



ANNUAL REPORT 2001

Solid roots as a precondition for growth

HVB  Czech Republic

A Bank of HVB Group

ANNUAL REPORT 2001

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FINANCIAL HIGHLIGHTS

HVB BANK CZECH REPUBLIC A.S.	2001
Operating performance (in TCZK)	
Net interest income	3,030,058
Profit from ordinary activities before adjustments and reserves	
For loans and investments	1,579,632
Profit from ordinary activities before taxes	1,649,657
Profit for the accounting period	1,128,757
Key indicators	
Return on equity after taxes	12,3 %
Cost-income ratio	62,8 %
Ratio of net commission income to operating revenues	18,9 %
Balance sheet figures (in TCZK)	
Total assets	149,380,496
Total net customer lending volume	65,429,204
Registered capital	5,047,000
Key capital ratios compliant with Czech law (in TCZK)	
Core capital	9,392,396
Total equity	11,070,935
Risk weighted assets (banking portfolio)	68,892,882
Capital adequacy ratio	15.12 %
Employees at year-end	1,158
Branch offices	24

Solid roots as a precondition for growth

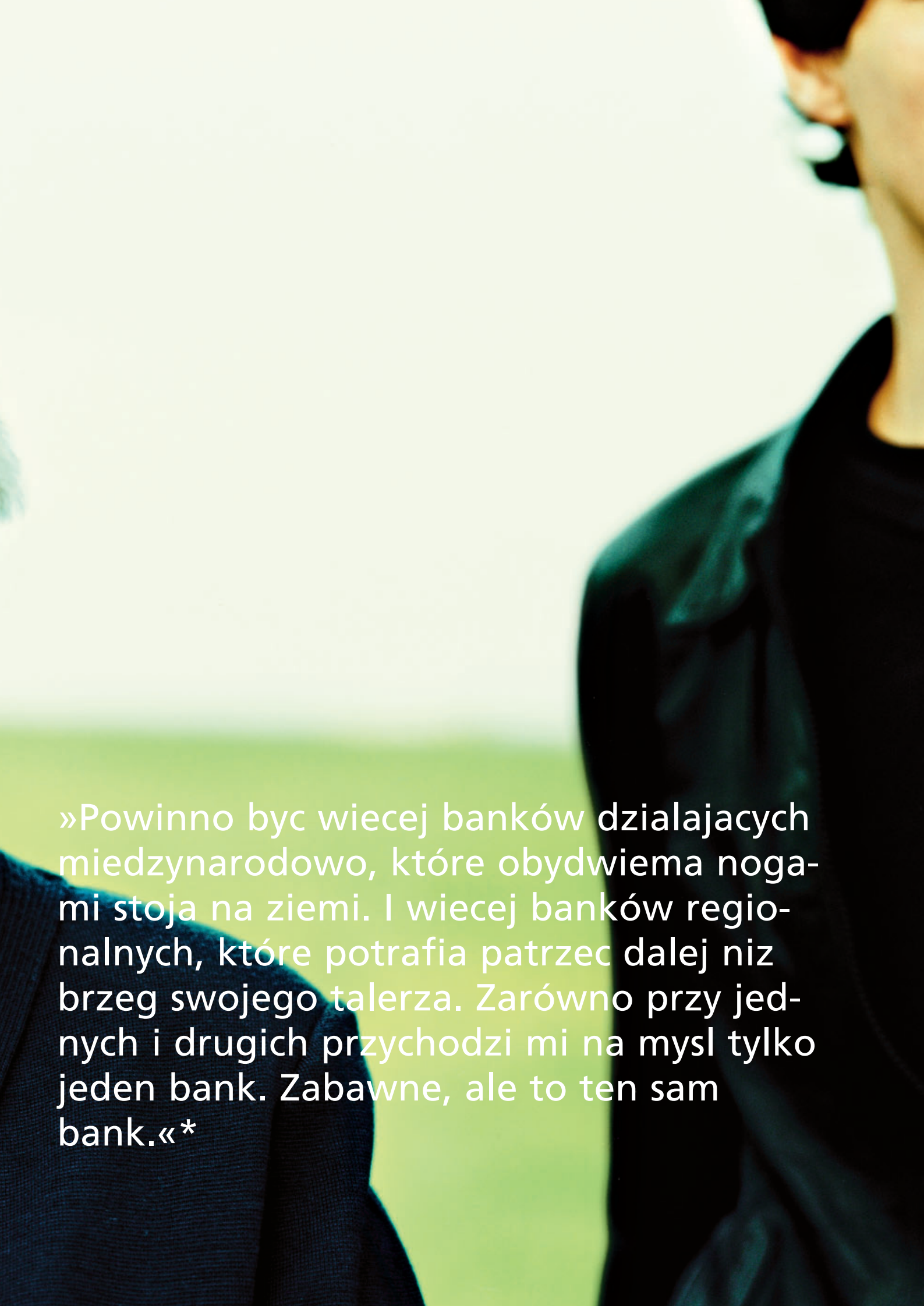
The roots of HVB Group are not hidden. On the other hand, they are not evident at first glance. It is not only about the origin, tradition and history, though these all play some role. The roots are mostly in the relationships of our clients towards their Bank. Each of them is important and the stronger they are held together the better are our mutual opportunities to grow.

The “Bank of the Regions” concept forms a solid basis for strong and functional relations with clients. It is because such a Bank is multidimensional as it combines such qualities, which are preclusive in other banks. Finally, this concept allows the Bank to accommodate their client’s needs and not conversely.

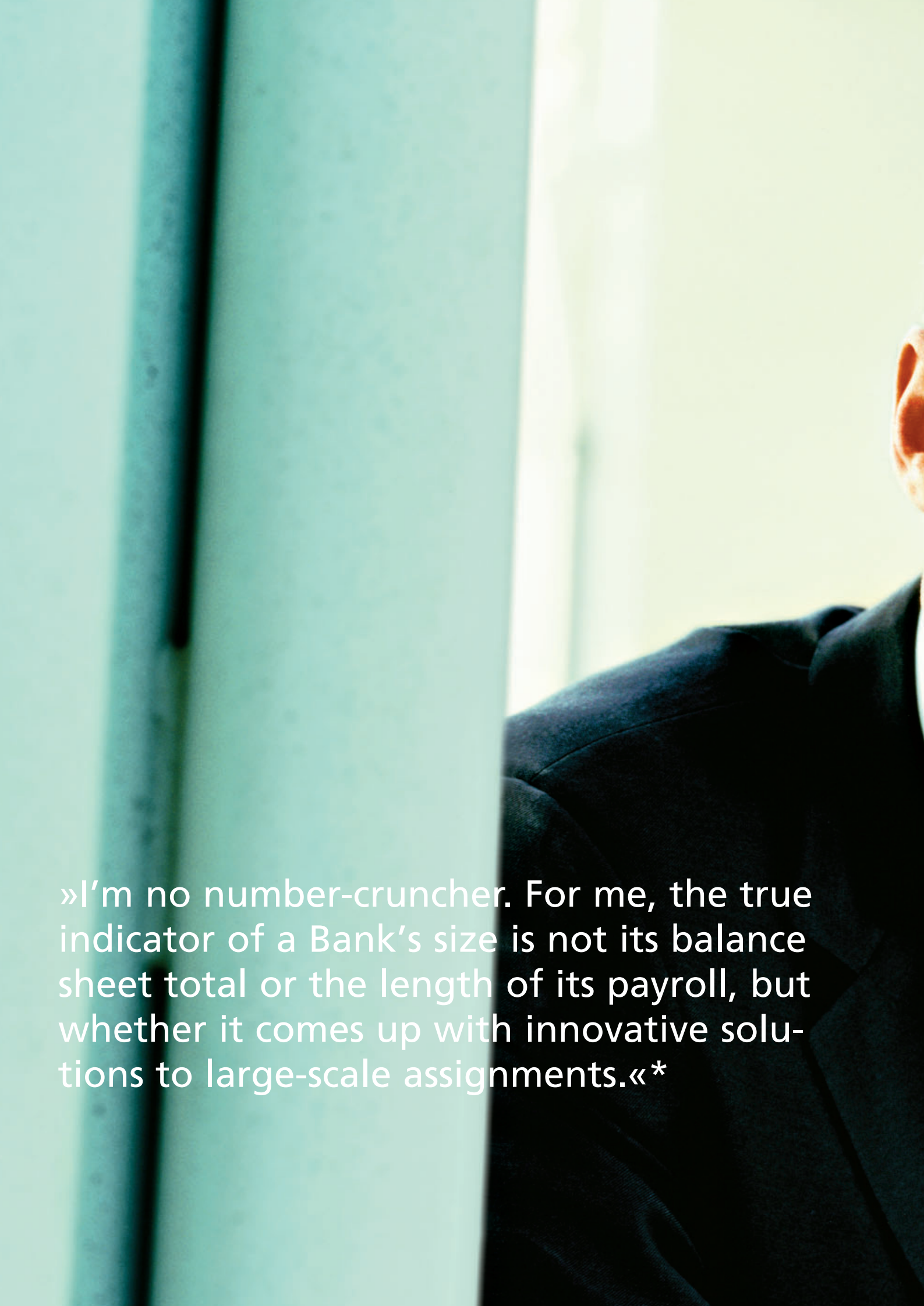
The clients appreciate and feel it – in any region.



* There ought to be more international Banks with both feet firmly planted on the ground. And more regional Banks that can see beyond the end of their own noses. I can only name one in each category. Strangely, it's the same one.




»Powinno być więcej banków działających międzynarodowo, które obydwiema nogami stoja na ziemi. I więcej banków regionalnych, które potrafią patrzeć dalej niż brzeg swojego talerza. Zarówno przy jednych i drugich przychodzi mi na myśl tylko jeden bank. Zabawne, ale to ten sam bank.«*

A close-up, low-angle shot of a person in a dark suit, seen from the side and slightly from behind. They are looking out a window, with bright light coming from the right side, creating a strong silhouette effect. The background is a blurred view of a building exterior.

»I'm no number-cruncher. For me, the true indicator of a Bank's size is not its balance sheet total or the length of its payroll, but whether it comes up with innovative solutions to large-scale assignments.«*





»Algunos bancos saben inmediatamente qué hacer con mi dinero. Otros pueden brindarme lo que realmente mi capital necesita. Pero es difícil encontrar una entidad que me lo ofrezca todo al mismo tiempo. La verdad es que ahora estoy encantado.«*



* Some Banks seem to know the right thing to do with my money. Others are capable of doing the right thing with my money. But it's difficult to find a Bank that manages both at the same time. The truth is, I'm delighted to have found one.

Europe is growing together

Europe's strength is its regional diversity. Goods, services and knowledge are now being exchanged on open markets. We aim to provide an efficient financial infrastructure for this purpose. As a leading international Bank in the Czech Republic we want to contribute to the development of our domestic economy and to its integration into the European economy: we make available the know-how of a large international Bank, effectively supporting customers in solving their concrete problems. We enjoy a major advantage over our competitors: via our parent company, the Bank Austria Creditanstalt Group, we can take advantage of the extensive international network maintained by the HVB Group. We have the standing of Europe's third-largest banking group.

The most important factor is our own commitment: we bring our customers to the markets, and the markets to our customers. We see our success in the success enjoyed by our customers.



Global business segments

To optimize value creation across the corporate group, we are pooling our resources in product-driven competence fields and focusing them in three global business segments:

HVB CORPORATES & MARKETS

Combining global capital market know-how with our advisory skills for multinational companies; offices at the most important financial centers in the world

HVB REAL ESTATE

Market leader in international real estate finance; strong presence in the United States, Britain, and Western Europe

HVB WEALTH MANAGEMENT

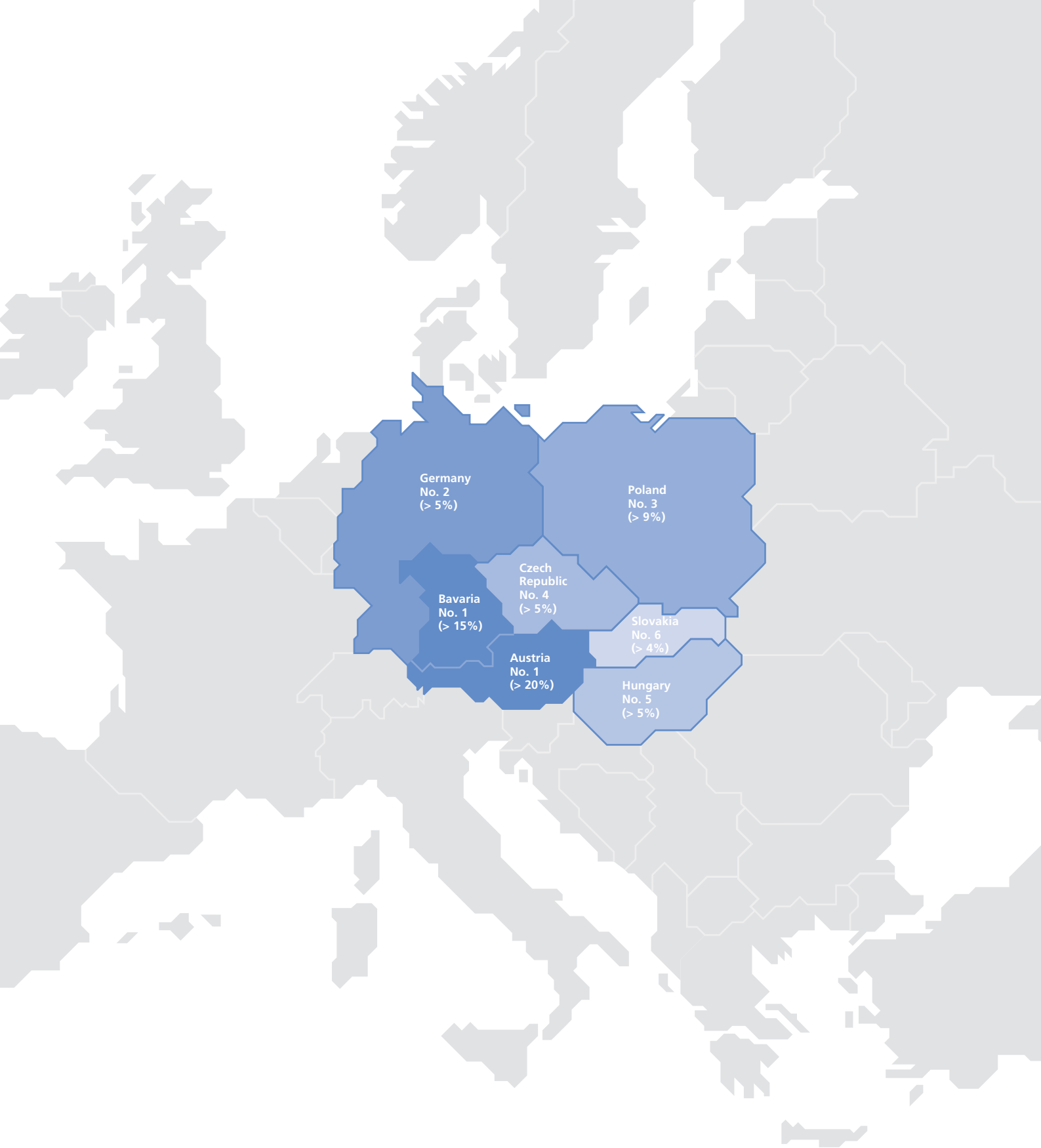
International retail and institutional funds, and private banking

Market leader in the heart of Europe

The HVB Group is one of the three largest Banks in Europe.

BANK OF THE REGIONS

Acting as the Bank of the Regions, we are leaders in Germany, Austria, and Central and Eastern Europe (CEE), a market of some 160 million people. We have two regional business segments: Germany and Austria/CEE. This is where we serve retail and midsize corporate customers.



Statement of the Managing Board

HVB CZECH REPUBLIC HAS AN IMPORTANT POSITION ON THE MARKET

HVB Bank Czech Republic (hereinafter HVB CZ) was established on October 1, 2001 by a merger of Bank Austria Creditanstalt Czech Republic a.s. and HypoVereinsbank CZ a.s. HVB CZ is a subsidiary of Bank Austria AG in Vienna, which is 100% held by the Bank Bayerische Hypo- und Vereinsbank AG in Munich.

The business year of 2001 was extraordinarily challenging to our staff, in particular given the merger. In spite of this, there was one very positive fact: the integration of both Bank institutions was successfully completed on the stipulated date, i.e. as of September 30, 2001. Therefore, starting from October 1, 2001, the fourth biggest Bank in the Czech Republic commenced to offer its services to clients: HVB CZ, which, thanks to its intensive preparation, initiated its business activity immediately on the date of the merger.

DEVELOPMENT OF THE CZECH ECONOMY IN OUTLINE

The year 2001 was characteristic for its recovery of the Czech national economy. Although the GDP growth did not manage to keep its initial four percent rate, during the whole period it had a solid advance compared to EU countries.

Business development in the Czech Republic was influenced by a decrease in interest rates on financial markets which had a negative impact, in particular, on the results of net interest income. However, the economic slowdown and drop of foreign demand were compensated by increased private consumption and capital creation. The completed privatisation of Czech Banks contributed to further consolidation of the

banking sector. The discrepancy between current incomes and current expenses in public budgets nevertheless remained the main medium-term risk in the Czech macroeconomic sphere.

The shift from foreign demand to domestic demand did not lead to an increase in the trade deficit, mainly due to the reduction of world prices of oil and natural gas. The deficit on the current account of the balance of payments was covered by a significant inflow of direct foreign investments. Simultaneously, however, this resulted in a further revaluation of the Czech crown. Inflation remained relatively low, exceeding the average figure of EU countries by two percentage points. Unemployment was kept at a stable level.

HVB CZECH REPUBLIC CREATED A HIGH PROFIT IN 2001

Despite the costs connected with the integration, for the fiscal period of the year 2001 HVB CZ created a net profit after taxes of CZK 1.129 billion pursuant to the Czech accounting standards (CAS). Pursuant to the international standards (IAS) this figure amounts to CZK 1.349 billion. Such a positive result was attained by the Bank in particular owing to its stabilised revenues and cautious risk and cost management.

The branch network of the merged Banks was optimised after the merger and then harmonised according to our clients' needs. Currently, HVB CZ has a total of 24 branches in the territory of the Czech Republic. Eight of them are located in Prague, two in both Plzeň and Brno and one located in České Budějovice, Hradec Králové, Chomutov, Jihlava, Karlovy Vary, Liberec, Mladá Boleslav, Olomouc, Ostrava, Pardubice, Ústí nad Labem and Zlín each.

In this manner HVB CZ has its representation in all important regional and industrial centres of the Czech Republic. In addition to traditional contact at the branches, the Bank offers its services through electronic banking, alternative electronic distribution channels and, lastly, through mobile advisors.

During the course of the merger the Bank upgraded its computer equipment to meet the ever-increasing demands of the market. Top specialists reviewed the existing systems of the merged Banks in terms of their capacity and functioning. Where necessary they were extended or replaced with completely new systems. An audit of the individual processes shall take place during 2002 with the aim to optimise them and to enable them to offer the clients faster and better service.

"BANK OF THE REGIONS" PRINCIPLE

HVB CZ forms an integral part of the HVB Group. This group, the third biggest in Europe according to its balance sheet total, carries out its strategic intention systematically: to operate as a "Bank of the Regions". Led by the parent company, Bank Austria AG, Vienna, whose task is to manage the business in the countries of Central and Eastern Europe (except for Russia, Ukraine and the Baltic countries), our aim is to become the number one Bank in the mentioned region – both regarding quality and the effectiveness of our services.

Thanks to their perfect knowledge of the market, the key principle of activity of regional Banks is to adapt as much as possible to local conditions. Simultaneously, such regional Banks seek the shortest possible management processes in order to be able to meet the clients' demands flexibly and to focus on their needs.

HVB CZECH REPUBLIC – BANK WITH A STRONG INTERNATIONAL BACKGROUND

The strong background both in Austria where Bank Austria is the number one banking institution, and in Germany where Hypo Vereinsbank ranks second amongst the Banks, may be considered a great advantage of the merger of HypoVereinsbank and Bank Austria Creditanstalt in the Czech Republic.

Due to the fact that in the field of investments and foreign trade exchange, Germany and Austria play an essential role in the Czech economy and also with a view to the planned accession of the Czech Republic to the European Union we believe that this comparative advantage over other Banks will have an even more positive effect in future.

TARGET GROUPS ARE CLEAR

Consequently, in future we shall focus on corporate clients, apart from private clients. These will be, on the one hand, big Czech and multinational companies but on the other hand also medium-size companies or those belonging to the sphere of retail banking. We will adjust our advisory services to them – ranging from individual “tailored” consultations to standardised products. Our high attention will be paid to project and structured financing, including foreign trade. Owing to our extensive network throughout Europe and advisory expertise in this sphere we are able to make our clients' entry into foreign markets easier.

The Bank will be active also in real estate finance – both commercial and for the purposes of individual and residential construction.

Along with the forthcoming accession of the Czech Republic to the European Union we also expect dynamic growth in the field of municipal financing.

HVB CZECH REPUBLIC – A BANK THAT TRULY UNDERSTANDS ITS CLIENTS

We attribute a high priority to retail banking. Our goal is to offer our clients advisory services and products that would correspond to their individual needs in certain phases of their lives. From school years and then starting a family to the peaks of professional life and retirement.

In future we will strive to offer our clients first-class advisory services in securities trades, real estate finance and asset administration. Our Bank intends to provide the highest standard of services also on monetary, FX and capital markets.

THE BANK'S ECONOMY WAS SOUND

In this annual report, we intentionally did not compare the results of 2001 to the results attained by both Banks in the year preceding their merger.

The merger gave rise to a new, promising Bank, that will strengthen its position on the Czech market systematically. A comparison with the previous year would insufficiently mirror this fact.

Despite this we may state that as of December 31, 2001, HVB CZ attained a better result than both separate Banks in 2000, even when including the costs of the merger. The trends of development of the Bank's interest income as well as non-interest income were also positive.

While creating adjustments, the risk management of the Bank proceeded with the most severe criteria and used the favourable development in order to optimise the Bank's credit portfolio in specific fields. The Bank did not suffer any unplanned failures here. Also the ratio of non-interest income to interest income developed very positively.

The planned costs were not fully used, which is again positive. The cost and income ratio reached the figure of 62.8%, while excluding the costs related to the merger this figure represents 55.8%.

With a view to the fact that due to the merger the capital of both Banks was pooled, the capital adequacy ratio of HVB CZ exceeded 15 %. The return on equity after taxes ranged around 12.3% while excluding the merger costs it amounted to 15.7%.

This is a positive indicator that will enable a further expansion of the Bank on the Czech market.

THE BANK'S QUALITY EQUALS THE QUALITY OF ITS EMPLOYEES

All departments of the Bank contributed to the positive results of HVB CZ in 2001, although naturally to a different extent.

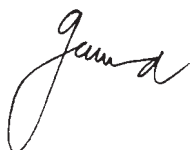
We would like to thank all of our employees for their intense efforts throughout the whole year. They proved to be capable of satisfying the needs of both the clients and the Bank even under extraordinary circumstances.

We are pleased to state that the human resource potential of HVB CZ represents its strong capital.

Our aim is to create a quality and effective Czech Bank which will provide services at an international level. At the same time let us thank all of our customers for their loyalty and successful co-operation. We consider this an obligation to our clients.



