
- PSB Branch České Budějovice
- PSB Branch Olomouc
- PSB Branch Pardubice
- PSB Branch Plzeň
- PSB Branch Praha
- PSB Branch Ústí nad Labem

Marketing (Jaromír Gajdoš)
- Market Research
- Planning and Co-ordination
- Advertisement and Promotion
- Marketing Services
- Corporate Communication

Bancassurance (Patrik Balla)

FM Retail Sales (Jan Barta)

OBCHODNÍ BANKA, A.S. (EFFECTIVE FROM MARCH 1, 2001)

BOARD OF DIRECTORS

Petr Knapp
Senior Executive Officer

- **Credits** (Roman Kalina)
  - Credit Risk Management I (Non-banking Clients)
  - Credit Risk Management II (Banks and Countries)
  - Credit Analysis
  - Reporting and Process Support
- **Credit Methodology and Credits for Physical Persons** (Zuzana Trefancová)
  - Credits for Physical Persons Management
  - Credit Policy and Methodology
- **Bad Debts** (Zbyněk Vrbata)
  - Problem Loan Exposures
  - IPB Problem Loan Exposures
  - Transactions with Receivables
- **Central Services** (Jiří Konečný)
  - Services Development and Integration
  - Operation Services for Headquarters
  - Regional Services Distribution
  - Services Economics
  - Investment
  - Security and Safety
  - Central Services SR
- **Central Procurement and Sales** (Pavel Stárek)
- **Legal** (Karel Kaloč)
  - Central Services and Legal Compliance
  - Credits and Deposits
  - International Banking, Capital Markets and Corporate Finance
  - Corporate Law
- **Administration of Ceded Receivables in CR**

Jan Lamser
Senior Executive Officer

- **Restructuring** (Marek Ditz)
  - Portfolio Restructuring
  - Financial Group Restructuring
  - Industry Group Restructuring I
  - Industry Group Restructuring II
  - Sales of Assets
  - Mergers and Acquisition
  - Analysis and Documentation
- **Finance** (Kevin Cloughesy)
  - Financial Management
  - ALM
  - FM Back Office

Carl Rossey
Senior Executive Officer

- **E-Banking** (Tomáš Brouček)
  - E-CRM
  - E-Banking Development
  - E-Banking Operations
  - Call Center
  - E-Banking SR
- **Financial Markets** (Tomáš Novák)
  - Foreign Exchange
  - Money Market
  - Derivatives
  - Capital Market
  - FM Sales
  - Asset Management
  - Primary Issues
  - FM Research
  - Financial Markets SR
- **Merger Office** (Evert Vandenbussche)
- **Organisation and Processes** (Petr Fesenko)
  - Organisation
  - Business Processes
  - Support Processes
- **Strategy** (Boris Čuchran)
  - Strategic Planning
  - Macroeconomic Research (Chief Economist)
  - Management Consulting
- **Information Technology** (Zdeněk Kaplan)
  - System Architecture
  - IT Engineering
  - Application Development
  - Data Centres Operation
  - Information Support
  - Customer Services
  - Quality Management and Testing Bank

Ladislav Unčovský
Senior Executive Officer

Foreign Branch in SR

- **Support Services SR** (Ladislav Unčovský)
  - Human Resources SR
  - Legal SR
  - Marketing SR
- **Product and Support Services Coordination SR** (Marnix Smets)
- **Corporate Country Management SR** (Peter Dittrich)
  - Financial Institutions SR
  - Credit Administration Unit SR
  - Regional Corporate Branch SR – Bratislava
  - Regional Corporate Branch SR – Trenčín
  - Regional Corporate Branch – Košice
- **Retail/SME Country Management** (Branislav Straka)
  - Retail and SME SR – region Bratislava
  - Retail and SME SR – region West
  - Retail and SME – region North
  - Retail and SME – region East
- **Payments and Cards** (Jitka Pantůčková)
  - Non-Documentary Payments and Cheques
  - Nostro, Vostro and SWIFT
  - Cards
  - Methodology and UHD
  - Payments SR