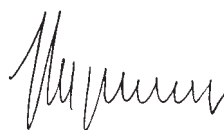
JUDr. Karel Kratina



Ing. David Grund



Ing. Petr Brávek

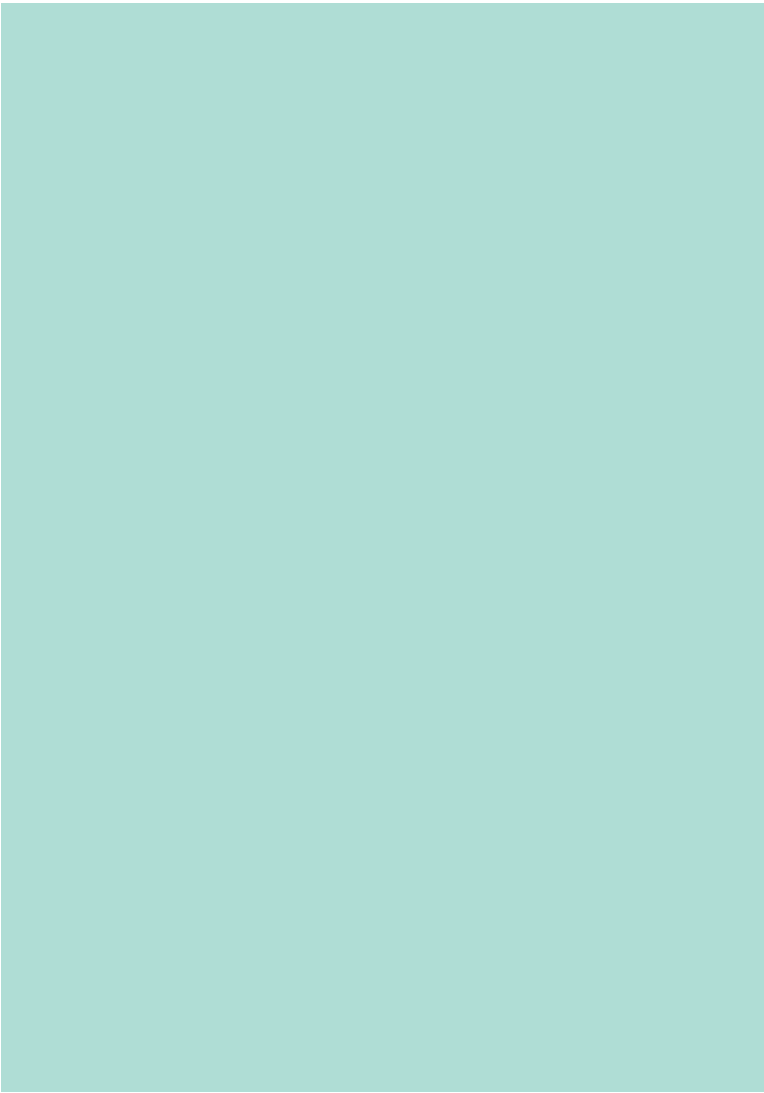


Hartmut Adolf
Hagemann



Manfred Meier

**REPORT OF THE SUPERVISORY
BOARD**



Report of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD ON THE FINANCIAL STATEMENTS 2001

The year 2001 was marked by the merger of Bank Austria Creditanstalt Czech Republic, a.s. and HypoVereinsbank CZ a.s. The resolution to merge the two Banks was passed by the respective General Meetings on 30th July 2001. The merger was completed on 30th September 2001.

The present Supervisory Board was established on 30th July 2001. The Supervisory Board of HypoVereinsbank CZ a.s. – after the merger, of HVB Bank Czech Republic a.s. – was composed of the following members: Erich Hampel, Gerhard Bayreuther, Vincenzo Antonio Gallo, Martin Grüll, Wolfgang Haller and Heinz Meindlinger. Three members, Jiří Drbohlav, Petr Dušek and Viktor Farka were elected by the employees of HypoVereinsbank CZ a.s. on 6th August 2001, replacing the former representatives of employees, Reiner Barthuber and Helmut Konrad.

Vincenzo Antonio Gallo and the three representatives of employees resigned on 17th December and 15th November respectively. The Supervisory Board elected Anton Knett as its new member on 17th December 2001.

The Supervisory Board of HVB Bank Czech Republic a.s. was informed of the progress of the Bank's business on a regular basis and performed its duties as defined by law and in the Bank's Articles of Association. The

Supervisory Board appointed the members of the Managing Board of HVB Bank Czech Republic a.s. on 20th August and on 3rd October 2001.

The financial statements and the annual report as of 31st December 2001 were audited by the Bank's auditor, KPMG Česká republika Audit, spol. s r.o. The Supervisory Board has examined the financial statements and endorses the findings of the auditor's report as of 31st December 2001.

The Supervisory Board thanks all the members of the Managing Board and the employees of HVB Bank Czech Republic a.s. for their contribution to the successful completion of the merger and the results achieved by the merged Bank in 2001.



Dr. Erich Hampel

MACROECONOMIC ENVIRONMENT IN 2001



Macroeconomic environment in 2001

The year 2001 can be characterised – from an economic point of view – as the year of real and nominal convergence to the European Union. Although the growth of GDP did not sustain its initial 4% pace, the real convergence was assured thanks to a faster growth rate compared to the growth achieved within the EU throughout the period in question. The national economy as a whole coped relatively successfully with global economic recession by replacing lower foreign demand with higher private consumption and capital formation. Increased household demand reflected both the growth of real wages and favourable consumer expectations as regards future economic development. The shift from foreign to domestic demand did not result in an increased trade deficit thanks to the significant fall of oil and natural gas prices. Thus the problems of the world economy did not impact the inflow of direct foreign investments which more than covered the balance of payments deficit on current account.

Nominal convergence can be further attributed to revalued Czech currency than in previous years. Its revaluation to Euro reached 4.3% on average or even 9.3% annually. Accelerated movement of exchange rate caused concerns about possible loss of competitiveness among those economic sectors which suffered from low export demand. This situation made the Czech National Bank look, in conjunction with the Government, for a method to reduce the impact of privatisation incomes

on the exchange rate. However, the measures taken at the year-end did not bring about any immediate effect in the area of exchange rates. Inflation, as another channel through which price levels approximate, remained relatively low and was approximately by two percentage points higher than the same average indicator in the EU.

Some progress was made in the privatisation process. The sale of Komerční banka crowned the denationalisation process in the banking sector and contributed to its further consolidation. The decision to sell the gas industry topped the historically largest transaction with state involvement. Unipetrol and some other smaller businesses were also sold. On the other hand, and contrary to the original plans, the state still maintains control of ČEZ and Český Telecom. The fact that several decisions on privatisation concentrated in the year-end and the settlement of such transactions was postponed to 2002 caused some tension in public budgets and enforced the delay of some planned expenses. The discrepancy between current incomes and current expenses in public budgets remained the key macroeconomic medium-term risk and no progress was made in its elimination or at least reduction during the year in consideration.



Corporate Banking

HVB BANK CZECH REPUBLIC A.S. – QUALITY ADVISORY SERVICES AND EXCELLENT SERVICE

The year 2001 was marked by the completed privatisation and gradual restructuring of all relevant Czech Banks. Intensifying activity and price aggressiveness of some foreign-owned banking institutions resulted, at the same time, in increase in competition as the Banks struggled to acquire solvent and prospective clients.

All credit exposure with respect to the clients of the newly integrated Banks was critically examined and newly assessed. Also the aim of the Bank was to maintain the continuity of the relation between clients and Bank advisors to ensure the best possible attention to the clients. Only in really necessary cases there were some changes.

HVB CZ followed on the assumption that in a competitive environment its strong point is to provide its clients with individual solutions to their requirements. This is enabled by the expert competence of the Bank's corporate advisors who, in co-operation with risk managers and service staff, are able to offer the clients fast and competent solutions. We count on a high quality of advisory services with the most sophisticated clients on the one hand, and, on the other, on our standardised products. These were the main steps by which we intended to confront our competitors.

CORPORATE CENTRES SERVE THE CLIENTS

Out of the ten corporate centres serving corporate entities, two teams focus on large Czech, international and multinational companies. A separate group focused on project financing and syndicated loans. Two groups care for the client-strong area of Prague and central Bohemia, specialised according to the individual industries of the national economy. Other teams for corporate clients are located in:

- * Plzeň for West Bohemia with representation in Chomutov and Karlovy Vary
- * České Budějovice for South Bohemia
- * Liberec with representation in Ústí nad Labem for North Bohemia
- * Hradec Králové for East Bohemia
- * Ostrava for North Moravia
- * Brno with representation in Jihlava, Olomouc and Zlín for the region of South Moravia.

This pattern allows us to be close enough to our clients and, based on a detailed knowledge of the regional issues, to cater to their needs. The aim is to attain fast and competent solutions within our de-centralised organisation.

The volume of corporate loans slightly increased in 2001 and stabilised at a satisfactorily high level. Our clients have access to a differentiated scope of products that may be appropriately combined according to their individual needs.

WIDE CHOICE OF LOANS FOR CORPORATE CLIENTS

HVB CZ offers its clients a chance to use short-term, medium-term, investment and mortgage loans, that permit them to fully cover their needs. The Bank is able to provide various types of preferential specific loans, on the basis of its co-operation with the European Investment Bank, Bank for Reconstruction (KfW), and Bavarian Land Bank for Financing of Construction (LfA) – we are accredited as the local Bank for the Czech Republic with these financial institutions.

As one of the few Banks in the Czech Republic we support, based on our co-operation with the European Investment Bank, investments into infrastructure projects in selected regions.

In Corporate Finance we concentrated on project and structured financing. The fact is that we participated in all significant projects of this type in the Czech Republic.

Modern products of electronic banking and cash pooling showed intense progress. The number of our clients in this area grew satisfactorily.

ADVANTAGES OF MEMBERSHIP IN HVB GROUP

Thanks to the strong background of the parent concern of HVB Czech Republic in Austria, Germany and in the countries of Central and Eastern Europe, we enjoy

a natural comparative advantage in view of the structure of Czech foreign trade and foreign investments in the Czech Republic. An influential position of Bank Austria AG, Vienna in the field of foreign trade gave us even broader access to the new know-how and to other markets, which also distinguishes us from the rest of the Banks in the Czech Republic.

In 2001 our Bank succeeded in concentrating on financing exports in the form of customer loans. Another important factor was the augmentation of co-operation of HVB CZ with the state-owned insurance company EGAP. This insurance company enables our clients to improve their terms of export financing, including in the countries with increased risks.

WE OFFER SOLUTIONS, NOT INDIVIDUAL SERVICES

We prepared an “export package” for our clients that includes financing manufacturing costs of the exporter, granting necessary Bank guarantees, claims purchases both with and without sanction. However, this is not a mere sale of the individual products, but it also includes the provision of advisory services, structuring the transaction and finding the optimal solution. Therefore our aim is to support the potential of the partners of HVB CZ in foreign trade and to minimise their risks.

COMMERCIAL REAL ESTATE ALSO FINANCED BY HVB

Financing commercial real estate is one of the key activities of HVB CZ.

International investors continue to be interested in constructing modern office spaces in areas which provide generally good access.

The trend of developing new office buildings in the areas surrounding the city centre continued.

A more effective use of modern office space along with good parking conditions – unlike with office space in the city centre – were the main reasons for this trend to continue.

This led to a further increase in offers of office premises and thereby to a partial saturation of the market. As a consequence of this development, present already in the previous year, rent of adapted office space partially decreased in some areas in the centre of Prague.

On the Czech market a number of investment transactions was concluded upon which office space was sold to institutional investors.

The area of storage and distribution space continues to have a good potential of growth. The demand for quality industrial areas is maintained.

In big shopping centres most of the chains provide an international-level quality of services. This trend has spread from Prague to many medium-size towns.

QUALITY FIRST

On the basis of our systematic monitoring of the market and its development we pose high demands on the buildings financed by our credits in terms of quality, location and leasing potential. Regarding office buildings we focus on newly built constructions with standard equipment, in attractive locations.

With industrial and logistics projects we pay attention to industrial areas equipped at the level of western standards.

In the retail network we are involved where newly built commercial centres are concerned, i.e. in agglomerations with a high concentration of inhabitants and such competitive environment that might ensure the envisaged return of financial means.

On the residential market we prefer first-class, high-standard apartments under personal ownership.

We are convinced that the Czech real estate market has a significant potential for growth and we plan to maintain (and of course further strengthen) our position in this area.

We closely follow the development of all the sectors mentioned above, in particular regarding residential construction which will play – in the framework of the price deregulation of rents – an important role in the medium-term perspective.



Private and business clients

The commercial year 2001 was very successful for the Private and Business Clients division. This result should be appreciated even more in view of the fact that it was attained under a situation when a large part of the financial resources were dedicated to the work connected to the preparation of the merger and for the tasks which were necessary to be fulfilled subsequent to October 1, 2001.

In the 24 branches of our Bank approximately 50,000 clients of the Private and Business Clients division have profited from the efficiency of the new HVB CZ and from using the benefits following both from our client-oriented advisory services and from the individual meeting of clients' needs.

STRUCTURE OF THE PRIVATE AND BUSINESS CLIENTS DIVISION

Simultaneous to the commencement of the operation of the new Bank, the Private and Business Clients division was divided in the following sections:

- Distribution in business places (within the branch network)
- Business advisory services to professionals
- Private banking and administration of securities
- MajorDomus real estate financing
- Card transactions
- Alternative distribution channels
- Strategy, development of products and management

With the aim of ensuring a close interconnection among the individual sections and thereby effective commercial management and profitability, the business contents of the projects administered in the former BA/CA as MajorDomus Real Estate Financing and MAXIM Credit Cards were completely integrated in the Private and Business Clients division.

EXCELLENT DEVELOPMENT OF DEPOSIT AND LOAN TRANSACTIONS

Transactions with open deposits, term deposits and savings deposits represent a significant basis for the income of our division. We recorded a slight growth of the already existing high level of the volume of deposits.

Also loan transactions with private and business clients progressed positively. New transactions in the field of real estate finance remarkably contributed to such progress. This commercial segment represents also one of the key competencies of our Bank for future. With a view to the fact that we are part of a concern which is the biggest European institution for real estate finance, our clients profit directly from this know-how.

EXPANSION OF SECURITIES TRADE

The trend, characterised by a change of demand in the field of property investments, which is due to falling interest rates and increasing amount of information, continues on the Czech market. Therefore, we may observe an increased demand for alternative possibilities of investment.

As the holders of know-how in this domain we further strengthened our position of a qualified and competent contact partner. By the end of the year, approximately 6,300 clients invested a total of approximately CZK 5 billion in securities, in particular, in public funds.

In this connection we are proud of the fact that we received licences for the sale of participation certificates of investment funds from the Securities Committee,

which as of January 1, 2002 are necessary pursuant to legal regulations, in all cases in which we applied for the licences. Our fund "Komfort Portfolio" also belongs here. It is intended specially for the Czech market. The fund emerged in this form for the first time in the Czech Republic and is available exclusively to our clients.

The Private Banking section continues to be extraordinarily successful. Private investors who invest an amount exceeding approximately CZK 10 million are provided with first-class complex care connected to the provision of individual solutions at the highest level. At the end of the year, the Private Banking team rendered its services to approximately 500 private investors.

CARE FOR BUSINESS CLIENTS – FIELD OF DYNAMIC COMMERCIAL ACTIVITY

After the integration of both Banks, HVB Bank CZ is currently able to care for business clients as its target group. Approximately 6,000 persons belonged to this group as of the end of the year. Also in this field our aim is to establish long-term business partnership relations, based on advisory services focused on the clients' needs and the solving of such needs.

The key group within the business clients are professionals performing their business in the health industry. We opened a competence centre for self-employed doctors and pharmacists in which our business representatives are concentrated who, apart from their professional banking expertise, have also a special know-how in the relevant field and therefore they may serve as competent contact partners for this particular client segment.

OFFER OF DIFFERENT WAYS OF ACCESS TO BANKING SERVICES – ALTERNATIVE DISTRIBUTION CHANNELS

Apart from the branch network offering its services in individual business places, we carried on the implementation of our strategy focused on providing different options of access to our services. In this manner, the clients are offered Online/Internet banking and also Telebanking as available additional services. These options which allow comfortable access to handling standardised services are already used by a large number of clients. The fact that in independent tests we rank first in the Czech Republic in the field of Internet banking as far as Bank branches are concerned motivates us to pay close attention to this field in future.

Thanks to using the stated technical potential, with our product Konto Komfort we introduced a product package which set a new standard of services. For a very attractive lump-sum price this product represents an "all inclusive" solution that includes e.g. administration of account, credit card, disposition loan, Online/Internet banking and Telebanking.

If the clients are interested, they may find a complex overview of our services on our web pages. The web pages were radically updated as of October 1, 2001 in compliance with the standards of our concern. User-friendly attitude and a wealth of information are characteristic of our web presentation.

OUR STAFF

Due to the merger, the work of our employees, their positions and the requests for their qualification changed in many sections. Therefore, in order that the changes were prepared in advance and a smooth transfer to the integrated Banks was assured for our clients, a number of measures concerning education and training of practical skills were necessary. For example, all employees were prepared through relevant measures to the new system environment. Moreover, the staff was – during several days of training – acquainted with the new scope of products, including the practical use of individual forms and applications.

We further concentrate our efforts on the complex education of our staff in order to attain our goal: the leading position in quality and know-how.

PROSPECTS: NEEDS OF OUR CLIENTS AND THEIR INDIVIDUAL SOLUTIONS

Our strategy emphasises quality and orientation to the clients' needs. Due to the merger of both Banks,

our present client base enables us to meet the goals not only upon acquisition of new clients but also in relation to the existing clients, in order to intensify the binding of the clients to the Bank.

Different client groups have entirely different and, in part, totally specific needs. In the same manner as we treated private investors and persons involved in the health industry, we plan to establish other competence centres, e.g. for notaries or foreign investor groups.

Our key competencies – i.e. qualified property advisory services, private banking and private real estate financing – will continue to be reflected in our main commercial activities. In the framework of the scope of our products we will enhance our product Konto Komfort by a “global” variant that shall also include accounts administered in foreign currencies. We have prepared the services of GSM-Banking in order to keep abreast of the progress of technology. The account “Aesculap” is intended to satisfy the special requirements of professionals enterprising in the health industry and therefore this account will represent the key product for acquiring new clients in the segment. As regards credit cards, a number of co-branding agreements will be concluded which will bring us a substantial client and revenue potential.



Treasury

The INM Division delivered very good results and significantly contributed to the profit of the Bank. The Treasury structure has been changed and is changing as a result of an increasing focus on the customer. From 1st October 2001 custody business is an integral part of the INM Division. It's now recognized that meeting customer needs and providing tailored solutions for their financial transactions is the foundation of any successful treasury business. The INM Division kept a leading position on the local market, thanks to its ability to offer a wide range of products and services in the area of exchange risk and interest rate risk management. In 2001 the Bank continued to issue its own mortgage bonds and at the end of the year the Supervisory Board increased the mortgage bond program to the amount of CZK 10 billion.



Controlling/Credit risk management

■ a. Portfolio structure/Creation of adjustments

The sound structure of the Bank's credit portfolio proves that the Bank had a cautious credit risk management. The merger of HypoVereinsbank and Bank Austria Creditanstalt in the Czech Republic also significantly contributed to diversification of the credit portfolio by industries and products. The credit risks are fully covered with created adjustments and provisions.

While creating the adjustments and provisions to its credit claims the Bank proceeds very thoroughly. To this effect the Bank accepts exclusively high quality security and is very conservative with respect to the assessment of the security. The adjustments to claims from credit cards are created in a volume that markedly exceeds the amount for creation of such items prescribed by the relevant legal rules and regulations.

■ b. CBCB project

As a founding member the Bank takes part in the project aimed at establishing a commercial registry of loans granted to individuals. This project is to assist in better evaluation of solvency and payment discipline of clients so as to reduce the risks for the Bank and to offer improved services to good clients.

Credit risk management – Real estate finance

■ a. Corporate clients

The merger and departures of employees have caused the current delay in credit reviews and lack of employees. As a result one must expect fewer new trades. The impact on risk cannot be predicted at the moment. It is supposed that new employees hired for the credit processing department will occupy first of all vacant positions of loan specialists. A completely new organisational structure will be necessary for sales. Given this situation in Human Resources, it is expected that a new, complex and future-oriented organisational structure in real estate finance for corporate clients will emerge and will be sufficiently staffed with regard also to future development. The situation in the area of real estate finance will be stabilised by the end of 2002 thanks to the employment of new staff and their adequate training.

■ b. Private clients

For the time being, a stable situation has been reached in the segment of trade with private clients (Majordomus). It is, however, necessary to add new employees because the newcomers have just replaced those who have left. Job positions in the area of the sales, where most employees left, are being filled at present. As far as the organisational structure is concerned, business processes and procedures are being re-engineered and some measures in training are being co-ordinated.

Stabilisation is expected before the end of September 2002.



Human Resource Management

THE MERGER AFFECTED THE NUMBER OF EMPLOYEES

The merger between Bank Austria Creditanstalt Czech Republic, a.s. and HypoVereinsbank CZ a.s. which took place on 1st October 2001 was the determining factor in the development of staff in 2001.

All our staff members and Human Resource Management rose to the demanding challenges this year. They had to redefine business processes, the organisation structure, competencies and the labour force. Resources had to be transferred and particular staff members who were able to occupy new positions in the modified organisation structure had to be identified. We were able to find efficient solutions thanks to our flexible staff and structured and get-acquainted interviews where all employees could comment on their professional career, strengths and visions concerning their future professional assignment.

The Bank employed 1,158 employees including 7 trainees by the year-end. 62% of them were females and 38% were males. The average age was 32 years and average time of their employment with the Bank was 4.8 years. At present 98.9% of all positions in the Bank are occupied by Czech employees.

ENHANCING KNOW-HOW THROUGH SYSTEMATIC OBTAINING OF PRACTICAL SKILLS AND WORKSHOPS

Our staff expertise is the priority in our chart of values especially under the given ever-changing environment and existing competition. We are aware that our clients

appreciate qualified advisory services and the “added value” we are able to provide – that is why they remain our clients.

We support our staff by providing them permanent assistance in their personal improvement and further education focusing on their needs e.g. in the form of basic and the advanced training programs. Basic training programs are necessary and inevitable preconditions for performing future jobs and the objective of the advanced training programs is to improve knowledge in a particular field. In addition, there are training programs tailored to the needs of both employees performing general functions and specialists, as well as programs for managers aimed at improving their competence and high-quality training in managerial skills. The workshops took place both in the Czech Republic and abroad and appropriate managers tested and documented their efficiency as a part of their training controlling function.

Substantial funds were invested in further education of our employees in 2001. In total, our staff spent about 3,500 days in seminars focusing chiefly on management, sales skills and communication with clients but also on obtaining more in-depth knowledge about the products and professional know-how in individual activities. We responded to ongoing globalisation by offering a wide range of language courses. 550 Bank employees are attending the language courses arranged by the Bank at present.

Like the clients, our employees also benefit from the fact that our Bank is a member of the international concern, HVB Group. Their theoretical and practical knowledge increases in the international locations of our group. Such personnel policy is becoming increasingly more important with regard to the continuing globalisation of financial markets and the expected admission of the Czech Republic to the European Union. Like in the past, future challenges in individual personal improvement will include foreign assignments and study stays so as to enhance the staff’s knowledge and improve international exchange of information.

INCREASED EFFORTS IN SEARCHING FOR TALENTED PROSPECTIVE EMPLOYEES

Any successful personnel policy also requires the employment of members – potential managers. It implies that those who look for a job in the future should perceive the Bank as an attractive employer. To this end, we enhanced our presence at colleges and universities, by using promotional tools aimed at attracting potential job applicants and using news ads and web sites at universities searching for trainees. In parallel we developed a program for trainees in corporate banking, retail banking and Bank operations where we offer to the graduates an opportunity to gain some experience in banking business and to demonstrate their eligibility for a particular position in the Bank through their engagement, labour intensity and knowledge during their approximately two-year long probation period.

We shall keep on offering a dual education program for prospective bankers in cooperation with German-Czech Chamber of Commerce and Industry and the Banking Institute. This three-year training is completed with written and oral tests and successful graduates receive the title of “banker” also recognized in Germany.

6 female and 1 male employee of the Bank attended this form of training as at December 31, 2001.

UP-TO-DATE PERSONNEL MANAGEMENT TOOLS

Key forms of mutual contact with our employees are a full-area dialogue across individual levels of management, a proper information and communication policy and an open exchange of views on subject matters to be improved. In doing this we always respect our recognized values such as transparency, open-mindedness, tolerance, friendliness, but also a consistent focus on success and support depending on performance.

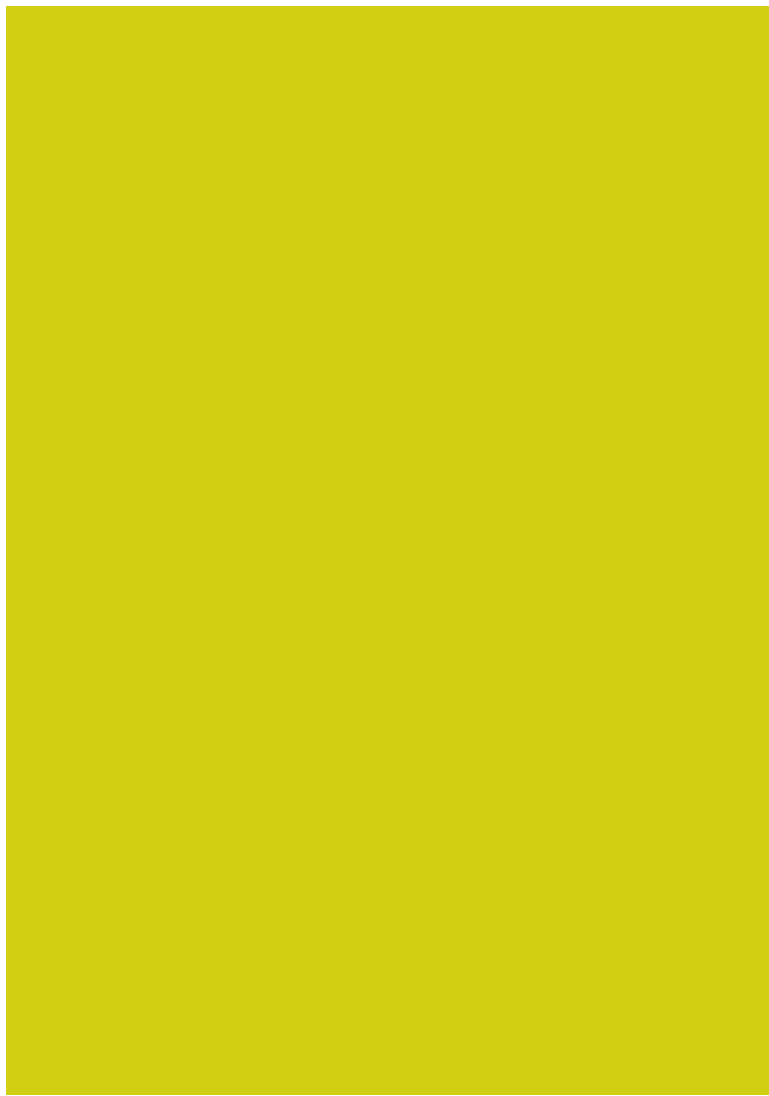
Personnel management tools that comply with such principles – such as target-setting interviews, open and traceable staff development, opinion surveys, a performance-oriented remuneration system combined with sophisticated social benefits – assure that we are an attractive employer for our current and future employees. Our objective is to become one of 50 most attractive employers in the Czech labour market.

ACKNOWLEDGEMENTS TO EMPLOYEES

We know that the previous year was full of extraordinary efforts, that we completed the merger successfully in a very short time and that we still face future challenges. In the proper meaning of the phrase “merger of the best” we succeeded in joining our forces and we aim to prove to our clients and to ourselves that we are the best.

We thank our staff members for their efforts, persistence and excellent results achieved last year.

NON-CONSOLIDATED FINANCIAL STATEMENTS



BALANCE SHEET

AS AT 31 DECEMBER 2001

ASSETS				
	Note	2001	2001	2001
CZK 000		Gross amount	Adjustment	Net amount
1 Cash in hand, balances with central Banks and post office Banks		3,239,062	0	3,239,062
2 State treasury bills and other bills eligible for refinancing with the ČNB	9	30,214,504	834	30,213,670
a) state treasury bills and similar securities issued by the state		6,907,504	834	6,906,670
b) other treasury bills		23,307,000	0	23,307,000
3 Receivables from Banks	7	39,774,628	0	39,774,628
a) repayable on demand		612,637	0	612,637
b) other receivables		39,161,991	0	39,161,991
including subordinated assets				
4 Receivables from customers	8	66,902,860	1,473,656	65,429,204
a) repayable on demand		6,780,977	1,177,843	5,603,134
b) other receivables		60,121,883	295,813	59,826,070
including subordinated assets				0
5 Bonds and other fixed income securities for trading	10	4,594,545	6,833	4,587,712
a) issued by Banks		2,152,024	1,079	2,150,945
including own bonds				
b) issued by other entities		2,442,521	5,754	2,436,767
6 Shares and other variable income securities for trading	11	3,300	0	3,300
7 Participation interests with substantial influence				
a) in Banks				
b) in other entities				
8 Participation interests with controlling influence	12	399,000	23,293	375,707
a) in Banks		360,000	0	360,000
b) in other entities		39,000	23,293	15,707
9 Other financial investments	10	1,351,397	0	1,351,397
10 Intangible fixed assets	13	906,450	617,640	288,810
a) establishment costs				
b) goodwill				
11 Tangible fixed assets	14	2,453,328	1,729,743	723,585
a) land and buildings for the purpose of Banking activities		967,971	609,883	358,088
b) other		1,485,357	1 119,860	365,497
12 Own shares				
13 Other assets	15	2,824,326	3,832	2,820,494
14 Shareholder receivables from capital subscribed but not paid				
15 Prepayments and accrued income		572,927	0	572,927
Total assets		153,236,327	3,855,831	149,380,496

The notes set out on pages 44 to 61 form part of these financial statements.

LIABILITIES

CZK 000	Note	2001
1 Due to Banks	16	43,520,995
a) repayable on demand		1,104,211
b) other payables		42,416,784
2 Due to customers	17	63,918,342
a) saving deposits		2,735,417
including repayable on demand		151,654
b) other payables		61,182,925
including repayable on demand		24,413,334
3 Certificates of deposit and similar debentures	18	21,795,398
a) certificates of deposits		
b) other		21,795,398
4 Deferred income and accrued expenses		749,069
5 Reserves		1,505,705
a) reserves on standard loans and guarantees	22	1,436,245
b) reserves on Fx losses		
c) reserves on other Bank risks		69,460
d) other reserves		
6 Subordinated liabilities	19	1,140,759
7 Other liabilities	20	6,451,908
8 Registered capital	21	5,047,000
including registered capital paid up		5,047,000
9 Share premium	21	1,996,920
10 Reserve funds	23	506,683
a) obligatory reserve funds		506,683
b) reserve fund to own shares		
c) other reserve funds		
11 Capital funds and other funds from profit	23	1,540,485
a) capital funds		(223,749)
b) other funds from profit		1,764,234
12 Retained earnings or (losses) from previous periods	23	78,475
13 Profit or (loss) for the accounting period	23	1,128,757
Total liabilities		149,380,496
OFF-BALANCE SHEET		
1 Potential future liabilities arising from commitments including		5,747,611
a) acceptances and endorsements		
b) payables resulting from guarantees	25	5,747,611
c) payables resulting from collateral		
2 Other irrevocable liabilities	25	21,605,720
3 Receivables from spot, term and option transactions	25	228,325,945
4 Liabilities from spot, term and option transactions	25	228,456,766

The notes set out on pages 44 to 61 form part of these financial statements.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

CZK 000	Note	2001
1 Interest income and similar income		7,725,668
including interest income from fixed yield securities		872,468
2 Interest expense and similar expense		(4,695,610)
including interest expense from fixed yield securities		(439,077)
Net interest income		3,030,058
3 Income from variable yield securities including:		15,300
a) income from shares and other variable yield securities		
b) income from participation interests with significant influence		
c) income from participation interests with controlling influence		15,300
d) income from participation interests with affiliated companies		
4 Commission and fee income		1,013,640
5 Commission and fee expense		(182,368)
6 Net profit (loss) from financial operations		1,019,312
7 Other income	5	35,313
8 General operating expenses including:	4	(2,758,590)
a) employee expenses		(953,664)
aa) wages and salaries		(705,040)
ab) social insurance		(185,479)
ac) health insurance		(63,145)
b) other operating expenses		(1,804,926)
9 Creation of reserves and adjustments to tangible and intangible fixed assets		(51,484)
a) creation of reserves for tangible fixed assets		
b) creation of adjustments for tangible fixed assets	14	(51,484)
c) creation of adjustments for intangible fixed assets		
10 Use of reserves and adjustments to tangible and intangible fixed assets		
a) use of reserves for tangible fixed assets		
b) use of adjustments for tangible fixed assets		
c) use of adjustments for intangible fixed assets		
11 Other expenses	5	(541,549)
Net operating income before adjustments and reserves for loans and investments		1,579,632
12 Creation of reserves and adjustments for credits and guarantees	22	(509,060)
13 Use of reserves and adjustments for credits and guarantees	22	631,386
14 Creation of reserves and adjustments for participation interests and other financial investments		(932)
15 Use of reserves and adjustments for participation interests and other financial investments		
16 Creation of other reserves and adjustments		(61,256)
17 Use of other reserves and adjustments		9,887
Profit on ordinary activities before tax		1,649,657
18 Income tax on ordinary profit		(492,993)
19 Ordinary profit or (loss) for the accounting period after tax		1,156,664
20 Extraordinary income	6	33,739
21 Extraordinary expenses	6	(61,646)
Extraordinary profit or (loss)		(27,907)
22 Income tax on extraordinary profit		0
23 Extraordinary profit or (loss) after tax		(27,907)
24 Profit or (loss) for the accounting period		1,128,757

The notes set out on pages 44 to 61 form part of these financial statements.

Notes to the Czech Statutory Financial Statements (non-consolidated)

1. BACKGROUND

On 1 October 2001, Bank Austria Creditanstalt Czech Republic, a.s. merged with HypoVereinsbank CZ a.s. through termination of Bank Austria Creditanstalt Czech Republic, a.s., without liquidation. The name of the combined entity was changed to HVB Bank Czech Republic a.s. All rights and liabilities of the terminated Bank Austria Creditanstalt Czech Republic, a.s. were assigned to HVB Bank Czech Republic a.s. The change of the name to HVB Bank Czech Republic a.s. (the Bank), the change of the registered capital and the change of other facts connected with the merger were recorded on 1 October 2001 in the Companies Register of the District Court of Prague under reference number B 3608. The major shareholder of the Bank is Bank Austria Aktiengesellschaft, Vienna.

2. BASIS OF PREPARATION

The financial statements have been prepared on the basis of accounting maintained in accordance with the Act on Accounting and relevant regulations and decrees of the Czech Republic. They have been prepared under the historical cost convention on the basis of full accrual accounting.

The financial statements are presented in accordance with the Czech Ministry of Finance decree on regulating the organisation and definition of financial statements and disclosure requirements of Banks dated 9 December 1999 (282/87 740/1998).

Numbers in brackets represent negative amounts.

Amounts are presented in thousands of Czech crowns (CZK) unless otherwise stated.

These financial statements are non consolidated financial statements.

Due to the merger process and establishment of the new Bank in 2001, these financial statements do not include any comparative figures from the prior year.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Bank's financial statements are set out below:

(a) Bonds and other fixed income securities, Treasury bills and other eligible bills and shares and other variable income securities

Treasury bills and other eligible bills are carried at amortised cost.

Adjustments for treasury bills and other eligible bills are created in an amount equal to the excess of amortised cost over the market value calculated on a specific identification basis.

Bonds and other fixed income securities and shares and other variable income securities are classified as held to maturity, held for trading purposes or available for sale, based on the Bank's intention. Only bonds and other

fixed income securities can be classified into the held to maturity portfolio. In the financial statements, they are stated either as long term or short term.

Premiums and discounts on bonds and other fixed income securities are amortised/accreted through the profit and loss account over the period from the date of purchase to the date of maturity using the effective interest rate method. (In the case of securities classified into the trading portfolio or available for sale portfolio and securities which have a residual maturity shorter than 1 year, the premium and the discount are amortized/accreted equally through the profit and loss account over the period from the date of purchase to the date of maturity).

Bonds and other fixed income securities are carried at amortised/accreted cost less adjustments for any temporary diminution in value or write-offs for any permanent diminution in value. Shares and other variable income securities are carried at acquisition cost less adjustments for any temporary diminution in value or write-offs for any permanent diminution in value.

Bonds and other fixed income securities which are held for the longer term are classified as long term securities and are included in 'Other financial investments.' Adjustments for long term securities are created by an amount, which only reflects the change in the risk of the issuer and not a change in interest rates, calculated on a specific identification basis.

Bonds and other fixed income securities and shares and other variable income securities, which are held for trading purposes or available for sale are classified as short term securities. Adjustments for short term securities are created in an amount equal to the excess of amortised/accreted cost or acquisition cost over the fair value calculated on a specific identification basis.

The fair values used for calculating adjustments for securities are stated at market value available as at the date of the fair value statement, if the Bank proves that securities can be sold for the market price. If it is not possible to state the fair value as the market value (i.e. the Bank does not prove it is possible to sell securities at the market price), the fair value is estimated as the adjusted value of securities.

The adjusted value of securities is equal to the measure of participation in the net asset value of a company if they relate to shares, to the measure of participation in the net assets of a share fund if they relate to share certificates and the present value of securities if they relate to bonds and bills of exchange.

For bonds and shares traded on the public market, fair values are equal to the price reached on the public

market of OECD countries, provided that the securities are liquid.

The fair values of those securities not traded on the public market of OECD countries are, in the case of shares and other variable income securities, stated by the measure of participation in the net asset value of the company. In the case of bonds and other fixed income securities, the fair values are represented by the present value of securities including the issuer risk.

The cost of disposed securities is determined using the weighted average price method for individual issues.

Transactions where securities are sold under a commitment to repurchase (repurchase commitment) at a predetermined price or purchased under a commitment to resell (resale commitment) are treated as collateralised borrowing and lending transactions. The legal title of securities subject to resale or repurchase commitments is transferred to the lender. Securities transferred under a repurchase commitment are henceforth included in the relevant items of securities in the Bank's balance sheet while the borrowing is recorded in 'Due to Banks' or 'Due to customers.' Interest is accrued on securities transferred under a repurchase commitment; interest is not accrued in the case of received securities recorded in the balance sheet under a resale commitment.

Securities received under a resale commitment are recorded either as 'State treasury bills and other bills eligible for refinancing with the CNB,' 'Bonds and other fixed income securities for trading' or 'Shares and other variable income securities for trading.' Payables from securities received under a resale commitment are included in 'Due to Banks' or 'Due to customers' while the lending is recorded in 'Receivables from Banks' or 'Receivables from customers.'

Interest receivable or payable under resale or repurchase transactions, representing the difference between the sale and purchase amounts, is accrued on a straight line basis and included in interest income or interest expense respectively in the profit and loss account.

(b) Participation interests with controlling influence

A participation interest with controlling influence is one where the Bank is a major associate. In this case, the Bank has a controlling influence over the subject's management and fully supervises its activity. Such influence arises from participation in the registered capital, or from an agreement or the articles of association regardless of the percentage of participation.

Participation interests with substantial and controlling influence are recorded at acquisition cost less

adjustments for any temporary diminution in value or write-offs for any permanent diminution in value.

Adjustments for participation interests with substantial and controlling influence are created by an amount equal to the excess of acquisition cost over the measure of participation in the net asset value of the company on an individual basis.

(c) Receivables from Banks and customers

Receivables are carried net of adjustments. Reserves for receivables are included in 'Reserves' on the liability side of the balance sheet.

Receivables are reviewed for recoverability. Adjustments are created against specific receivables as considered appropriate. Reserves are created for general risks associated with the Bank's receivables portfolio in compliance with the Bank's internal regulation. The period charge for reserves and adjustments is determined based on detailed reviews of individual credits and collateral, current economic conditions in the Czech Republic, the risk characteristics of the various categories of loans and other pertinent factors. Net exposures represent total exposures including interest and fees less the value of collateral. Charges to the profit and loss account for adjustments and reserves created are to 'Creation of reserves and adjustments for credits and guarantees' to provide analytical evidence required for the calculation of tax liabilities.

The tax deductible portion of the period charge for the creation of reserves and adjustments for credit losses is calculated in accordance with the requirements of section 5 ('Banking reserves and adjustments') of the Act on Reserves (Act No. 593/1992).

Receivables are written-off only when they are considered uncollectible by the Bank's management or when the bankruptcy process of the client has been finalised in accordance with Czech legislation.

The write off of unrecoverable receivables is accounted for as 'Other expenses' in the profit and loss account. Adjustments and/or reserves are, in the case of uncollectible receivables, reduced by an amount equal to the amount written off with a corresponding credit to 'Use of reserves and adjustments to credits and guarantees' in the profit and loss account. Recoveries on loans and advances previously written off are included in the profit and loss account in 'Other income'.

Discounted and forfeited assets are carried at nominal values with related discounts included in the balance sheet as 'Other liabilities.' Discounts are amortised on a straight-line basis through the profit and loss account over the period from the date of purchase to the date of maturity.

(d) Intangible and tangible fixed assets

Tangible and intangible fixed assets are stated at historical cost and are depreciated using the straight-line method over their estimated useful lives.

The annual depreciable lives for each category of intangible and tangible fixed asset are as follows:

Software	4 years
Land and buildings	33 years
Furniture and fittings	4 to 20 years

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease terms or ten years.

Intangible assets costing less than CZK 60,000 and tangible assets costing less than CZK 40,000 are charged to the profit and loss account in the period in which they are acquired.

(e) Foreign currency translation

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 together with unmatured spot foreign exchange transactions are translated into the local currency at the spot exchange rate prevailing on the balance sheet date. Exchange differences arising from the translation of assets and liabilities denominated in foreign currencies except for investments in foreign participation interests are recognised in the profit and loss account as 'Net profit (loss) from financial operations'.

(f) Off-balance sheet instruments

Trading instruments

Financial derivatives classified in the trading portfolio are recorded at their fair values. The changes in fair values are recorded in the profit and loss account as 'Net profit (loss) from financial operations'.

Hedging instruments

Financial derivatives classified as hedging instruments based on the Bank's decision and at the same time fulfilling prescribed accounting requirements are recorded at their fair values. The changes in fair values are recorded directly in the Bank's equity as "Capital funds and other funds from profit".

Hedge accounting requires that gains and losses on hedging instruments be recognised in the profit and loss account at the same time related changes in the items hedged are recognised.

(g) Taxation

Non-tax deductible expenses are added to and non-taxable income is deducted from the profit for the

period to arrive at the taxable income to which the current tax rate is applied.

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes multiplied by the income tax rate prescribed by the Income Tax Act for the next period. A deferred tax asset is recognized only to the extent that there are no doubts that there will be future taxable profits available against which this asset can be utilized.

(h) Prior period items and changes in accounting policies

Prior period items and the effects of changes in accounting policies are reported as extraordinary income or extraordinary expense in the current period profit and loss account.

4. GENERAL OPERATING EXPENSES

CZK 000	2001
Personnel expenses	
Wages and bonuses	705,040
Social security expenses	248,624
	953,664
Other general operating expenses (excluding depreciation)	1,313,086
Depreciation	491,840
General operating expenses	2,758,590

Remuneration paid by the Bank, Bank Austria Creditanstalt Czech Republic, a.s. and HypoVereinsbank CZ a.s. to the members of the Board of Directors, to the members of the Supervisory Board and to Other executives were as follows:

CZK 0000	2001
Members of the Board of Directors	18,116
Members of the Supervisory Board	1,260
Other executives	74,992

The average number of the Bank's personnel (including expatriates) during the year was as follows:

	2001
Employees	1,289
Members of the Board of Directors	7
Members of the Supervisory Board	7

5. OTHER INCOME AND EXPENSE

CZK 000	2001
Written-off receivables from customers covered by adjustments – loans	312,292
Expenses from ceded receivables from customers	40,701
Other operating expense – deposit insurance fund	175,000
Residual value of fully depreciated assets	11,408
Other	2,148
Total other expenses	541,549
Income from transfer (sale) of fixed assets	11,317
Income from rent	11,071
Contractual fines received	8,423
Other	4,502
Total other income	35,313

6. EXTRAORDINARY INCOME AND EXPENSE

CZK 000	2001
Extraordinary expenses	
Losses and damages	10,504
Expenses of the prior period	11,508
Expenses connected with the merger	38,300
Other	1,334
Total extraordinary expenses	61,646
Extraordinary income	
Income of the prior period	21,930
Other	11,809
Total extraordinary income	33,739

7. RECEIVABLES FROM BANKS

(a) Net receivables from Banks

CZK 000	2001
Receivables from Banks	39,774,628
Less:	
Adjustments for possible credit losses	–
Net receivables from Banks	39,774,628

Receivables from Banks include CZK 23,558,443 thousand which represent receivables from securities transferred under repurchase commitments.

(b) Analysis of receivables from Banks by residual maturity

CZK 000	2001
Repayable on demand	612,637
Up to 3 months	38,011,449
From 3 months to 1 year	1,150,542
From 1 to 2 years	–
From 2 to 4 years	–
From 4 to 5 years	–
Over 5 years	–
Total	39,774,628

(c) Analysis of receivables from Banks by type of security received

CZK 000	2001
Security held by the Bank	23,558,443
Unsecured	16,216,185
Net receivables from Banks	39,774,628

8. RECEIVABLES FROM CUSTOMERS

(a) Receivables from customers

CZK 000	2001
Receivables from customers	66,902,860
Less:	
Adjustments for possible credit losses	(1,473,656)
Net receivables from customers	65,429,204

Receivables from clients include CZK 472,247 thousand which represent receivables from securities transferred under repurchase commitments.

(b) Analysis of receivables from customers by sector and residual maturity

		Up to	From 3 mths	From 1	From 2	From 4	Over	
CZK 000	Demand	3 months	to 1 year	to 2 years	to 4 years	to 5 years	5 years	Total
At 31 December 2001								
Financial institutions	218,018	384,852	3,723,394	1,651,504	761,815	14,618	191,381	6,945,582
Non financial institutions	5,718,207	8,383,486	6,484,044	6,585,996	6,706,867	3,041,691	14,545,054	51,465,345
Insurance institutions	5	472,247	–	–	–	–	–	472,252
Government sector	155,238	927,261	311,633	1,611	8,621	–	607,500	2,011,864
Non profit organisations	7,393	1,337	4,168	13,624	13,852	13,354	110,178	163,906
Self employed	168,828	24,456	40,075	70,027	80,729	30,419	299,244	713,778
Resident individuals	158,885	59,101	158,724	201,789	411,093	206,769	1,910,313	3,106,674
Non resident individuals	39,390	366,344	11,999	3,512	19,347	33,261	1,131,192	1,605,045
Companies without ICO	7,583	533	1,130	1,593	3,502	1,940	94,703	110,984
Unallocated	307,430	–	–	–	–	–	–	307,430
Total	6,780,977	10,619,617	10,735,167	8,529,656	8,005,826	3,342,052	18,889,565	66,902,860

(c) Analysis of receivables from customers by type of security received

	Bank		Performance	Letter	Bill of	Security held	Other		
CZK 000	guarantee	Mortgage	guarantee	of comfort	exchange	by Bank	security	Unsecured	Total
At 31 December 2001									
Financial institutions	3,666,723	245,926	94,792	–	–	–	152,205	2,785,936	6,945,582
Non financial institutions	7,670,569	7,245,532	6,546,643	2,546,500	10,785	1,185,310	3,804,572	22,455,434	51,465,345
Insurance institutions	–	–	–	–	–	–	472,247	5	472,252
Government sector	–	3 799	–	–	–	–	613,764	1,394,301	2,011,864
Non profit organisations	–	85,858	476	57,566	–	7,180	–	12,826	163,906
Self employed	30,000	401,822	85,215	21,000	–	37,954	32,156	105,631	713,778
Resident individuals	1,635	2,707,081	42,286	22,053	20	32,241	80,660	220,698	3,106,674
Non resident individuals	29,918	31,843	71,322	–	–	308	264,618	1,207,036	1,605,045
Companies without ICO	–	–	–	–	–	–	–	110,984	110,984
Unallocated	–	7,972	–	–	–	3,486	23,330	272,642	307,430
Total	11,398,845	10,729,833	6,840,734	2,647,119	10,805	1,266,479	5,443,552	28,565,493	66,902,860

(d) Net receivables from customers written off, ceded and recovered

The following table summarizes, by sector, net loans and advances to customers written off and ceded:

CZK 000	2001
Written off and ceded receivables	
Non financial institutions	253,634
Self employed	139
Resident individuals	99,170
Non resident individuals	50
Total	352,993

The Bank earned CZK 1,813 thousand on loans written off in 2001.

(e) Syndicated loans

Loan	Banks involved	Amount in 000 CZK	Split of risk	Split of interest
I.	HVB Bank Czech Republic a.s.	649,607	59.70 %	59.70 %
	IKB Deutsche Industriebank	196,393	18.10 %	18.10 %
	Živnostenská banka a.s.	241,714	22.20 %	22.20 %
	Total	1,087,714	100 %	100 %
II.	HVB Bank Czech Republic a.s.	34,377	15.00 %	15.00 %
	Bayerische Hypo- und Vereinsbank AG	194,805	85.00 %	85.00 %
	Total	229,182	100 %	100 %
III.	HVB Bank Czech Republic a.s.	39,587	15.00 %	15.00 %
	Bayerische Hypo- und Vereinsbank AG	224,325	85.00 %	85.00 %
	Total	263,912	100 %	100 %
IV.	HVB Bank Czech Republic a.s.	432,788	40.00 %	40.00 %
	Bayerische Landesbank Girozentrale	324,543	30.00 %	30.00 %
	Česká spořitelna, a.s.	324,543	30.00 %	30.00 %
	Total	1,081,874	100 %	100 %
V.	HVB Bank Czech Republic a.s.	25,849	15.00 %	15.00 %
	Bayerische Hypo- und Vereinsbank AG	146,476	85.00 %	85.00 %
	Total	172,325	100 %	100 %
VI.	HVB Bank Czech Republic a.s.	37,697	15.00 %	15.00 %
	Bayerische Hypo- und Vereinsbank AG	213,620	85.00 %	85.00 %
	Total	251,317	100 %	100 %
VII.	HVB Bank Czech Republic a.s.	52,102	15.00 %	15.00 %
	Bayerische Hypo- und Vereinsbank AG	295,243	85.00 %	85.00 %
	Total	347,345	100 %	100 %
VIII.	HVB Bank Czech Republic a.s.	25,455	15.00 %	15.00 %
	Bayerische Hypo- und Vereinsbank AG	144,245	85.00 %	85.00 %
	Total	169,700	100 %	100 %
IX.	HVB Bank Czech Republic a.s.	33,765	14.90 %	14.90 %
	Bayerische Hypo- und Vereinsbank AG	192,502	85.10 %	85.10 %
	Total	226,267	100 %	100 %
X.	HVB Bank Czech Republic a.s.	34,146	15.10 %	15.10 %
	Bayerische Hypo- und Vereinsbank AG	192,327	84.90 %	84.90 %
	Total	226,473	100 %	100 %
XI.	HVB Bank Czech Republic a.s.	24,996	15.00 %	15.00 %
	Bayerische Hypo- und Vereinsbank AG	141,643	85.00 %	85.00 %
	Total	166,639	100 %	100 %
XII.	HVB Bank Czech Republic a.s.	151,007	67.40 %	67.40 %
	Voralberger Landes und Hypothekbank AG	73,092	32.60 %	32.60 %
	Total	224,099	100 %	100 %
XIII.	HVB Bank Czech Republic a.s.	305,240	50.40 %	50.40 %
	Bayerische Hypo- und Vereinsbank AG	300,023	49.60 %	49.60 %
	Total	605,263	100 %	100 %
XIV.	HVB Bank Czech Republic a.s.	68,563	40.00 %	40.00 %
	Bayerische Hypo- und Vereinsbank AG	102,799	60.00 %	60.00 %
	Total	171,362	100 %	100 %

(f) Receivables from members of Board of Directors and Supervisory Board

CZK 000	2001	
	Board of Directors	Supervisory Board
Loans and advances	2,916	–
Guarantees granted	–	–
Total	2,916	–

(g) Receivables from participation interests with controlling influence by residual maturity

CZK 000	2001
Controlling influence	
Payable on demand	–
Up to 3 months	–
From 3 months to 1 year	3,680
From 1 year to 2 years	3,903
From 2 years to 4 years	8,525
From 4 years to 5 years	4,661
Over 5 years	46,171
Total	66,940

(b) Classification of Treasury bills and other bills eligible for refinancing with the CNB into individual portfolio based on the Bank's intention

CZK 000	2001
State treasury bills and other eligible bills for trading	27,503,520
State treasury bills and other eligible bills available for sale	2,710,150
State treasury bills and other eligible bills assigned for trading in total	30,213,670
State treasury bills and other eligible bills held to maturity	–
Net treasury bills and other eligible bills	30,213,670

(c) Repurchase and resale commitment

Included in the book value of treasury bills and other eligible bills is CZK 23,307,000 thousand held under resale commitment. Treasury bills and other eligible bills include bills in the amount of CZK 2,968,000 thousand which were transferred under repurchase commitments.

9. STATE TREASURY BILLS AND OTHER BILLS ELIGIBLE FOR REFINANCING

(a) Net book value of Treasury bills and other bills eligible for refinancing with the CNB

CZK 000	2001
State treasury bills	6,907,504
Other bills eligible for refinancing with the CNB	23,307,000
Less:	
Adjustments for treasury bills	(834)
Net treasury bills and other eligible bills	30,213,670

10. BONDS AND OTHER FIXED INCOME SECURITIES

(including long term bonds included in 'Other financial investments')

(a) Net book value of bonds and other fixed income securities

CZK 000	2001
Book value of bonds and other fixed income securities	5,945,942
Less:	
Adjustments	(6,833)
Net book value of bonds and other fixed income securities	5,939,109

The book value of bonds and other fixed income securities includes accrued interest as at the balance date of CZK 141,946 thousand.

(b) Repurchase and resale commitments

Included in the book value of bonds and other fixed income securities is CZK 609,450 thousand held under resale commitment. Bonds and other fixed income securities includes securities in the amount of CZK 346,050 thousand which were transferred under repurchase commitments.

(c) Classification of bonds and other fixed income securities into individual portfolio based on the Bank's intention

	2001
CZK 000	
Bonds and other fixed income securities for trading	3,902,410
Bonds and other fixed income securities available for sale	685,302
Bonds and other fixed income securities assigned for trading in total	4,587,712
Bonds and other fixed income securities held to maturity	1,351,397
Net book value of bonds and other fixed income securities	5,939,109

(d) Analysis of short term bonds and other fixed income securities held for trading

	2001	
	Book Value	Market Value
CZK 000		
Issued by financial institutions		
– Listed on a recognised Czech Republic exchange	2,150,945	2,209,057
– Listed elsewhere	-	-
– Unlisted	-	-
	2,150,945	2,209,057
Issued by non financial institutions		
– Listed on a recognised Czech Republic exchange	605,267	625,483
– Listed elsewhere	-	-
– Unlisted	-	-
	605,267	625,483
Issued by government sector		
– Listed on a recognised Czech Republic exchange	1,125,912	1,139,499
– Listed elsewhere	-	-
– Unlisted	-	-
	1,125,912	1,139,499
Issued by insurance institutions		
– Listed on a recognised Czech Republic exchange	20,286	20,286
– Listed elsewhere	-	-
– Unlisted	-	-
	20,286	20,286
Total	3,902,410	3,994,325

(e) Analysis of bonds and other fixed income securities available for sale

	2001	
	Book value	Market value
CZK 000		
Issued by non financial institutions		
– Listed on a recognised Czech Republic exchange	-	-
– Listed elsewhere	631,537	648,784
– Unlisted	-	-
	631,537	648,784
Issued by government sector		
– Listed on a recognised Czech Republic exchange	53,765	56,961
– Listed elsewhere	-	-
– Unlisted	-	-
	53,765	56,961
Total	685,302	705,745

(f) Analysis of long term bonds and other fixed income securities held to maturity

	2001	
	Book value	Market value
CZK 000		
Issued by non financial institutions		
– Listed on a recognised Czech Republic exchange	-	-
– Listed elsewhere	-	-
– Unlisted	1,350,572	-
	1,350,572	-
Issued by government sector		
– Listed on a recognised Czech Republic exchange	825	825
– Listed elsewhere	-	-
– Unlisted	-	-
	825	825
Total	1,351,397	825

The proportion of fixed income debt securities held to maturity with residual maturity up to 1 year to the total balance of fixed income debt securities is 6.25 %.

11. SHARES AND OTHER VARIABLE INCOME SECURITIES

(a) Classification of shares and other variable income securities into individual portfolio based on the Bank's intention

CZK 000	2001
Shares and other variable income securities for trading	–
Shares and other variable income securities available for sale	3,300
Shares and other variable income securities assigned for trading in total	3,300
Net book value of shares and other variable income securities	3,300

(b) Analysis of shares and other variable income securities available for sale

	2001	
CZK 000	Book value	Market value
Issued by non financial institutions		
– Unlisted	3,300	–
	3,300	–
Total	3,300	

For the year 2001, the Bank portfolio of shares and other variable income securities has been cancelled by the amendment of the accounting procedures for Banks and securities have been transferred into the available for sale portfolio.

12. PARTICIPATION INTERESTS WITH CONTROLLING INFLUENCE

Participation interest with controlling influence

CZK 000		Amount	% capital held	Profit/Loss
Name	Registered office	2001	2001	for 2001
BAPS s.r.o.	Praha 1, Revoluční 15	39,000	100 %	(932)
Less:				
Adjustments		(23,293)		
		15,707		
HYPOT stavební spořitelna a.s.	Praha 1, Senovážné nám. 4	360,000	60 %	80,897
Net participation interest		375,707		79,965

13. INTANGIBLE FIXED ASSETS

Movements in intangible fixed assets

CZK 000	Software	Software acquisition	Other	Total
Cost				
At 1 January 2001	930,394	30,099	3,339	963,832
Additions	92,172	42,778	939	135,889
Transfers	28,558	(28,558)	–	–
Disposals	(192,866)	(405)	–	(193,271)
At 31 December 2001	858,258	43,914	4,278	906,450
Amortization and adjustments				
At 1 January 2001	652,825	–	1,188	654,013
Charge for the year	155,160	–	1,123	156,283
Disposals	(192,656)	–	–	(192,656)
At 31 December 2001	615,329	–	2,311	617,640
Net book value				
At 31 December 2001	242,929	43,914	1,967	288,810
At 1 January 2001	277,569	30,099	2,151	309,819

14. TANGIBLE FIXED ASSETS

(a) Movements in tangible fixed assets

CZK 000	Land and buildings	Furniture and fittings	Equipment	Fixed assets not used	Fixed assets not yet in use	Total
Cost						
At 1 January 2001	1,042,121	999,597	317,400	4,606	7,810	2,371,534
Additions	3,814	68,336	3,886	–	116,312	192,348
Transfers	2,520	97,751	–	–	(100,271)	–
Disposals	(80,121)	(21,102)	(440)	(128)	(5,193)	(106,984)
Other changes	(363)	–	–	–	(3,207)	(3,570)
At 31 December 2001	967,971	1,144,582	320,846	4,478	15,451	2,453,328
Depreciation and adjustment						
At 1 January 2001	532,975	701,335	196,648	3,798	–	1,434,756
Charge for the year	97,461	219,175	17,392	70	–	334,098
Disposals	(72,037)	(18,065)	(365)	(128)	–	(90,595)
Adjustments	51,484	–	–	–	–	51,484
Transfers	–	(68)	–	68	–	–
At 31 December 2001	609,883	902,377	213,675	3,808	–	1,729,743
Net book value						
At 31 December 2001	358,088	242,205	107,171	670	15,451	723,585
At 1 January 2001	509,146	298,262	120,752	808	7,810	936,778

Total depreciation expense of CZK 491,840 thousand includes charges of CZK 1,459 thousand for low value items.

(b) Tangible fixed assets held under finance leases

At the beginning of 2001, the Bank was using assets totaling CZK 242 thousand which are subject to a leasing agreement in which the Bank acts as lessee.

The Bank is committed to payments under finance leases for fixed assets as follows:

	Paid during 2001	Due within 1 year	Due in following years	Total lease payments remaining
CZK 000				
Office equipment	39	39	77	116
Total	39	39	77	116

15. OTHER ASSETS

CZK 000	2001
Other debtors	43,239
Collections accepted from customers	10,654
Fair value of derivatives (positive)	2,427,181
Deferred tax asset	74,453
Other	268,799
Total other assets	2,824,326
less:	
Adjustments	(3,832)
Total	2,820,494

16. DUE TO BANKS**Analysis of due to Banks by residual maturity**

CZK 000	2001
Repayable on demand	1,104,211
Up to 3 months	36,596,697
From 3 months to 1 year	2,889,391
From 1 year to 2 years	357,229
From 2 years to 4 years	1,571,976
From 4 to 5 years	250,000
Over 5 years	751,491
Total	43,520,995

As at December 31, 2001, the due to Banks balance includes CZK 23,468,250 thousand which represents payables from securities transferred under resale commitments.

17. DUE TO CUSTOMERS**Analysis of due to customers by sector and residual maturity**

CZK 000	On demand	Up to 3 months	From 3 M to 1 year	From 1 to 2 years	From 2 to 4 years	From 4 to 5 years	Over 5 years	Total
At 31 December 2001								
Financial institutions	193,262	2,331,588	100	–	–	–	–	2,524,950
Non financial institutions	16,066,436	5,621,760	138,045	24,698	6,982	202	–	21,858,123
Insurance institutions	275,492	3,252,772	245,000	30,000	17,591	18,504	8,005	3,847,364
Government sector	1,323,302	4,096,546	–	–	–	–	–	5,419,848
Non profit organizations	322,803	326,200	26,886	–	–	500	–	676,389
Self employed	2,295,001	2,529,251	21,400	11,110	–	–	–	4,856,762
Resident individuals	2,668,517	18,187,796	559,685	31,412	45,505	12,291	2,457	21,507,663
Non resident individuals	1,380,016	1,601,283	194,928	2,732	5,517	169	–	3,184,645
Organizations without ICO	40,159	2,439	–	–	–	–	–	42,598
Total	24,564,988	37,949,635	1,186,044	99,952	75,595	31,666	10,462	63,918,342

As at December 31, 2001, the due to customers balance includes CZK 448,200 thousand which represents payables from securities transferred under resale commitments.

18. CERTIFICATES OF DEPOSITS AND SIMILAR DEBENTURES

(a) Analysis of depository notes by sector and residual maturity

CZK 000	On demand	Up to 3 months	From 3M to 1 year	From 1 to 2 years	From 2 to 4 years	From 4 to 5 years	Over 5 years	Total
At 31 December 2001								
Resident individuals	–	16,534,282	850,244	1,736	5,951	15,298	–	17,407,511
Total	–	16,534,282	850,244	1,736	5,951	15,298	–	17,407,511

(b) Analysis of debt securities issued

Issue date	Maturity date	Currency	Amount CZK 000	Amount due within 1 year
16/06/1997	16/06/2002	CZK	200,000	200,000
15/10/1997	15/10/2002	CZK	400,000	400,000
10/12/1997	10/12/2002	CZK	500,000	500,000
01/04/1998	01/04/2003	CZK	400,000	–
17/06/1998	17/06/2003	CZK	300,000	–
10/06/1999	10/06/2004	CZK	2,400,000	–
Subtotal			4,200,000	1,100,000
Accrued interest expense			187,887	–
Total			4,387,887	1,100,000

19. SUBORDINATED LIABILITIES

CZK 000	2001
Subordinated debt, Bank Austria AG, Vienna	748,332
Subordinated debt, Bayerische Hypo- und Vereinsbank AG, Mnichov	392,427
Total	1,140,759

The above subordinated debt amounts are subject to the following terms and conditions:

A new contract regarding the subordinated debt from Bank Austria Creditanstalt International AG, Vienna was concluded on 1 April 2000 to replace the original contract. Bank Austria Creditanstalt International AG, Vienna was merged with Bank Austria AG, Vienna in November 2000. The subordinated loan was issued in the notional amount of EUR 23,400 thousand at market rates of interest and matures in March 2010. The interest period may be chosen as a period from one up to twelve months; the interest rate is derived from market prices on money markets.

The amount of CZK 392,427 thousand represents the subordinated loan granted by Bayerische Hypo- und Vereinsbank AG, Munich totaling EUR 12,271 thousand for 6 month EURIBOR+0.25%. The loan matures on 31 December 2005.

Both loans fulfill the CNB requirements for subordinated liability.

20. OTHER LIABILITIES

CZK	2001
Other short term payables to customers	2,461,245
Estimated payables	604,570
Other creditors	94,160
Fair value of derivatives (negative)	3,067,741
Taxes payable	147,724
Other	76,468
Total	6,451,908

21. REGISTERED CAPITAL

The registered capital of the Bank was CZK 5,047,000 thousand as at 31 December 2001. The registered

capital of the former Bank Austria Creditanstalt Czech Republic, a.s. of CZK 1,996,920 thousand was transferred into share premium of the Bank. During 2001, the shares were transferred from Bayerische Hypo- und Vereinsbank AG, Munich and IntesaBci SpA to Bank Austria Aktiengesellschaft.

The shareholders of the Bank at 31 December 2001 are:

Name	Seat	Notional amount of shares (CZK 000)	Share of ownership %
Bank Austria AG, Vienna	Austria	5,021,825	99.5
Simest-Società Italiana per le Imprese Miste all'estero S.p.A.	Italy	25,175	0.5
Total		5,047,000	100.00

On 7 January 2002, 0.5% of the Bank's share capital was transferred from Simest-Società Italiana per le Imprese Miste all'estero S.p.A. to Bank Austria AG, Vienna and Bank Austria AG, Vienna became the owner of 100% of the Bank's share capital.

22. RESERVES AND ADJUSTMENTS FOR POSSIBLE CREDIT LOSSES

(a) Reserves for possible credit losses

CZK 000		
Tax deductible reserves for credit losses		
Balance at 1 January 2001		1,714,024
Transfer into legal adjustments		-
Creation during the year		-
Standard loans and advances (1%)	-	
Guarantees (2%)	-	
Use during current year		(277,779)
Write off of loans and advances	(276,640)	
Cover of losses on loans and advances sold at a discount	(1,139)	
Release of reserves no longer considered necessary		-
Balance of tax deductible reserves at 31 December 2001		1,436,245
Total reserves for credit losses		1,436,245

(b) Adjustments for possible credit losses

CZK 000		
Tax deductible adjustments for credit losses		
Balance at 1 January 2001		1,188,179
Creation during current year		286,557
Special mention loans and advances	42,569	
Substandard loans and advances	22,454	
Doubtful loans and advances	75,484	
Loss loans and advances	131,293	
Receivables from debtors in bankruptcy proceedings	14,757	
Use during current year		(75,214)
Write off of loans and advances	(35,652)	
Cover of losses on loans and advances sold at a discount	(39,562)	
Release of adjustments no longer considered necessary		(108,208)
FX differences		(42,795)
Balance of tax deductible adjustments at 31 December 2001		1,248,519
Non tax deductible adjustments for credit losses		
Balance at 1 January 2001		172,819
Creation during current year		222,503
Use during current year		-
Write off of loans and advances	-	
Cover of losses on loans and advances sold at a discount	-	
Release of adjustments no longer considered necessary		(170,185)
FX differences		-
Balance of non tax deductible adjustments at 31 December 2001		225,137
Total adjustments for credit losses		1,473,656

23. RETAINED EARNINGS, RESERVE FUNDS AND OTHER FUNDS ALLOCATED FROM PROFIT

The Bank has allocated the 2000 profit, proposes to allocate the 2001 profit and used reserve funds as follows:

CZK 000	Profit	Retained profits	Statutory reserve fund	Capital funds and other funds from profit
Balance at 1 January 2001	-	5,269	429,809	1,362,213
Profit for the year 2000	1,537,472			
Allocation of 2000 profit approved by The Supervisory Board:				
Transfer to reserves	(478,006)	-	76,874	401,132
Dividends	(985,000)			
Tantiems	(1,260)			
Transfer to retained profit	(73,206)	73,206		
Change in the fair value of hedging derivatives				(221,755)
Other creation of funds	-	-	-	1,433
Use of funds	-	-	-	(2,538)
Balance at 31 December 2001 before allocation of 2001 profit	-	78,475	506,683	1,540,485
Profit for the year 2001	1,128,757			
Proposed allocation of 2001 profit:				
Transfer to reserves	(58,938)	-	56,438	2,500
Transfer to retained profit	(1,069,819)	1,069,819		
Total		1,148,294	563,121	1,542,985

Due to the change in the accounting procedures for Banks effective 1 January 2000, derivatives classified in the banking portfolio (since 1. 1. 2001 hedging derivatives) are recognized at their fair values. The changes in the fair values are recorded to a specific account, which is part of the Bank's equity.

24. DEFERRED TAX ASSET/LIABILITY

Deferred income taxes are calculated on all temporary differences using a principal tax rate of 31%.

Deferred income tax assets and liabilities are attributable to the following items:

CZK 000	2001
Deferred tax assets	
Credit provisions and reserves	69,198
Reserves for litigations	9,665
Social and health insurance for bonuses	8,446
	87,309
Deferred tax liabilities	
Differences in net book value of fixed assets	12,856
	12,856
Deferred tax assets	74,453

Bank management believes that it is highly probable that the Bank will fully realise its deferred tax asset as

at 31 December 2001 based upon the Bank's current and expected future level of taxable profits.

25. OFF BALANCE SHEET ITEMS

(a) Irrevocable contingent liabilities arising from acceptances and endorsements, other written contingent liabilities and assets pledged as collateral

CZK 000	2001
Banks	
Letters of credit and financial guarantees	188,332
Other contingent liabilities	558,598
	746,930
Clients	
Letters of credit and financial guarantees	5,559,279
Other contingent liabilities	21,047,122
	26,606,401
Total	27,353,331

(b) Off-balance sheet financial instruments

CZK 000	31 December 2001	
	Contractual amounts	Fair value
Hedging instruments		
Interest rate swap contracts	6,725,402	(234,002)
Trading instruments		
Forward rate agreements – purchase	118,700,000	(334,961)
Forward rate agreements – sale	118,700,000	317,460
Interest rate swap contracts	48,888,140	(235,370)
Forward foreign exchange purchase contracts	48,042,127	928,966
Forward foreign exchange sale contracts	47,893,151	(1,083,114)
Forward transactions with securities	54,437	(12)
Cross currency swap contracts	392,565	473

Fair values of hedging instruments are recorded directly in 'Capital funds and other funds from profit' (note 23).

Details of hedging instruments

The Bank used interest rate swaps as hedging instruments during year 2001 to hedge the interest rate risk resulting from granted loans and purchased bonds classified as available for sale (the Bank pays fixed interest rate and receives a floating interest rate in these cases) and to hedge the interest rate risk resulting from received loans and deposits (the Bank pays a floating interest rate and receives a fixed interest rate in these cases).

Methods of managing financial risks

The Bank has implemented its own limit system to reduce potential losses induced by unfavorable developments in the financial markets. The system includes managing basic market risks (i.e. interest rate and foreign exchange risks other than share price fluctuation risk as the Bank does not trade on its own account with share instruments) and liquidity risk. The Value-at-Risk method ("VAR"), together with a system of sub-limits (e.g. BPV limit in the case of interest rate risk, limits on maximum open foreign exchange position in the case of foreign exchange risk) is used as a basis for market risk management. These limits are further split into particular business centers. For liquidity risk management, limits are established for cash flows for particular time periods. An independent department is responsible for measuring market risk and monitoring adherence to limits.

(c) Taxation

Czech tax legislation has changed significantly in recent years. Many parts of the legislation remain untested and there is uncertainty about the interpretation that the financial authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when the official interpretations of the authorities are available.

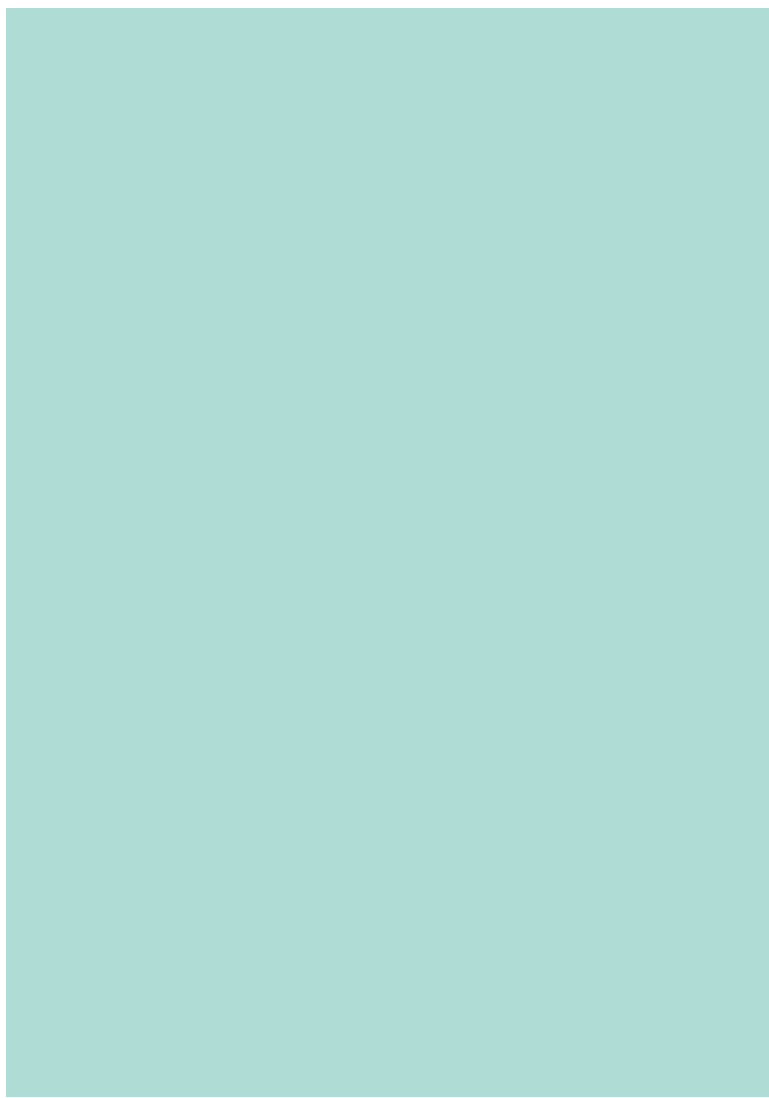
26. ASSETS UNDER ADMINISTRATION

CZK 000	2001
Bonds	6,644,001
Shares	12,743,010
Open-end funds	4,259,101
Total	23,646,112

27. FOREIGN CURRENCY POSITIONS

CZK 000	2001
Assets and liabilities in foreign currencies	
Assets	
Denominated in Czech Crowns	113,398,983
Denominated in foreign currencies	35,981,513
	149,380,496
Liabilities	
Denominated in Czech Crowns	118,554,166
Denominated in foreign currencies	30,826,330
	149,380,496
Foreign currency positions	
Foreign currency assets	
Balance sheet	35,981,513
Off balance sheet	42,177,834
	78,159,347
Foreign currency liabilities	
Balance sheet	30,826,330
Off balance sheet	56,768,517
	87,594,847

**AUDITOR'S REPORT ON THE
NON-CONSOLIDATED ANNUAL
REPORT**



KPMG Česká republika Audit, spol. s r.o.

P.O. Box 107
120 00 Praha 2
Česká republika

Jana Masaryka 12
120 00 Praha 2
Česká republika

Tel.: + 420 (2) 22 123 111
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Auditor's report to the shareholders of HVB Bank Czech Republic a.s.

On the basis of our audit, on 15 March 2002 we issued an auditor's report on the Bank's non-consolidated statutory financial statements, which are included in this annual report, and our report was as follows:

“We have audited the accompanying financial statements of HVB Bank Czech Republic a.s. for the year ended 31 December 2001. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Act on Auditors and the auditing standards of the Chamber of Auditors of the Czech Republic. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 financial statements present fairly, in all material respects, the assets, liabilities, equity and financial position of HVB Bank Czech Republic a.s. as of 31 December 2001 and the results of its operations for the year then ended in accordance with the Act on Accounting and relevant legislation of the Czech Republic.”

We have reviewed other financial information in the annual report for consistency with the audited financial statements. In our opinion, the information is consistent in all material aspects with the audited financial statements.

The management of the Bank is responsible for the completeness and accuracy of the report on relations between related parties. Our responsibility is to review the accuracy of the information included in the report. During our review nothing came to our attention that would cause us to believe that the information contained in the report is materially inaccurate.

Prague
6 May 2002

KPMG Česká republika Audit
KPMG Česká republika Audit, spol. s r.o.
Licence number 71

Pavel Závřivský
Pavel Závřivský
Licence number 69



OTHER INFORMATION

PUBLISHED PURSUANT TO §80a OF ACT
NO. 591/1991 COLL., ON SECURITIES,
AS AMENDED

Other information

1. INFORMATION ABOUT HVB AS AN ISSUER OF REGISTERED SECURITIES

1.1. Elementary data

Business name:	HVB Bank Czech Republic a.s.
Organisation id:	64948242
Registered office:	Praha 1, nám. Republiky 3a/2090

HVB Bank Czech Republic a.s. (hereinafter “HVB”) was incorporated according to Czech law and in particular pursuant to the Banking Act 21/1992 Coll., as amended. HVB was established for an indefinite term.

HVB is duly registered in the Register of Companies administered by the Municipal Court in Prague, Section B, Folio 3608. A banking licence was granted by the Czech National Bank ref. nr. V 40/9-95 dated September 14, 1995 effective from January 1, 1996.

Bank Austria Creditanstalt Czech Republic, a.s. ceased to exist as a result of a merger and its deletion from the Register of Companies on October 1, 2001. HVB Bank Czech Republic a.s. became its legal successor on the same day, i.e. October 1, 2001. The rights, assets and liabilities of the defunct company, Bank Austria Creditanstalt Czech Republic, a.s. passed to HVB Bank Czech Republic a.s. (Note: The original business name of HVB Bank Czech Republic a.s. read HypoVereinsbank CZ a.s. before October 1, 2001)

No interruptions occurred in the issuer’s business.

1.4. DIVIDENDS AND DIRECTORS' FEES

In 2001, HypoVereinsbank CZ a.s. paid dividends in the amount of CZK 875,000,000 and directors' fees in the amount of CZK 1,260,000. In 2001, Bank Austria Creditanstalt paid dividends in the amount of CZK 110,000,000 while it did not pay any directors' fees.

1.5. SUBJECT MATTER OF THE BUSINESS ACCORDING TO ARTICLES OF ASSOCIATION

The subject matter of HVB business includes banking transactions and provision of full scope of financial services as defined in Banking Act 21/1992 Coll., as amended, and Foreign Exchange Act 219/1995 Coll., as amended, and deals with securities on own and third party account as defined in the Securities Act 591/1992 Coll., as amended, i.e.

- (a) the activities laid down in § 1 par. 1 (a) and (b) and par. 3 (a) through (r) of the Banking Act 21/1992 Coll., as amended,
- (b) issuance of mortgage bonds pursuant to § 1 par. 4 of the Banking Act 21/1992 Coll., as amended
- (c) dealings with securities (on own name and own account, on own name and third party account, on third party's name and third party's account)

pursuant to § 45 par. 1 of the Securities Act 591/1992 Coll., as amended and other activities allowed by the Securities Act.

(Article I. par. 2 of HVB Articles of Association)

2. SHARE CAPITAL AND SHAREHOLDER'S EQUITY, SECURITIES AND GROUP

2.1. SHARE CAPITAL

HVB has share capital of CZK 5,047,000,000 consisting of:

- (a) 100 registered booked common stock of CZK 16,320,000 nominal value each,
- (b) 200 registered booked common stock of CZK 13,375,000 nominal value each,
- (c) 74,000 registered booked common stock of CZK 10,000 nominal value each.

All the above shares are registered with the Securities Centre. HVB share capital has been fully paid up.

HVB issued no shares entitling their holders to use the right to exchange such shares for other shares or the right to priority subscription of other shares.

2.2. CHANGES IN SHAREHOLDER'S EQUITY

Capital per year*: \ Bank:	Bank Austria Creditanstalt	HypoVereinsbank	Total
1999	CZK 3,642,932,000	CZK 5,769,313,000	CZK 9,412,245,000
2000	CZK 4,123,548,000	CZK 6,255,135,000	CZK 10,378,683,000
2001	–	–	CZK 10,298,320,000

*) always by 31st December

2.3. LIST OF UNPAID BOND ISSUES

Issuer	HYPO-BANK CZ a. s.
Bond / stock exchange name	Mortgage bonds / HZL HYPO 10.5/02
coupon	10.5 %
ISIN	– (registered certificates)
Volume	CZK 200,000,000
Date	16. 6. 1997
Maturity date	16. 6. 2002
collateral	Package of mortgage loans
Issuer	Vereinsbank (CZ) a. s.
Bond / stock exchange name	Mortgage bonds / HZL2VEREIN 10.4/02
Coupon	10.4 %
ISIN	CZ0002000037
Volume	CZK 400,000,000
Date	15. 10. 1997
Maturity date	15. 10. 2002
collateral	Package of mortgage loans
Issuer	HYPO-BANK CZ a. s.
Bond / stock exchange name	Mortgage bonds / HZL2HYPO 11.0/02
Coupon	11.0 %
ISIN	CZ0002000045
Volume	CZK 500,000,000
Date	10. 12. 1997
Maturity date	10. 12. 2002
Collateral	Package of mortgage loans
Issuer	HYPO-BANK CZ a. s.
Bond / stock exchange name	Mortgage bonds / HZL3HYPO 11.0/03
Coupon	11.0 %
ISIN	CZ0002000052
Volume	CZK 400,000,000
Date	1. 4. 1998
Maturity date	1. 4. 2003
Collateral	Package of mortgage loans
Issuer	Vereinsbank (CZ) a. s.
Bond / stock exchange name	Mortgage bonds / HZL3VEREIN 10.9/03
Coupon	10.9 %
ISIN	CZ0002000086
Volume	CZK 300,000,000
Date	17. 6. 1998
Maturity date	17. 6. 2003
Collateral	Package of mortgage loans
Issuer	Bank Austria Creditanstalt Czech Republic a. s.
Bond / stock exchange name	Mortgage bonds / HZL BACA 8.5/04
Coupon	8.5 %
ISIN	CZ0002000128
Volume	CZK 2,400,000,000
Date	10. 6. 1999
Maturity date	10. 6. 2004
Collateral	Package of mortgage loans
Total volume of unpaid bonds	CZK 4,200,000,000

All issues except HZL HYPO 10.5/02 are registered in the open market of Prague Stock Exchange (Burza cenných papírů Praha, a.s.)

2.4. GROUP STRUCTURE

A/ HVB shareholders as of December 31, 2001

shareholder		Share in CZK	% share
Bank Austria AG, Vienna	Austria	5,021,825,000	99.50
Simest-Società Italiana per le Imprese Miste all'estero S.p.A.	Italy	25,175,000	0.50
Total		5,047,000,000	100.00

B/ Affiliate companies and other companies on an equal footing

Company	Address	Partner / Shareholder (% share)
BV Finance Praha s.r.o.	Praha 2, Italská 24	Bayerische Hypo- und Vereinsbank AG, Munich (100 %)
HVB Reality CZ, s.r.o.	Praha 5, Elišky Peškové 15	Bayerische Hypo- und Vereinsbank AG, Munich (100 %)
BAWCO, s.r.o.	Praha 1, Revoluční 7	Bank Austria AG, Vienna (100 %)
CA IB Securities, a.s.	Praha 5, nám. Kinských 2/602	Bank Austria AG, Vienna (100 %)
Bank Austria Creditanstalt Leasing Real Estate s.r.o.	Praha 2, Vinohradská 938/37	Bank Austria Creditanstalt Leasing GmbH, Vienna (100 %)
CAC Leasing a.s.	Praha 5, Janáčkovo nábř. 55/140	Komerční banka, a.s. (50 %), Bank Austria Creditanstalt Leasing GmbH, Vídeň (35 %), Bank Austria AG, Vienna (15 %)

C/ Subsidiaries

Company	Address	Partner / Shareholder (% share)
HYPO stavební spořitelna a.s.	Praha 1, Senovážné nám. 4	HVB Bank Czech Republic a.s. (60 %), Vereinsbank Victoria Bauspar AG, Munich (40 %)
BAPS s.r.o.	Praha 1, Revoluční 15	HVB Bank Czech Republic a.s. (100 %)

3. ACTIVITIES

3.1. Key activities

Clients	Bank products and services
Corporate clients	Loans
	Project funding and structured funding
	International transactions
	Documentary transactions
	Mortgages
	Treasury & Custody services
	Deposits
	Retail banking
	Payment cards
	Asset management
Retail (private) clients	Personal and business (current) account maintenance
	Saving accounts, saving books, term deposits
	Overdraft loans on personal accounts
	Standardized consumer loans
	Mortgage loans
	Payment cards
	Homebanking and Phonebanking
	Asset management
	Investment consultancy (share certificates)
	OTC services

3.2. SEAT OF THE ISSUER'S ORGANISATION UNITS AND DESCRIPTION OF ESTATES OWNED BY THE ISSUER

HVB Bank Czech Republic a.s. has no branch offices or separate organisation units.

HVB owns the only real estate in Brno, Lidická ulice nr. 59.

3.3. PATENTS AND LICENCES

1/ ČNB resolution dated September 14, 1995, ref. nr. V 40/9-95, banking licence for Vereinsbank (CZ) a.s.

2/ The Czech Ministry of Finance resolution of December 19, 1995, ref. nr. 104/75 407/95, permit for

Vereinsbank (CZ) a.s. to trade in securities and to perform other activities permitted by the Securities Act (confirming decision by Securities Commission dated June 14, 1999, ref. nr. 521/2703 – k/99).

3.4. JUDICIAL, ADMINISTRATIVE AND ARBITRATION PROCEEDINGS

HVB is not and was not involved in any judicial, administrative or arbitration proceedings which had or might have a significant impact on the issuer's financial standing. Neither HVB nor its legal predecessors were involved in such proceedings during the current accounting period and two preceding accounting periods.

3.5. MAIN INVESTMENTS

Investment type	2001	2000	1999
Information technologies	CZK 242,929,000	CZK 277,570,000	CZK 252,760,000
Securities (aggregate*)	CZK 6,318,116,000	CZK 8,226,171,000	CZK 5,682,984,000

*) Details about investments in securities in 2000 and 1999 can be found in the Notes to financial statements.

All HVB investments except financial investments are of operating nature and are funded from HVB's own resources. All information is valid as of 31st December of the relevant calendar year and covers all legal predecessors of HVB.

3.6. OUTSTANDING LOANS, ACCEPTED LOANS AND OTHER LIABILITIES

Creditor	European Investment Bank, Luxemburg
Debtor	HypoVereinsbank CZ a.s.
Loan amount	CZK 940,000,000
Interest rate	PRIBOR – 0.05% (currently 4.66 %)
Loan date	15. 6. 1999
Maturity date	15. 3. 2009
Collateral	No collateral *
Creditor	European Investment Bank, Luxemburg
Debtor	HypoVereinsbank CZ a.s.
Loan amount	CZK 677,000,000
Interest rate	PRIBOR – 0.05 % (currently 4.66 %)
Loan date	15. 12. 2000
Maturity date	15. 3. 2009
Collateral	No collateral*
Creditor	European Investment Bank, Luxemburg
Debtor	Bank Austria Creditanstalt Czech Republic, a.s.
Loan amount	4,000,000 USD
Interest rate	EIB POOL RATE** (currently 1.85 %)
Loan date	20. 6. 2000
Maturity date	15. 6. 2005
Collateral	No collateral*
Creditor	European Investment Bank, Luxemburg
Debtor	Bank Austria Creditanstalt Czech Republic, a.s.
Loan amount	5,862,639.64 EUR
Interest rate	EIB POOL RATE** (currently 3.39 %)
Loan date	20. 6. 2000
Maturity date	15. 6. 2005
Collateral	No collateral*
Creditor	European Investment Bank, Luxemburg
Debtor	Bank Austria Creditanstalt Czech Republic, a.s.
Loan amount	25,000,000 EUR
Interest rate	EIB POOL RATE** (currently 3.39 %)
Loan date	15. 6. 2001
Maturity date	15. 6. 2009
Collateral	No collateral*
Creditor	European Investment Bank, Luxemburg
Debtor	HVB Bank Czech Republic a.s.
Loan amount	100,000,000 EUR (not disbursed yet)
Interest rate	EIB POOL RATE** (currently 3.39 %)
Loan date	4. 12. 2001
Maturity date	4. 12. 2009
Collateral	No collateral*

*) Bayerische Hypo- und Vereinsbank AG Munich issued its guarantee for all loans granted by EIB and accepted by HypoVereinsbank CZ a.s. and Bank Austria AG Vienna issued its guarantee for all loans granted by EIB and accepted by Bank Austria Creditanstalt Czech Republic, a.s. and HVB Bank Czech Republic a.s.

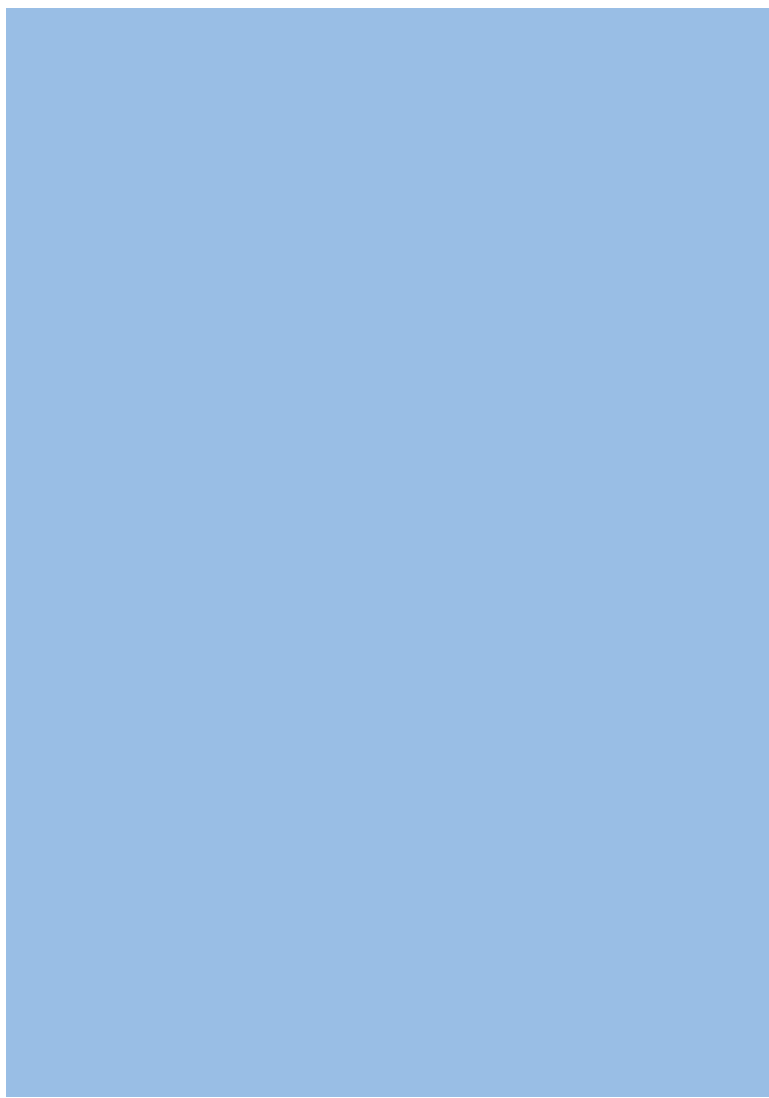
**) EIB POOL RATE is an interest rate fixed by EIB on quarterly basis.

Total amount of loans as at 31. 12. 2001	
Converted to CZK except the last loan – not yet disbursed	2,741,575,072.53

4. STATEMENT OF ACCURACY OF THE DATA IN THE ANNUAL REPORT

The Managing Board hereby declares that the data included in the Annual Report correspond to reality and that no substantial circumstances that might affect the accurate and correct assessment of the Bank as issuer of securities were omitted.

**REPORT ON RELATIONS BETWEEN
CONTROLLING AND CONTROLLED
ENTITY AND ON THE RELATIONS
BETWEEN CONTROLLED ENTITY
AND OTHER ENTITIES CONTROLLED
BY THE SAME CONTROLLING
ENTITY PURSUANT TO §66a
OF THE COMMERCIAL CODE**



Report on relations between controlling and controlled entity and on the relations between controlled entity and other entities controlled by the same controlling entity pursuant to § 66a of the Commercial Code

This report includes information on the relations between the company HVB Bank Czech Republic a.s. having its registered office at nám. Republiky 3a, reg. no. 2090, 110 00 Prague 1 (the controlled entity) and the entities which were in the position of controlling entity with respect to the company in the last accounting period, and on the relations between the company HVB Bank Czech Republic a.s. and other entities controlled by the controlling entities.

The controlled entity operates under the business name HVB Bank Czech Republic a.s. from October 1, 2001, when HypoVereinsbank CZ a.s. as the successor company and Bank Austria Creditanstalt Czech Republic, a.s. as the wound-up company merged. The conclusive date of the merger was January 1, 2001. The purpose of the merger was to strengthen the positions of both Banks on the market in compliance with the general strategy of the world financial group HVB. The advantages of the merger will be manifested in particular by an increased standard of quality of services and their higher effectiveness, and also by integrated risk and capital management and a central back office.

In the last year the controlling entity of the company HypoVereinsbank CZ a.s. pursuant to § 66a para. 3 let. a) of the Commercial Code was the company Bayerische Hypo- und Vereinsbank Aktiengesellschaft having its registered office at Am Tucherpark 16, 805 38 Munich, Germany.

In the last year the controlling entity of the company Bank Austria Creditanstalt Czech Republic, a.s. pursuant to § 66a para. 3 let. a) of the Commercial Code was the company Bank Austria Aktiengesellschaft having its registered office at Vordere Zollamtstraße 13, 1030 Vienna, Austria.

From October 1, 2001 until December 27, 2001 the controlling entity of the company HVB Bank Czech Republic a.s. was the company Bayerische Hypo- und Vereinsbank Aktiengesellschaft and from December 28, 2001 until December 31, 2001 the company Bank Austria Aktiengesellschaft. From January 8, 2002, the company Bank Austria Aktiengesellschaft is the sole shareholder of the company HVB Bank Czech Republic a.s. Therefore, pursuant to § 66a para. 16 of the Commercial Code, this report shall not be reviewed by the Supervisory Board of the company.

Within the framework of their business activities in the last year the controlled entities entered in contractual relations with the controlling entities as well as with other entities controlled by the controlling entities.

TAKE-OVER OF RISK AND BANK GUARANTEES

Contractual relations established in connection with the so-called “take-over of risk” form a significant group of these relations. In order to comply with the conditions of capital adequacy and credit exposure, a “take-over of risk” – which by its nature corresponds to the institute of guaranteeing – by any of the branches of the

company Bayerische Hypo- und Vereinsbank Aktiengesellschaft in Germany or elsewhere in the world or by some of the subsidiary Bayerische Hypo- und Vereinsbank Aktiengesellschaft is regularly used as security for some credits granted by the company HVB Bank Czech Republic a.s (the former HypoVereinsbank CZ a.s.). For such credit security *sui generis* the branches or, as the case may be subsidiaries are given commission. Another security instrument are Bank guarantees issued by the controlling persons, also against commissions. No loss was incurred by the controlled entity on the basis of such relations.

COUNTER-GUARANTEES

Relations arising from either accepted or issued counter-guarantees are of similar nature. On the basis of accepted counter-guarantee the Bank issues a Bank guarantee in favour of a beneficiary (a third person). In the last year such counter-guarantees were provided by the company Bayerische Hypo- und Vereinsbank Aktiengesellschaft to the company HVB Bank Czech Republic a.s. (or as the case may be to the companies HypoVereinsbank CZ a.s./ Bank Austria Creditanstalt Czech Republic, a.s.), and the companies paid aval commissions to the controlling entity as their counter-performance. On the other hand, in the last year HVB Bank Czech Republic a.s. (HypoVereinsbank CZ a.s. / Bank Austria Creditanstalt Czech Republic, a.s.) provided counter-guarantees to the company Bank Austria Aktiengesellschaft Wien and to the company Creditanstalt-Bankverein AG Munich (subsequently Bank Austria Creditanstalt Deutschland AG Munich), for which HVB Bank Czech Republic a.s. was paid corresponding aval commissions as counter-performance.

PLEDGE CONTRACTS

Pledge contracts represent another form of credit securing. Also based on this type of contracts legal relations were established between the associated entities. In order to fulfil the requirements for credit exposure pursuant to § 3 para. 2 let. a) of Provision of the Czech National Bank no. 4/1995 on Credit Exposure of Banks, in 1998 Bank Austria Aktiengesellschaft concluded a pledge contract with the company Bank Austria Creditanstalt Czech Republic a.s. pursuant to the provisions of § 151h of the Civil Code, on the basis of which Bank Austria Aktiengesellschaft pledged its claims from Bank accounts as a guarantee for obligations of debtors of Bank Austria Creditanstalt Czech Republic, a.s.. Only the relations arisen under the annexes and amendments to the contracts, which annexes and amendments were concluded in the last year, are relevant for this report. These relations are unilaterally advantageous for the controlled entity which by virtue of them does not incur any loss but, in

contrast, receives benefit in the form of expansion of its business potential.

In the sense of Provision of the Czech National Bank no. 3/1999 on Capital Adequacy of Banks including Credit and Market Risk, a pledge contract pursuant the provisions of § 39 *et seq.* of Act no. 591/1992 Coll. on Securities, in connection with (then valid) § 151a *et seq.* of the Civil Code was concluded in 2000 between Bank Austria Creditanstalt Czech Republic, a.s. and Bank Austria Aktiengesellschaft Wien, pursuant to which the latter company as the pledgor established a pledge right to bonds issued by the central governments of EU countries in favour of the former company as the pledgee in order to secure its claims. Only the relations arisen under the annexes and amendments to the contract, which annexes and amendments were concluded in the last year, are relevant for this report. These relations are unilaterally advantageous for the controlled entity which by virtue of them does not incur any loss but, in contrast, receives benefit in the form of expansion of its business potential.

SYNDICATED LOANS

Another group is represented by the relations between the associated persons established in connection with the provision of the so-called syndicated loans. In these cases the controlled entity is in the position of creditor along with its parent company Bayerische Hypo- und Vereinsbank Aktiengesellschaft. However, it does not provide any performance to the controlling entity under these relations. The company does not incur any loss in connection with such relations.

SOFTWARE CONTRACTS

A significant group of relations to the associated entities is formed by the relations under the contracts that provide the controlled entity with services in the field of information technologies. On the basis of contracts with the company WAVE the controlled entity was granted software equipment and performance consisting in provision of advisory and organisational services. Other contracts on IT services were concluded with the companies IT Austria, CAMSCO and Bayerische Hypo- und Vereinsbank Aktiengesellschaft. The controlled entity did not incur any loss on the basis of these relations either.

LEASE CONTRACTS

For the purpose of ensuring materially its activities the controlled entity enters a number of lease contractual relations. Several contracts and amendments to previously concluded contracts with the associated persons were concluded during last year, the subject of which was a lease of non-residential premises. In these cases the controlled entity was in the position of lessee; i.e. the provided counter-performance for the rent paid

by the controlled person rested on its right to use the premises being subject to the relevant lease contract. The amount of the rent was stipulated on a market basis. The controlled entity did not incur any loss on the basis of such relations.

OTHER CONTRACTS

The controlled entities, i.e. HVB Bank Czech Republic a.s., Bank Austria Creditanstalt Czech Republic, a.s. and HypoVereinsbank CZ a.s., entered also into contractual relations with the associated persons in the last accounting period which may not be unambiguously classified in any of the above defined groups. On the basis of a contract with the company Bank Austria Creditanstalt Leasing Real Estate s.r.o. the company HVB Bank Czech Republic a.s. was provided performance consisting in compilation of balance analyses in the system Blana. A right of distribution of

one of products was granted on the basis of an agreement on co-operation between HypoVereinsbank CZ a.s. and the company HypoVereinsbank Slovakia a.s.. On the basis of a contract with the company Domus-Plan Althausanierungsgesellschaft m. b. H. the controlled company was provided engineering. Also, the controlled entity reimbursed the controlling entities for the activity of the foreign managers correspondingly. The controlled entity did not incur any loss on the basis of such relations.

CONCLUSION

All services and counter-performances were provided in compliance with regular business conditions on the market. The company declares that it did not incur any loss due to the conclusion of the above mentioned contracts and performances provided or counter-performances accepted.



Managing Board, Supervisory Board

MEMBERS OF THE MANAGING BOARD AS OF DECEMBER 31, 2001:

JUDR. KAREL KRATINA

date of birth: May 25, 1951
Pražského povstání 675/42, Prague 4
Date of establishment of the function:
October 1, 2001

ING. DAVID GRUND

date of birth: February 24, 1955
K lukám 702, Šestajovice
Date of establishment of the function:
October 1, 2001

HARTMUT ADOLF HAGEMANN

date of birth: August 1, 1957
Na Fialce I. 1555/67, Praha 6
Date of establishment of the function:
October 1, 2001

MANFRED MEIER

date of birth: August 27, 1942
K lesu 1350, Hostivice
Date of establishment of the function:
October 10, 2001

ING. PETR BRÁVEK

date of birth: August 4, 1961
Dykova 19, Prague 10
Date of establishment of the function:
December 12, 2001

MEMBERS OF THE MANAGING BOARD WHO LEFT THEIR FUNCTIONS IN THE COURSE OF 2001:

FRANCO BRAMBILLA

date of birth: November 3, 1955
Date of extinction of the function due
to resignation: November 15, 2001

ING. FRANTIŠEK HLAVÁČ

date of birth: May 5, 1958
Date of extinction of the function due
to resignation: October 3, 2001

HANS-PETER HORSTER

date of birth: February 6, 1951
Date of extinction of the function:
September 30, 2001

**MEMBERS OF THE SUPERVISORY
BOARD AS OF DECEMBER 31, 2001:**

DR. ERICH HAMPEL

date of birth: February 25, 1951
Schrutkagasse 36, A - 1130 Vienna,
Republic of Austria
Date of establishment of the function:
July 30, 2001

MAG. MARTIN GRÜLL

date of birth: October 25, 1959
Dr. Hans Schürff Gasse 21, 2340
Mödling, Republic of Austria
Date of establishment of the function:
July 30, 2001

MAG. WOLFGANG HALLER

date of birth: May 23, 1951
Rudolfplatz 3/16, 1010 Vienna,
Republic of Austria
Date of establishment of the function:
July 30, 2001

HEINZ MEINDLINGER

date of birth: September 6, 1955
Kalmusweg 46/Haus 107, 1220
Vienna, Republic of Austria
Date of establishment of the function:
July 30, 2001

DKFM. GERHARD BAYREUTHER

date of birth: May 30, 1959
Karl-Greiner-Gasse 45, 2390
Perchtoldsdorf, Republic of Austria
Date of establishment of the function:
July 30, 2001

ANTON KNETT

date of birth: May 13, 1955
Donaustr. 93, 3421 Hoflein,
Republic of Austria
Date of establishment of the function:
December 17, 2001

**MEMBERS OF THE SUPERVISORY
BOARD WHO LEFT THEIR FUNCTIONS
IN THE COURSE OF 2001:**

PETER O. KÖLLE

date of birth: April 26, 1945
Date of extinction of the function:
July 30, 2001

HELMUT KONRAD

date of birth: August 14, 1946
Date of extinction of the function:
August 6, 2001

CASPAR VON HAUENSCHILD

date of birth: November 17, 1947
Date of extinction of the function:
July 30, 2001

DR. OLAF SCHEER

date of birth: March 9, 1957
Date of extinction of the function:
July 30, 2001

KARL SAUER

date of birth July 19, 1942
Date of extinction of the function:
July 30, 2001

REINER BARTHUBER

date of birth: October 9, 1958
Date of extinction of the function:
August 6, 2001

VIKTOR FARKA

date of birth: September 15, 1965
Date of establishment of the function:
August 6, 2001
Date of extinction of the function due
to resignation: November 15, 2001

ING. JIŘÍ DRBOHLAV

date of birth: April 7, 1970
Date of establishment of the function:
August 6, 2001
Date of extinction of the function due
to resignation: November 15, 2001

JUDR. PETR DUŠEK

date of birth: January 26, 1962
Date of establishment of the function:
August 6, 2001
Date of extinction of the function due
to resignation: November 15, 2001

DR. VINCENZO ANTONIO GALLO

date of birth: October 12, 1940
Date of establishment of the function
July 30, 2001
Date of extinction of the function due
to resignation: December 17, 2001

Branches

HVB BANK CZECH REPUBLIC A.S.
nám. Republiky 3a
110 00 Prague 1
Tel.: 00420/2/21 11 21 11
Fax: 00420/2/21 11 21 32
www.hvb.cz

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Tel.: 00420/2/21 11 96 11
Fax: 00420/2/21 11 96 22

PRAGUE – REVOLUČNÍ
Revoluční 7
110 00 Prague 1
Tel.: 00420/2/21 11 97 61
Fax: 00420/2/21 11 97 62

PRAGUE – PALÁC ADRIA
Jungmannova 31
110 00 Prague 1
Tel.: 00420/2/21 11 96 41
Fax: 00420/2/21 11 96 42

PRAGUE – HAVELSKÁ
Havelská 19
110 00 Prague 1
Tel.: 00420/2/21 11 97 11
Fax: 00420/2/21 11 97 02

PRAGUE – ITALSKÁ
Italská 24
121 49 Prague 2
Tel.: 00420/2/21 11 96 71
Fax: 00420/2/21 11 96 72

PRAGUE – VALDEK
Jugoslávská 29
120 00 Prague 2
Tel.: 00420/2/21 11 97 21
Fax: 00420/2/21 11 97 22

PRAGUE – ARBES
Štefánikova 32
150 00 Prague 5
Tel.: 00420/2/51 08 16 11
Fax: 00420/2/51 08 16 20

PRAGUE – VÍTĚZNÉ NÁM.
Vítězné nám. 10
160 00 Prague 6
Tel.: 00420/2/33 08 95 11
Fax: 00420/2/33 08 95 20

BRNO – KOBLIŽNÁ
Kobližná 2
661 80 Brno
Tel.: 00420/5/42 42 24 11
Fax: 00420/5/42 21 55 61

BRNO – LIDICKÁ

Lidická 59
661 09 Brno
Tel.: 00420/5/49 52 34 11
Fax: 00420/5/49 52 34 99

ČESKÉ BUDĚJOVICE

U Zimního stadionu 3
370 21 České Budějovice
Tel.: 00420/38/610 54 11
Fax: 00420/38/610 54 99

HRADEC KRÁLOVÉ

Ulrichovo nám. 854
500 02 Hradec Králové
Tel.: 00420/49/500 01 27
Fax: 00420/49/551 25 50

CHOMUTOV

Blatenská 802
430 01 Chomutov
Tel.: 00420/396/68 68 32
Fax: 00420/396/62 92 95

JIHLAVA

Palackého 28
586 01 Jihlava
Tel.: 00420/66/731 07 67
Fax: 00420/66/730 11 07

KARLOVY VARY

Moskevská 10
360 01 Karlovy Vary
Tel.: 00420/17/322 15 21
Fax: 00420/17/322 82 08

LIBEREC

Husova 1354/49
460 01 Liberec
Tel.: 00420/48/510 52 67
Fax: 00420/48/510 52 68

MLADÁ BOESLAV

Českoobratrské nám. 1321
293 01 Mladá Boleslav
Tel.: 00420/326/72 18 37
Fax: 00420/326/72 18 45

OLOMOUC

Ostružnická 17
772 00 Olomouc
Tel.: 00420/68/522 32 81
Fax: 00420/68/522 32 69

OSTRAVA

Smetanovo nám. 1
702 00 Ostrava
Tel.: 00420/69/611 20 01
Fax: 00420/69/611 20 04

PARDUBICE

Smilova 1904
530 02 Pardubice
Tel.: 00420/40/661 40 91
Fax: 00420/40/661 40 96

PLZEŇ – NÁM. REPUBLIKY

nám. Republiky 1
304 48 Plzeň
Tel.: 00420/19/719 61 11
Fax: 00420/19/723 61 79

PLZEŇ – KOPECKÉHO SADY

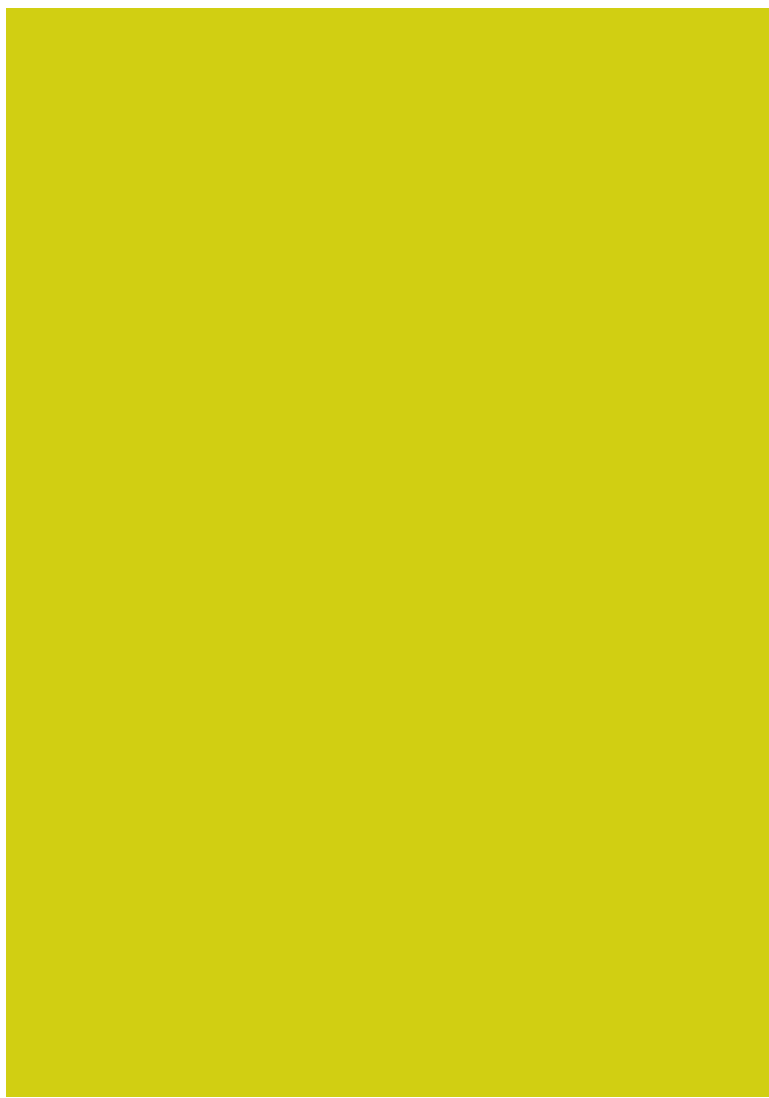
Kopeckého sady 12
301 36 Plzeň
Tel.: 00420/19/723 60 41
Fax: 00420/19/722 34 49

ÚSTÍ NAD LABEM

Mírové nám. 37
400 01 Ústí nad Labem
Tel.: 00420/47/701 16 00
Fax: 00420/47/701 14 09

ZLÍN

nám. Míru 175
760 01 Zlín
Tel.: 00420/67/721 22 37
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Financial Group HVB Bank Czech Republic a.s.

STRUCTURE OF THE FINANCIAL GROUP HVB BANK CZECH REPUBLIC A.S. AND ITS CONSOLIDATION UNIT

A significant position of the Financial Group HVB Bank Czech Republic a.s. (HVB CZ) on the Czech banking market is supported, apart from the background of its parent Bank, also by the company Hypo stavební spořitelna a.s., which extends the group's offer of financial services by widely used construction savings products

HYPO STAVEBNÍ SPOŘITELNA A.S.

The subsidiary company Hypo stavební spořitelna a.s. controlled by HVB CZ is subsumed as the only entity under the consolidation unit of HVB CZ.

HVB CZ holds a 60% share in the registered capital of this company. The other shareholder is the company VEREINSBANK VICTORIA Bauspar Aktiengesellschaft with a 40% share.

During 2001 the company Hypo stavební spořitelna a.s. concluded over 140 thousand contracts. As of the end of 2001 the savings company registered almost 290 thousand valid construction savings contracts, with aggregate target amount of CZK 47.7 billion. In terms of the target amount newly agreed in 2001 Hypo stavební spořitelna a.s. ranked 4th on the construction savings market with a 10.8% share in the total value of the target amount. Granted construction savings loans amounted to CZK 188 million at the end of 2001.

Also in the upcoming period Hypo stavební spořitelna a.s. will keep on extending its business activities -- not only by raising the number of valid construction savings contracts but also, in particular, by increasing the volume of loans granted under construction savings.

KEY FINANCIAL CHARACTERISTICS OF THE COMPANY (CZK THOU):

	December 31, 2001
Registered capital	500,000
Equity	705,243
Total assets	9,641,684
Net profit/loss	80,897

**CONSOLIDATED FINANCIAL
STATEMENTS**



CONSOLIDATED BALANCE SHEET **AS AT 31 DECEMBER 2001**

ASSETS				
CZK 000	Note	2001 Gross amount	2001 Adjustment	2001 Net amount
1 Cash in hand, balances with central Banks and post office Banks		3,281,664	0	3,281,664
2 State treasury bills and other bills eligible for refinancing with the ČNB	10	30,214,504	834	30,213,670
a) state treasury bills and similar securities issued by the state		6,907,504	834	6,906,670
b) other treasury bills		23,307,000	0	23,307,000
3 Receivables from Banks	8	43,826,512	0	43,826,512
a) repayable on demand		617,521	0	617,521
b) other receivables including subordinated assets		43,208,991	0	43,208,991
4 Receivables from customers	9	67,178,915	1,475,256	65,703,659
a) repayable on demand		6,780,977	1,177,843	5,603,134
b) other receivables including subordinated assets		60,397,938	297,413	60,100,525
5 Bonds and other fixed income securities for trading	11	4,594,545	6,833	4,587,712
a) issued by Banks including own bonds		2,152,024	1,079	2,150,945
b) issued by other entities		2,442,521	5,754	2,436,767
6 Shares and other variable income securities for trading	12	3,300	0	3,300
7 Participation interests in associates		0	0	0
8 Participation interests in non-consolidated subjects	13	39,000	23 293	15,707
9 Goodwill		0	0	0
10 Other financial investments	11	5,140,969	0	5,140,969
11 Intangible fixed assets	14	1,022,060	730,894	291,166
12 Tangible fixed assets	15	2,497,891	1,764,363	733,528
a) land and buildings for the purpose of Banking activities		969,097	609,948	359,149
b) other		1,528,794	1,154,415	374,379
13 Own shares		0	0	0
14 Other assets	16	3,567,202	6,486	3,560,716
15 Shareholder receivables from capital subscribed but not paid		0	0	0
16 Prepayments and accrued income		632,708	0	632,708
Total assets		161,999,270	4,007,959	157,991,311

The notes set out on pages 90 to 108 form part of these consolidated financial statements.

LIABILITIES

CZK 000	Note	2001
1 Due to Banks	17	43,314,403
a) repayable on demand		1,090,619
b) other payables		42,223,784
2 Due to customers	18	71 506,104
a) saving deposits		10,323,178
including repayable on demand		160,657
b) other payables		61,182,926
including repayable on demand		24,413,334
3 Certificates of deposit and similar debentures	19	21,412,548
a) certificates of deposits		
b) other		21,412,548
4 Deferred income and accrued expenses		751,367
5 Reserves		1,509,069
a) reserves on standard loans and guarantees	23	1,439,609
b) reserves on FX losses		
c) reserves on other Bank risks		69,460
d) other reserves		
6 Subordinated liabilities	20	1,140,759
7 Other liabilities	21	7,713,499
8 Registered capital (excluding minority interests)	22	5,047,000
including registered capital paid up		5,047,000
9 Share premium (excluding minority interests)	22	1,996,920
10 Reserve funds (excluding minority interests)	24	506,683
11 Capital funds and other funds from profit (excluding minority interests)	24	1,540,485
a) capital funds		(223,749)
b) other funds from profit		1,764,234
12 Retained earnings or (losses) from previous periods (excluding minority interests)	24	108,223
13 Consolidated reserve fund		
14 Negative goodwill		106
15 Consolidated profit or (loss) for the accounting period excluding minority interests and share on profit or (loss) in associates	24	1,162,048
16 Share on profit or (loss) in associates		
17 Minority interests		282,097
including minority registered capital		200,000
minority share premium		
minority reserve funds		40,000
minority capital funds and other funds from profit		
minority retained earnings or (losses) from previous periods		9,738
minority profit or (loss) for the accounting period		32,359
Total liabilities		157,991,311

OFF-BALANCE SHEET

CZK 000	Note	2001
1 Potential future liabilities arising from commitments including		5,817,223
a) acceptances and endorsements		
b) payables resulting from guarantees	26	5,747,594
c) payables resulting from collateral	26	69,629
2 Other irrevocable liabilities	26	21,649,719
3 Receivables from spot, term and option transactions	26	228,325,945
4 Liabilities from spot, term and option transactions	26	228,456,766

The notes set out on pages 90 to 108 form part of these consolidated financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

CZK 000	Note	2001
1 Interest income and similar income		8,105,806
including interest income from fixed yield securities		1,024,343
2 Interest expense and similar expense		(4,914,536)
including interest expense from fixed yield securities		(398,797)
Net interest income		3,191,270
3 Income from variable yield securities including:		0
a) income from shares and other variable yield securities		0
b) income from participation interests with significant influence		0
c) income from participation interests with controlling influence		0
d) income from participation interests with affiliated companies		0
4 Commission and fee income		1,358,718
5 Commission and fee expense		(454,234)
6 Net profit (loss) from financial operations		1,019,312
7 Other income	6	37,960
8 General operating expenses including:	5	(2,919,445)
a) employee expenses		(985,619)
aa) wages and salaries		(728,648)
ab) social insurance		(191,251)
ac) health insurance		(65,137)
ad) other social expenses		(583)
b) other operating expenses		(1,933,826)
9 Creation of reserves and adjustments to tangible and intangible fixed assets		(51,484)
a) creation of reserves for tangible fixed assets		0
b) creation of adjustments for tangible fixed assets	15	(51,484)
c) creation of adjustments for intangible fixed assets		0
10 Use of reserves and adjustments to tangible and intangible fixed assets		0
a) use of reserves for tangible fixed assets		0
b) use of adjustments for tangible fixed assets		0
c) use of adjustments for intangible fixed assets		0
11 Other expenses	6	(557,540)
Net operating income before adjustments and reserves for loans and investments		1,624,557
12 Creation of reserves and adjustments for credits and guarantees	23	(510,470)
13 Use of reserves and adjustments for credits and guarantees	23	631,665
14 Creation of reserves and adjustments for participation interests and other financial investments		(932)
15 Use of reserves and adjustments for participation interests and other financial investments		0
16 Creation of other reserves and adjustments		(62,910)
17 Use of other reserves and adjustments		10,707
Profit on ordinary activities before tax		1,692,617
Income tax on ordinary profit		(472,367)
Ordinary profit or (loss) for the accounting period after tax		1,220,250
18 Extraordinary income	7	36,187
including accounting for negative goodwill		53
19 Extraordinary expenses	7	(62,030)
including accounting for goodwill		
Extraordinary profit or (loss)		(25,843)

20	Consolidated profit or (loss) for accounting period excluding minority interests and share on profit or (loss) in associates	1,162,048
21	Share on profit or (loss) in associates	0
22	Minority profit or (loss) for the accounting period	32,359

The notes set out on pages 90 to 108 form part of these consolidated financial statements.

Notes to the Czech Statutory Financial Statements (consolidated)

1. BACKGROUND

On 1 October 2001, Bank Austria Creditanstalt Czech Republic, a.s. merged with HypoVereinsbank CZ a.s. through termination of Bank Austria Creditanstalt Czech Republic, a.s., without liquidation. The name of the combined entity was changed to HVB Bank Czech Republic a.s. All rights and liabilities of the terminated Bank Austria Creditanstalt Czech Republic, a.s. were assigned to HVB Bank Czech Republic a.s. The change of the name to HVB Bank Czech Republic a.s. (the Bank), the change of the registered capital and the change of other facts connected with the merger were recorded on 1 October 2001 in the Companies Register of the District Court of Prague under reference number B 3608. The major shareholder of the Bank is Bank Austria Aktiengesellschaft, Vienna.

Registered office of the Bank:

Nám. Republiky 3a, č.p. 2090
110 00 Prague 1

The Bank serves as a universal Bank providing retail, commercial and investment banking services in the Czech Republic.

The main activities are as follow:

- receiving deposits from the public
- granting loans
- investing in securities on its own behalf

- system of payments and clearing
- issuing payment products, e.g. payment cards, traveller's cheques
- granting guarantees
- opening and confirming letters of credit (export financing)
- administration of cash collection
- trading on own behalf or on behalf of clients:
 1. with foreign exchange currency products
 2. with forward and option contracts including foreign currency and interest rate
 3. with transferable securities
- participation in shares subscription and other related services
- issuing of mortgage bonds in accordance with legislation
- financial brokerage
- managing clients' securities including portfolio management
- depository services and administration of securities
- depository services for investment funds
- foreign currency exchange services

- providing banking information
- rent of safe-deposit boxes

The Bank also provides the following additional services through its subsidiary:

- receiving deposits from members of building savings
- granting loans to members of building savings
- granting state subsidy to individuals – members of building savings
- granting specific loans to members of building savings schemes that are subject to specific conditions.

2. BASIS OF PREPARATION

The financial statements have been prepared on the basis of accounting maintained in accordance with the Act on Accounting and relevant regulations and decrees of the Czech Republic. They have been prepared under the historical cost convention on the basis of full accrual accounting.

The consolidated financial statements are presented in accordance with the Czech Ministry of Finance decree on regulating the organization and definition of consolidated financial statements and disclosure requirements of Banks dated 18 February 1994 (282/9 090/1994), as subsequently amended.

Numbers in brackets represent negative amounts.

Amounts are presented in thousands of Czech crowns (CZK) unless otherwise stated.

These financial statements are consolidated financial statements.

Due to the merger process and establishment of the new Bank in 2001, these financial statements do not include any comparative figures from the prior year.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the Bank's financial statements are set out below:

(a) Principles of consolidation

Participation interests over which the Bank has a controlling influence ("the subsidiary") are consolidated by using the direct method. A participation interest over which the Bank has a controlling influence is a participation, in which the Bank has a majority shareholding.

Participation interests over which the Bank has a substantial influence ("associated company") are consolidated by using the equity method. Participation interests over which the Bank has a substantial influence are participations in the subject where the

Bank, directly or indirectly, owns between 20% to 50% in the registered capital.

Participation interests over which the Bank has a controlling and substantial influence, whose financial results, equity and financial position were immaterial to the consolidated results, are accounted for at cost value less any adjustments (when there is an indication of a temporary decrease in participation value) or impairments (when there is an indication of permanent decrease in participation value). The adjustments against participation interests over which the Bank has a controlling influence are created individually whenever the cost value exceeds the Bank's share in the company's equity. These participation interests are presented as investment securities, stated as "Participation interests in non-consolidated subjects" in the balance sheet.

(b) Bonds and other fixed income securities, Treasury bills and other eligible bills and shares and other variable income securities

Treasury bills and other eligible bills are carried at amortised cost.

Adjustments for treasury bills and other eligible bills are created in an amount equal to the excess of amortised cost over the market value calculated on a specific identification basis.

Bonds and other fixed income securities and shares and other variable income securities are classified as held to maturity, held for trading purposes or available for sale, based on the Bank's intention. Only bonds and other fixed income securities can be classified into the held to maturity portfolio. In the financial statements, they are stated either as long term or short term.

Premiums and discounts on bonds and other fixed income securities are amortised/accreted through the profit and loss account over the period from the date of purchase to the date of maturity using the effective interest rate method. (In the case of securities classified into the trading portfolio or available for sale portfolio and securities which have a residual maturity shorter than 1 year, the premium and the discount are amortized/accreted equally through the profit and loss account over the period from the date of purchase to the date of maturity).

Bonds and other fixed income securities are carried at amortised/accreted cost less adjustments for any temporary diminution in value or write-offs for any permanent diminution in value. Shares and other variable income securities are carried at acquisition cost less adjustments for any temporary diminution in value or write-offs for any permanent diminution in value.

Bonds and other fixed income securities which are held for the longer term are classified as long term securities and are included in 'Other financial investments'.

Adjustments for long term securities are created by an amount, which only reflects the change in the risk of the issuer and not a change in interest rates, calculated on a specific identification basis.

Bonds and other fixed income securities and shares and other variable income securities, which are held for trading purposes or available for sale are classified as short term securities. Adjustments for short term securities are created in an amount equal to the excess of amortised/accreted cost or acquisition cost over the fair value calculated on a specific identification basis.

The fair values used for calculating adjustments for securities are stated at market value available as at the date of the fair value statement, if the Bank proves that securities can be sold for the market price. If it is not possible to state the fair value as the market value (i.e. the Bank does not prove it is possible to sell securities at the market price), the fair value is estimated as the adjusted value of securities.

The adjusted value of securities is equal to the measure of participation in the net asset value of a company if they relate to shares, to the measure of participation in the net assets of a share fund if they relate to share certificates and the present value of securities if they relate to bonds and bills of exchange.

For bonds and shares traded on the public market, fair values are equal to the price reached on the public market of OECD countries, provided that the securities are liquid.

The fair values of those securities not traded on the public market of OECD countries are, in the case of shares and other variable income securities, stated by the measure of participation in the net asset value of the company. In the case of bonds and other fixed income securities, the fair values are represented by the present value of securities including the issuer risk.

The cost of disposed securities is determined using the weighted average price method for individual issues.

Transactions where securities are sold under a commitment to repurchase (repurchase commitment) at a predetermined price or purchased under a commitment to resell (resale commitment) are treated as collateralised borrowing and lending transactions. The legal title of securities subject to resale or repurchase commitments is transferred to the lender. Securities transferred under a repurchase commitment are henceforth included in the relevant items of securities in the Bank's balance sheet while the borrowing is recorded in 'Due to Banks' or 'Due to customers.' Interest is accrued on securities transferred

under a repurchase commitment; interest is not accrued in the case of received securities recorded in the balance sheet under a resale commitment.

Securities received under a resale commitment are recorded either as 'State treasury bills and other bills eligible for refinancing with the CNB,' 'Bonds and other fixed income securities for trading' or 'Shares and other variable income securities for trading.' Payables from securities received under a resale commitment are included in 'Due to Banks' or 'Due to customers' while the lending is recorded in 'Receivables from Banks' or 'Receivables from customers.'

Interest receivable or payable under resale or repurchase transactions, representing the difference between the sale and purchase amounts, is accrued on a straight line basis and included in interest income or interest expense respectively in the profit and loss account.

(c) Receivables from Banks and customers

Receivables are carried net of adjustments. Reserves for receivables are included in 'Reserves' on the liability side of the balance sheet.

Receivables are reviewed for recoverability. Adjustments are created against specific receivables as considered appropriate. Reserves are created for general risks associated with the Bank's receivables portfolio in compliance with the Bank's internal regulation. The period charge for reserves and adjustments is determined based on detailed reviews of individual credits and collateral, current economic conditions in the Czech Republic, the risk characteristics of the various categories of loans and other pertinent factors. Net exposures represent total exposures including interest and fees less the value of collateral. Charges to the profit and loss account for adjustments and reserves created are to 'Creation of reserves and adjustments for credits and guarantees' to provide analytical evidence required for the calculation of tax liabilities.

The tax deductible portion of the period charge for the creation of reserves and adjustments for credit losses is calculated in accordance with the requirements of section 5 ('Banking reserves and adjustments') of the Act on Reserves (Act No. 593/1992).

Receivables are written-off only when they are considered uncollectible by the Bank's management or when the bankruptcy process of the client has been finalised in accordance with Czech legislation.

The write off of unrecoverable receivables is accounted for as 'Other expenses' in the profit and loss account. Adjustments and/or reserves are, in the case of uncollectible receivables, reduced by an amount equal to the amount written off with a corresponding credit to

‘Use of reserves and adjustments to credits and guarantees’ in the profit and loss account. Recoveries on loans and advances previously written off are included in the profit and loss account in ‘Other income.’

Discounted and forfeited assets are carried at nominal values with related discounts included in the balance sheet as ‘Other liabilities.’ Discounts are amortised on a straight-line basis through the profit and loss account over the period from the date of purchase to the date of maturity.

(d) Goodwill/Negative goodwill

The consolidation difference (goodwill/negative goodwill) is recognized whenever the cost value of participation interests adjusted by adjustments differs from the revaluation that is created based on the Bank’s participation share in the fair value of the subsidiary’s or associated company’s equity (excluding current year profit or loss), when the subsidiary or associated company is included into the consolidation group for the first time.

The consolidation difference is recognized as an asset (goodwill) or liability (negative goodwill) and it is released by 20% year depreciation into extraordinary expenses/revenues in the consolidated profit and loss account using “Release of goodwill/negative goodwill” against “Goodwill” or “Negative goodwill”.

(e) Intangible and tangible fixed assets

Tangible and intangible fixed assets are stated at historical cost and are depreciated using the straight-line method over their estimated useful lives.

The annual depreciable lives for each category of intangible and tangible fixed asset are as follows:

Software	4 years
Land and buildings	33 years
Furniture and fittings	4 to 30 years

Leasehold improvements are depreciated on a straight-line basis over the shorter of the lease terms or ten years.

Intangible assets costing less than CZK 60,000 and tangible assets costing less than CZK 40,000 are charged to the profit and loss account in the period in which they are acquired.

(e) Foreign currency translation

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 together with unmaturing spot foreign exchange transactions are translated into the local currency at the spot exchange rate prevailing on the balance sheet date. Exchange

differences arising from the translation of assets and liabilities denominated in foreign currencies except for investments in foreign participation interests are recognised in the profit and loss account as ‘Net profit (loss) from financial operations.’

(f) Off-balance sheet instruments

Trading instruments

Financial derivatives classified in the trading portfolio are recorded at their fair values. The changes in fair values are recorded in the profit and loss account as ‘Net profit (loss) from financial operations’.

Hedging instruments

Financial derivatives classified as hedging instruments based on the Bank’s decision and at the same time fulfilling prescribed accounting requirements are recorded at their fair values. The changes in fair values are recorded directly in the Bank’s equity as “Capital funds and other funds from profit”.

Hedge accounting requires that gains and losses on hedging instruments be recognised in the profit and loss account at the same time related changes in the items hedged are recognised.

(g) Taxation

Non-tax deductible expenses are added to and non-taxable income is deducted from the profit for the period to arrive at the taxable income to which the current tax rate is applied.

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes multiplied by the income tax rate prescribed by the Income Tax Act for the next period. A deferred tax asset is recognized only to the extent that there are no doubts that there will be future taxable profits available against which this asset can be utilized.

(h) Prior period items and changes in accounting policies

Prior period items and the effects of changes in accounting policies are reported as extraordinary income or extraordinary expense in the current period profit and loss account.

4. COMPANIES INCLUDED INTO CONSOLIDATION

The consolidated financial statements as at 31 December 2001 include the following subsidiary:

Name	Registered address	Activity	Participation share	Method of consolidation
HYPO stavební spořitelna a.s.	Praha 1, Senovážné nám. 4	building savings	60.0%	direct

The financial statements of the subsidiary for the year ended 31 December 2001 were used for the preparation of these consolidated financial statements.

5. GENERAL OPERATING EXPENSES

CZK 000	2001
Personnel expenses	
Wages and bonuses	728,648
Social security expenses	256,971
	985,619
Other general operating expenses (excluding depreciation)	1,411,996
Depreciation	521,830
General operating expenses	2,919,445

Remuneration paid by the Bank, Bank Austria Creditanstalt Czech Republic, a.s. and HypoVereinsbank CZ a.s. to the members of the Board of Directors, to the members of the Supervisory Board and to Other executives and the subsidiary were as follows:

CZK 0000	2001
Members of the Board of Directors	18,116
Members of the Supervisory Board	1,260
Other executives	74,992

No remuneration was paid by HYPO stavební spořitelna a.s. to the members of the Board of Directors of HYPO stavební spořitelna a.s. in 2001.

The average number of the Bank's personnel (including expatriates) during the year was as follows:

	2001
Employees	1,348
Members of the Board of Directors	10
Members of the Supervisory Board	11

6. OTHER INCOME AND EXPENSE

CZK 000	2001
Written-off receivables	322,078
Expenses from ceded receivables from customers	40,701
Other operating expense – deposit insurance fund	180,393
Residual value of fully depreciated assets	11,408
Other	2,960
Total other expenses	557,540
Income from transfer (sale) of fixed assets	11,317
Income from rent	11,071
Contractual fines received	8,423
Other	7,149
Total other income	37,960

7. EXTRAORDINARY INCOME AND EXPENSE

CZK 000	2001
Extraordinary expenses	
Losses and damages	10,508
Correction of the revenues and expenses of the prior period	11,799
Expenses connected with the merger	38,300
Other	1,423
Total extraordinary expenses	62,030
Extraordinary income	
Correction of the revenues and expenses of the prior period	24,249
Release of negative goodwill	53
Other	11,885
Total extraordinary income	36,187

8. RECEIVABLES FROM BANKS

(a) Net receivables from Banks

CZK 000	2001
Receivables from Banks	43,826,512
Less:	
Adjustments for possible credit losses	–
Net receivables from Banks	43,826,512

Receivables from Banks include CZK 23,558,443 thousand which represent receivables from securities transferred under repurchase commitments.

(b) Analysis of receivables from Banks by residual maturity

CZK 000	2001
Repayable on demand	617,521
Up to 3 months	39,901,449
From 3 months to 1 year	1,315,542
From 1 to 2 years	40,000
From 2 to 4 years	1,865,000
From 4 to 5 years	87,000
Over 5 years	–
Total	43,826,512

(c) Analysis of receivables from Banks by type of security received

CZK 000	2001
Security held by the Bank	23,558,443
Unsecured	20,268,069
	43,826,512

9. RECEIVABLES FROM CUSTOMERS

(a) Receivables from customers

CZK 000	2001
Receivables from customers – loans	67,175,545
Receivables from members of the building savings scheme	3,370
Less:	
Adjustments for possible credit losses	(1,475,256)
Net receivables from customers	65,703,659

Receivables from clients include CZK 472,247 thousand which represent receivables from securities transferred under repurchase commitments.

(b) Analysis of receivables from customers by sector and residual maturity

CZK 000	Demand	Up to 3 months	From 3 mths to 1 year	From 1 to 2 years	From 2 to 4 years	From 4 to 5 years	Over 5 years	Total
At 31 December 2001								
Financial institutions	218,018	384,852	3,723,394	1,651,504	761,815	14,618	191,381	6,945,582
Non financial institutions	5,718,207	8,383,486	6,484,044	6,585,996	6,706,867	3,041,691	14,545,054	51,465,345
Insurance institutions	5	472,247	–	–	–	–	–	472,252
Government sector	155,238	927,494	312,082	1,769	8,685	–	607,500	2,012,768
Non profit organisations	7,393	1,337	4,168	13,624	13,852	13,354	110,178	163,906
Self employed	168,828	24,456	40,075	70,027	80,729	30,419	299,244	713,778
Resident individuals	158,885	73,717	200,541	249,169	553,619	221,150	1 921,374	3,378,455
Non resident individuals	39,390	366,344	11,999	3,512	19,347	33,261	1,131,192	1,605,045
Companies without ICO	7,583	533	1,130	1,593	3,502	1,940	94,703	110,984
Unallocated	307,430	–	–	–	–	–	–	307,430
Total	6,780,977	10,634,466	10,777,433	8,577,194	8,148,416	3,356,433	18,900,626	67,175,545

(c) Analysis of receivables from customers by type of security received

CZK 000	Bank guarantee	Mortgage	Performance guarantee	Letter of comfort	Bill of exchange	Security held by Bank	Other security	Unsecured	Total
At 31 December 2001									
Financial institutions	3,666,723	245,926	94,792	–	–	–	152,205	2,785,936	6,945,582
Non financial institutions	7,670,569	7,245,532	6,546,643	2,546,500	10,785	1,185,310	3,804,572	22,455,434	51,465,345
Insurance institutions	–	–	–	–	–	–	472 247	5	472,252
Government sector	–	4,289	–	–	–	414	613,764	1,394,301	2,012,768
Non profit organisations	–	85,858	476	57,566	–	7,180	–	12,826	163,906
Self employed	30,000	401,822	85,215	21,000	–	37,954	32,156	105,631	713,778
Resident individuals	1,684	2,782,309	42,286	22,053	20	78,722	203,659	247,722	3,378,455
Non resident individuals	29,918	31,843	71,322	–	–	308	264,618	1,207,036	1,605,045
Companies without ICO	–	–	–	–	–	–	–	110,984	110,984
Unallocated	–	7,972	–	–	–	3,486	23,330	272,642	307,430
Total	11,398,894	10,805,551	6,840,734	2,647,119	10,805	1,313,374	5,566,551	28,592,517	67,175,545

(d) Net receivables from customers written off, ceded and recovered

The following table summarizes, by sector, net loans and advances to customers written off and ceded:

CZK 000	2001
Written off and ceded receivables:	
Non financial institutions	253,634
Self employed	139
Resident individuals	99,176
Non resident individuals	50
Total	352,999

The Bank earned CZK 1,813 thousand on loans written off in 2001.

(e) Syndicated loans

Loan	Banks involved	Amount in 000 CZK	Split of risk	Split of interest
I.	HVB Bank Czech Republic a.s.	649,607	59.70%	59.70%
	IKB Deutsche Industriebank	196,393	18.10%	18.10%
	Živnostenská banka a.s.	241,714	22.20%	22.20%
	Total	1,087,714	100 %	100 %
II.	HVB Bank Czech Republic a.s.	34,377	15.00%	15.00%
	Bayerische Hypo- und Vereinsbank AG	194,805	85.00%	85.00%
	Total	229,182	100 %	100 %
III.	HVB Bank Czech Republic a.s.	39,587	15.00%	15.00%
	Bayerische Hypo- und Vereinsbank AG	224,325	85.00%	85.00%
	Total	263,912	100 %	100 %
IV.	HVB Bank Czech Republic a.s.	432,788	40.00%	40.00%
	Bayerische Landesbank Girozentrale	324,543	30.00%	30.00%
	Česká spořitelna, a.s.	324,543	30.00%	30.00%
	Total	1,081,874	100 %	100 %
V.	HVB Bank Czech Republic a.s.	25,849	15.00%	15.00%
	Bayerische Hypo- und Vereinsbank AG	146,476	85.00%	85.00%
	Total	172,325	100 %	100 %
VI.	HVB Bank Czech Republic a.s.	37,697	15.00%	15.00%
	Bayerische Hypo- und Vereinsbank AG	213,620	85.00%	85.00%
	Total	251,317	100 %	100 %
VII.	HVB Bank Czech Republic a.s.	52,102	15.00%	15.00%
	Bayerische Hypo- und Vereinsbank AG	295,243	85.00%	85.00%
	Total	347,345	100 %	100 %
VIII.	HVB Bank Czech Republic a.s.	25,455	15.00%	15.00%
	Bayerische Hypo- und Vereinsbank AG	144,245	85.00%	85.00%
	Total	169,700	100 %	100 %
IX.	HVB Bank Czech Republic a.s.	33,765	14.90%	14.90%
	Bayerische Hypo- und Vereinsbank AG	192,502	85.10%	85.10%
	Total	226,267	100 %	100 %
X.	HVB Bank Czech Republic a.s.	34,146	15.10%	15.10%
	Bayerische Hypo- und Vereinsbank AG	192,327	84.90%	84.90%
	Total	226,473	100 %	100 %
XI.	HVB Bank Czech Republic a.s.	24,996	15.00%	15.00%
	Bayerische Hypo- und Vereinsbank AG	141,643	85.00%	85.00%
	Total	166,639	100 %	100 %
XII.	HVB Bank Czech Republic a.s.	151,007	67.40%	67.40%
	Voralberger Landes und Hypothekenbank AG	73,092	32.60%	32.60%
	Total	224,099	100 %	100 %
XIII.	HVB Bank Czech Republic a.s.	305,240	50.40%	50.40%
	Bayerische Hypo- und Vereinsbank AG	300,023	49.60%	49.60%
	Total	605,263	100 %	100 %
XIV.	HVB Bank Czech Republic a.s.	68,563	40.00%	40.00%
	Bayerische Hypo- und Vereinsbank AG	102,799	60.00%	60.00%
	Total	171,362	100 %	100 %

(f) Receivables from members of Board of Directors and Supervisory Board

CZK 000	2001	2001
	Board of Directors	Supervisory Board
Loans and advances	2,916	–
Guarantees granted	–	–
Total	2,916	–

(g) Receivables from non-consolidated participation interests over which the Group has a controlling influence by residual maturity

CZK 000	2001
Controlling influence	
Payable on demand	–
Up to 3 months	–
From 3 months to 1 year	3,680
From 1 year to 2 years	3,903
From 2 years to 4 years	8,525
From 4 years to 5 years	4,661
Over 5 years	46,171
Total	66,940

10. STATE TREASURY BILLS AND OTHER BILLS ELIGIBLE FOR REFINANCING

(a) Net book value of Treasury bills and other bills eligible for refinancing with the CNB

CZK 000	2001
State treasury bills	6,907,504
Other bills eligible for refinancing with the CNB	23,307,000
Less:	
Adjustments for treasury bills	(834)
Net treasury bills and other eligible bills	30,213,670

(b) Classification of Treasury bills and other bills eligible for refinancing with the CNB into individual portfolio based on the Bank's intention

CZK 000	2001
State treasury bills and other eligible bills for trading	27,503,520
State treasury bills and other eligible bills available for sale	2,710,150
State treasury bills and other eligible bills assigned for trading in total	30,213,670
State treasury bills and other eligible bills held to maturity	–
Net treasury bills and other eligible bills	30,213,670

(c) Repurchase and resale commitment

Included in the book value of treasury bills and other eligible bills is CZK 23,307,000 thousand held under resale commitment. Treasury bills and other eligible bills include bills in the amount of CZK 2,968,000 thousand which were transferred under repurchase commitments.

11. BONDS AND OTHER FIXED INCOME SECURITIES

(including long term bonds included in 'Other financial investments')

(a) Net book value of bonds and other fixed income securities

CZK 000	2001
Book value of bonds and other fixed income securities	9,735,514
Less:	
Adjustments	(6,833)
Net book value of bonds and other fixed income securities	9,728,681

The book value of bonds and other fixed income securities includes accrued interest as at the balance date of CZK 275,994 thousand.

(b) Repurchase and resale commitments

Included in the book value of bonds and other fixed income securities is CZK 609,450 thousand held under resale commitment. Bonds and other fixed income securities includes securities in the amount of CZK 346,050 thousand which were transferred under repurchase commitments.

(c) Classification of bonds and other fixed income securities into individual portfolio based on the Bank's intention

CZK 000	2001
Bonds and other fixed income securities for trading	3,902,410
Bonds and other fixed income securities available for sale	685,302
Bonds and other fixed income securities assigned for trading in total	4,587,712
Bonds and other fixed income securities held to maturity	5,140,969
Net book value of bonds and other fixed income securities	9,728,681

(d) Analysis of short term bonds and other fixed income securities held for trading

	2001	
CZK 000	Book Value	Market Value
Issued by financial institutions		
– Listed on a recognised Czech Republic exchange	2,150,945	2,209,057
– Listed elsewhere	–	–
– Unlisted	–	–
	2,150,945	2,209,057
Issued by non financial institutions		
– Listed on a recognised Czech Republic exchange	605,267	625,483
– Listed elsewhere	–	–
– Unlisted	–	–
	605,267	625,483
Issued by government sector		
– Listed on a recognised Czech Republic exchange	1,125,912	1,139,499
– Listed elsewhere	–	–
– Unlisted	–	–
	1,125,912	1,139,499
Issued by insurance institutions		
– Listed on a recognised Czech Republic exchange	20,286	20,286
– Listed elsewhere	–	–
– Unlisted	–	–
	20,286	20,286
Total	3,902,410	3,994,325

(e) Analysis of bonds and other fixed income securities available for sale

	2001	
CZK 000	Book value	Market value
Issued by non financial institutions		
– Listed on a recognised Czech Republic exchange	–	–
– Listed elsewhere	631,537	648,784
– Unlisted	–	–
	631,537	648,784
Issued by government sector		
– Listed on a recognised Czech Republic exchange	53,765	56,961
– Listed elsewhere	–	–
– Unlisted	–	–
	53,765	56,961
Total	685,302	705,745

(f) Analysis of long term bonds and other fixed income securities held to maturity

	2001	
CZK 000	Book value	Market value
Issued by financial institutions		
– Listed on a recognised Czech Republic exchange	659,500	715,903
– Listed elsewhere	–	–
– Unlisted	–	–
	659,500	715,903
Issued by non financial institutions		
– Listed on a recognised Czech Republic exchange	–	–
– Listed elsewhere	–	–
– Unlisted	1,350,572	–
	1,350,572	–
Issued by government sector		
– Listed on a recognised Czech Republic exchange	3,130,897	3,292,529
– Listed elsewhere	–	–
– Unlisted	–	–
	3,130,897	3,292,529
Total	5,140,969	4,008,432

The proportion of fixed income debt securities held to maturity with residual maturity up to 1 year to the total balance of fixed income debt securities is 4.10 %.

12. SHARES AND OTHER VARIABLE INCOME SECURITIES

(a) Classification of shares and other variable income securities into individual portfolio based on the Bank's intention

	2001
CZK 000	
Shares and other variable income securities for trading	–
Shares and other variable income securities available for sale	3,300
Shares and other variable income securities assigned for trading in total	3,300
Net book value of shares and other variable income securities	3,300

(b) Analysis of shares and other variable income securities available for sale

	2001	
CZK 000	Book value	Market value
Issued by non financial institutions		
– Unlisted	3,300	–
	3,300	–
Total	3,300	–

For the year 2001, the Bank portfolio of shares and other variable income securities has been cancelled by the amendment of the accounting procedures for Banks and securities have been transferred into the available for sale portfolio.

13. NON-CONSOLIDATED PARTICIPATION INTERESTS

Analysis of non-consolidated participation interests:

CZK 000		Amount	% share on RC	Profit/(loss)
Name	Registered address	2001	2001	for year 2001
BAPS s.r.o.	Praha 1, Revoluční 15	39,000	100.00	(932)
Less:				
Adjustments		(23,293)		
Net participation interest		15,707		(932)

In the opinion of the management of the parent company, the consolidation of BAPS s.r.o.'s financial statements will not have a material impact on the consolidated financial statements, therefore the management of the parent company decided not to include the company into the consolidated group.

14. INTANGIBLE FIXED ASSETS

Movements in intangible fixed assets

CZK 000	Software	Software acquisition	Other	Total
Cost				
At 1 January 2001	1,032,674	30,099	3,339	1,066,112
Additions	105,502	42,778	939	149,219
Transfers	28,558	(28,558)	–	–
Disposals	(192,866)	(405)	–	(193,271)
At 31 December 2001	973,868	43,914	4,278	1,022,060
Amortization and adjustments				
At 1 January 2001	741,180	–	1,188	742,368
Charge for the year	180,059	–	1,123	181,182
Disposals	(192,656)	–	–	(192,656)
At 31 December 2001	728,583	–	2,311	730,894
Net book value				
At 31 December 2001	245,285	43,914	1,967	291,166
At 1 January 2001	291,494	30,099	2,151	323,744

15. TANGIBLE FIXED ASSETS

(a) Movements in tangible fixed assets

CZK 000	Land and buildings	Furniture and fittings	Equipment	Fixed assets not used	Fixed assets not yet in use	Total
Cost						
At 1 January 2001	1,043,784	1,032,969	323,413	4,606	7,810	2,412,582
Additions	4,149	72,337	4,120	–	116,312	196,918
Transfers	2,520	97,751	–	–	(100,271)	–
Disposals	(80,993)	(21,161)	(564)	(128)	(5,193)	(108,039)
Other changes	(363)	–	–	–	(3,207)	(3,570)
At 31 December 2001	969,097	1,181,896	326,969	4,478	15,451	2,497,891
Depreciation and adjustment						
At 1 January 2001	533,061	725,941	201,728	3,798	–	1,464,528
Charge for the year	97,500	223,565	18,054	70	–	339,189
Disposals	(72,097)	(18,124)	(489)	(128)	–	(90,838)
Adjustments	51,484	–	–	–	–	51,484
Transfers	–	(68)	–	68	–	–
At 31 December 2001	609,948	931,314	219,293	3,808	–	1,764,363
Net book value						
At 31 December 2001	359,149	250,582	107,676	670	15,451	733,528
At 1 January 2001	510,723	307,028	121,685	808	7,810	948,054

Total depreciation expense of CZK 521,830 thousand includes charges of CZK 1,459 thousand for low value items.

(b) Tangible fixed assets held under finance leases

At the beginning of 2001, the Bank was using assets totaling CZK 242 thousand which are subject to a leasing agreement in which the Bank acts as lessee.

The Bank is committed to payments under finance leases for fixed assets as follows:

	Paid during 2001	Due within 1 year	Due in following years	Total lease payments remaining
CZK 000				
Office equipment	39	39	77	116
Total	39	39	77	116

16. OTHER ASSETS

CZK 000	2001
Other debtors	56,066
Collections accepted from customers	10,654
Fair value of derivatives (positive)	2,427,181
Deferred tax asset	95,079
Estimated receivable (expected claim for state subsidy)	696,684
Other	281,538
Total other assets	3,567,202
less:	
Adjustments	(6,486)
Total	3,560,716

The expected claim by the subsidiary for a state subsidy from the Ministry of Finance for the year 2001 was calculated based on the volume of the client's deposits with an enforced claim for state subsidy and it is limited to CZK 4,500 per individual. The estimated receivable was calculated and is included in the accounting evidence and it is presented in the balance sheet as "Other assets" and "Other liabilities" as at 31 December 2001.

17. DUE TO BANKS**Analysis of due to Banks by residual maturity**

CZK 000	2001
Repayable on demand	1,090,619
Up to 3 months	36,596,697
From 3 months to 1 year	2,889,391
From 1 year to 2 years	357,229
From 2 years to 4 years	1,378,976
From 4 to 5 years	250,000
Over 5 years	751,491
Total	43,314,403

The due to Banks balance includes CZK 23,468,250 thousand which represents payables from securities transferred under resale commitments.

18. DUE TO CUSTOMERS

Analysis of due to customers by sector and residual maturity

CZK 000	On demand	Up to 3 months	From 3 M to 1 year	From 1 to 2 years	From 2 to 4 years	From 4 to 5 years	Over 5 years	Total
At 31 December 2001								
Financial institutions	193,262	2,331,588	100	–	–	–	–	2,524,950
Non financial institutions	16,066,436	5,623,187	139,533	24,698	10,516	2,694	–	21,867,064
Insurance institutions	275,492	3,252,772	245,000	30,000	17,591	18,504	8,005	3,847,364
Government sector	1,323,302	4,097,914	1,571	233	6,733	1,462	–	5,431,215
Non profit organizations	322,803	326,200	26,886	–	–	903	–	676,792
Self employed	2,295,001	2,529,251	21,400	11,110	–	–	–	4,856,762
Resident individuals	2,677,521	19,037,413	1,647,344	1,156,017	3,223,253	1,330,708	2,457	29,074,713
Non resident individuals	1,380,016	1,601,283	194,928	2,732	5,517	169	–	3,184,645
Organizations without ICO	40,158	2,441	–	–	–	–	–	42,599
Total	24,573,991	38,802,049	2,276,762	1,224,790	3,263,610	1,354,440	10,462	71,506,104

The due to customers balance includes CZK 448,200 thousand which represents payables from securities transferred under resale commitments.

19. CERTIFICATES OF DEPOSITS AND SIMILAR DEBENTURES

(a) Analysis of depository notes by sector and residual maturity

CZK 000	On demand	Up to 3 months	From 3M to 1 year	From 1 to 2 years	From 2 to 4 years	From 4 to 5 years	Over 5 years	Total
At 31 December 2001								
Resident individuals	–	16,534,282	850,244	1,736	5,951	15,298	–	17,407,511
Total	–	16,534,282	850,244	1,736	5,951	15,298	–	17,407,511

(b) Analysis of debt securities issued

Issue date	Maturity date	Currency	Amount CZK 000	Amount due within 1 year
16/06/1997	16/06/2002	CZK	50,000	50,000
15/10/1997	15/10/2002	CZK	400,000	400,000
10/12/1997	10/12/2002	CZK	277,000	277,000
01/04/1998	01/04/2003	CZK	400,000	–
17/06/1998	17/06/2003	CZK	300,000	–
10/06/1999	10/06/2004	CZK	2,400,000	–
Total			3,827,000	727,000
Accrued interest expense			178,037	
Total			4,005,037	727,000

20. SUBORDINATED LIABILITIES

CZK 000	2001
Subordinated debt, Bank Austria AG, Vienna	748,332
Subordinated debt, Bayerische Hypo- und Vereinsbank AG, Munich	392,427
Total	1,140,759

The above subordinated debt amounts are subject to the following terms and conditions:

A new contract regarding the subordinated debt from Bank Austria Creditanstalt International AG, Vienna was concluded on 1 April 2000 to replace the original contract. Bank Austria Creditanstalt International AG, Vienna was merged with Bank Austria AG, Vienna in November 2000. The subordinated loan was issued in the notional amount of EUR 23,400 thousand at market rates of interest and matures in March 2010.

The amount of CZK 392,427 thousand represents the subordinated loan granted by Bayerische Hypo- und Vereinsbank AG, Munich totaling EUR 12,271 thousand for 6 month EURIBOR+0.25%. The loan matures on 31 December 2005.

Both loans fulfill the CNB requirements for subordinated liability.

21. OTHER LIABILITIES

CZK	2001
Other short term payables to customers	2,729,225
Estimated payables	882,467
Other creditors	103,765
Fair value of derivatives (negative)	3,067,741
Taxes payable	148,083
Other payables to customers (expected claim for state subsidy)	696,684
Other	85,534
Total	7,713,499

22. REGISTERED CAPITAL

The registered capital of the Bank was CZK 5,047,000 thousand as at 31 December 2001. The registered capital of the former Bank Austria Creditanstalt Czech Republic, a.s. of CZK 1,996,920 thousand was transferred into share premium of the Bank. During 2001, the shares were transferred from Bayerische Hypo- und Vereinsbank AG, Munich a IntesaBci SpA to Bank Austria Aktiengesellschaft.

The shareholders of the Bank at 31 December 2001 are:

Name	Seat	Notional amount of shares (CZK 000)	Share of ownership %
Bank Austria AG, Vienna	Austria	5,021,825	99.5
Simest-Società Italiana per le Imprese Miste all'estero S.p.A.	Italy	25,175	0.5
Total		5,047,000	100.00

On 7 January 2002, 0.5% of the Bank's share capital was transferred from Simest-Società Italiana per le Imprese Miste all'estero S.p.A. to Bank Austria AG, Vienna and Bank Austria AG, Vienna became the owner of 100% of the Bank's share capital.

23. RESERVES AND ADJUSTMENTS FOR POSSIBLE CREDIT LOSSES

(a) Reserves for possible credit losses

CZK 000	
Tax deductible reserves for credit losses	
Balance at 1 January 2001	1,717,388
Transfer into legal adjustments	–
Creation during the year	–
Standard loans and advances (1%)	–
Guarantees (2%)	–
Use during current year	(277,779)
Write off of loans and advances	(276,640)
Cover of losses on loans and advances sold at a discount	(1,139)
Release of reserves no longer considered necessary	–
Balance of tax deductible reserves at 31 December 2001	1,439,609
Total reserves for credit losses	1,439,609

(b) Adjustments for possible credit losses

CZK 000	
Tax deductible adjustments for credit losses	
Balance at 1 January 2001	1,188,334
Creation during current year	286,944
Special mention loans and advances	42,587
Substandard loans and advances	22,469
Doubtful loans and advances	75,679
Loss loans and advances	131,452
Receivables from debtors in bankruptcy proceedings	14,757
Use during current year	(75,214)
Write off of loans and advances	(35,652)
Cover of losses on loans and advances sold at a discount	(39,562)
Release of adjustments no longer considered necessary	(108,295)
FX differences	(42,795)
Balance of tax deductible adjustments at 31 December 2001	1,248,974
Non tax deductible adjustments for credit losses	
Balance at 1 January 2001	173,133
Creation during current year	223,526
Use during current year	–
Write off of loans and advances	–
Cover of losses on loans and advances sold at a discount	–
Release of adjustments no longer considered necessary	(170,377)
FX differences	–
Balance of non tax deductible adjustments at 31 December 2001	226,282
Total adjustments for credit losses	1,475,256

24. RETAINED EARNINGS, RESERVE FUNDS AND OTHER FUNDS ALLOCATED FROM PROFIT

The Bank has allocated the 2000 profit, proposes to allocate the 2001 profit and used reserve funds as follows:

CZK 000	Profit	Retained profits	Statutory reserve fund	Capital funds and other funds from profit
Balance at 1 January 2001	–	26,690	429,809	1,362,213
Profit for the year 2000	1,548,499			
Allocation of 2000 profit approved by The Supervisory Board:				
Transfer to reserves	(478,006)	–	76,874	401,132
Dividends	(985,000)			
Tantiems	(1,260)			
Transfer to retained profit	(81,533)	81,533		
Withholding tax paid from intra-group dividends	(2,700)			
Change in the fair value of hedging derivatives				(221,755)
Other creation of funds	–	–	–	1,433
Use of funds	–	–	–	(2,538)
Balance at 31 December 2001 before allocation of 2001 profit	–	108,223	506,683	1,540,485
Profit for the year 2001	1,162,048			
Proposed allocation of 2001 profit:				
Transfer to reserves	(60,438)	–	56,438	4,000
Transfer to retained profit	(1,101,610)	1,101,610		
		1,209,833	563,121	1,544,485

Due to the change in the accounting procedures for Banks effective 1 January 2000, derivatives classified in the banking portfolio (since 1.1.2001 hedging derivatives) are recognized at their fair values. The changes in the fair values are recorded to a specific account, which is part of the Bank's equity.

25. DEFERRED TAX ASSET/LIABILITY

Deferred income taxes are calculated on all temporary differences using a principal tax rate of 31%. Deferred income tax asset is attributable to the following items:

CZK 000	2001
Deferred tax assets	
Credit provisions and reserves	69,412
Tax loss carried forward	4,094
Differences in net book value of fixed assets	3,105
Reserves for litigations	9,665
Social and health insurance for bonuses	8,803
Deferred tax asset	95,079

Bank management believes that it is highly probable that the Bank will fully realise its deferred tax asset as at 31 December 2001 based upon the Bank's current and expected future level of taxable profits.

26. OFF BALANCE SHEET ITEMS

(a) Irrevocable contingent liabilities arising from acceptances and endorsements, other written contingent liabilities and assets pledged as collateral

CZK 000	2001
Banks	
Letters of credit and financial guarantees	188,315
Other contingent liabilities	558,598
Granted guarantees	3,372
	750,285
Clients	
Letters of credit and financial guarantees	5,559,279
Other contingent liabilities	21,091,121
Granted guarantees	66,257
	26,716,657
Total	27,466,942

(b) Off-balance sheet financial instruments

31 December 2001		
CZK 000	Contractual amounts	Fair value
Hedging instruments		
Interest rate swap contracts	6,725,402	(234,002)
Trading instruments		
Forward rate agreements – purchase	118,700,000	(334,961)
Forward rate agreements – sale	118,700,000	317,460
Interest rate swap contracts	48,888,140	(235,370)
Forward foreign exchange purchase contracts	48,042,127	928,966
Forward foreign exchange sale contracts	47,893,151	(1,083,114)
Forward transactions with securities	54,437	(12)
Cross currency swap contracts	392,565	473

Fair values of hedging instruments are recorded directly in ‘Capital funds and other funds from profit’ (note 24).

Details of hedging instruments

The Bank used interest rate swaps as hedging instruments during year 2001 to hedge the interest rate risk resulting from granted loans and purchased bonds classified as available for sale (the Bank pays fixed interest rate and receives a floating interest rate in these cases) and to hedge the interest rate risk resulting from received loans and deposits (the Bank pays a floating interest rate and receives a fixed interest rate in these cases).

Methods of managing financial risks

The Bank has implemented its own limit system to reduce potential losses induced by unfavorable developments in the financial markets. The system includes managing basic market risks (i.e. interest rate and foreign exchange risks other than share price fluctuation risk as the Bank does not trade on its own account with share instruments) and liquidity risk. The Value-at-Risk method (“VAR”), together with a system of sub-limits (e.g. BPV limit in the case of interest rate risk, limits on maximum open foreign exchange position in the case of foreign exchange risk) is used as a basis for market risk management. These limits are further split into particular business centers. For liquidity risk management, limits are established for cash flows for particular time periods. An independent department is responsible for measuring market risk and monitoring adherence to limits.

(c) Taxation

Czech tax legislation has changed significantly in recent years. Many parts of the legislation remain untested and there is uncertainty about the interpretation that the financial authorities may apply in a number of areas. The effect of this uncertainty cannot be quantified and will only be resolved as legislative precedents are set or when the official interpretations of the authorities are available.

27. ASSETS UNDER ADMINISTRATION

CZK 000	2001
Bonds	6,644,001
Shares	12,743,010
Open-end funds	4,259,101
Total	23,646,112

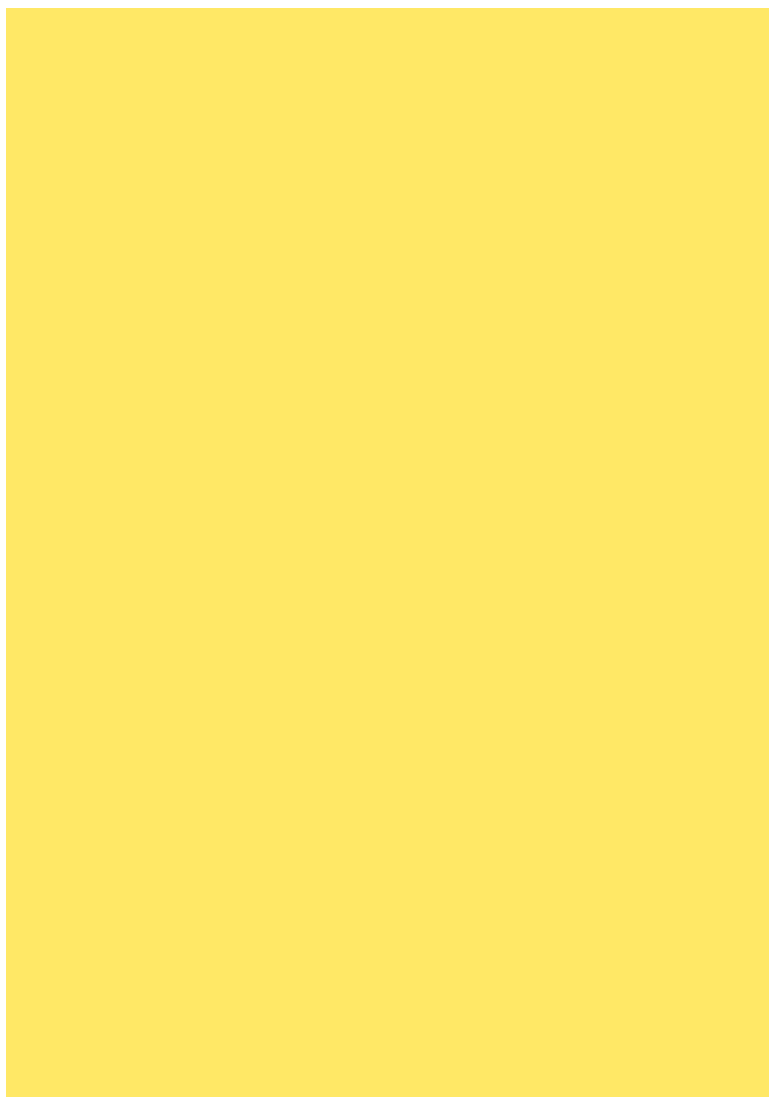
28. FOREIGN CURRENCY POSITIONS

CZK 000	2001
Assets and liabilities in foreign currencies	
Assets	
Denominated in Czech Crowns	122,009,798
Denominated in foreign currencies	35,981,513
	157,991,311
Liabilities	
Denominated in Czech Crowns	127,164,981
Denominated in foreign currencies	30,826,330
	157,991,311
Foreign currency positions	
Foreign currency assets	
Balance sheet	35,981,513
Off balance sheet	42,177,834
	78,159,347
Foreign currency liabilities	
Balance sheet	30,826,330
Off balance sheet	56,768,517
	87,594,847

29. LOANS RECEIVED AND SECURED BY THE ASSETS OF SUBJECTS INCLUDED INTO CONSOLIDATION

The consolidation group has not received any loans secured by the assets of subjects included in these consolidated financial statements as at 31 December 2001.

**AUDITOR'S REPORT ON THE
CONSOLIDATED ANNUAL REPORT**



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Auditor's report to the shareholders of HVB Bank Czech Republic a.s.

On the basis of our audit, on 25 April 2002 we issued an auditor's report on the Bank's consolidated statutory financial statements, which are included in this annual report, and our report was as follows:

“We have audited the accompanying consolidated financial statements of HVB Bank Czech Republic a.s. for the year ended 31 December 2001. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the assets, liabilities, equity and financial position of HVB Bank Czech Republic a.s. as of 31 December 2001 and the results of its operations for the year then ended in accordance with the Act on Accounting and relevant legislation of the Czech Republic.”

We have reviewed also other financial information in this part of the annual report for consistency with the audited consolidated financial statements. In our opinion, the information is consistent in all material aspects with the audited consolidated financial statements.

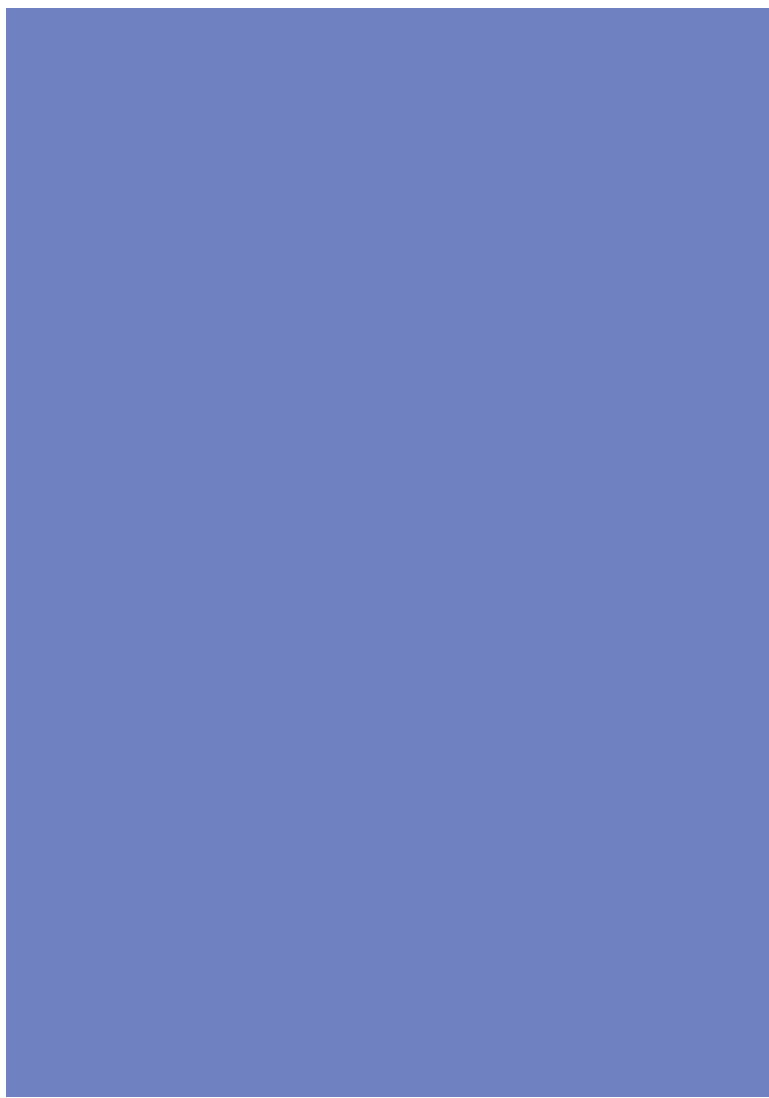
Prague
6 May 2002

KPMG Česká republika Audit
KPMG Česká republika Audit, spol. s r.o.
Licence number 71

Pavel Závilkovský
Pavel Závilkovský
Licence number 69



**DATA FROM THE FINANCIAL
STATEMENTS OF THE ENTITIES NOT
SUBSUMED UNDER THE
CONSOLIDATION**



Data from the financial statements of the entities not subsumed under the consolidation

BAPS S.R.O.

Key financial characteristics of the company (CZK thou.):

	December 31, 2001
Registered capital	37,142
Equity	15,707
Total assets	83,466
Net profit/loss	(932)

As of December 31, 2001, HVB Bank Czech Republic a.s. and its consolidation unit had a 100% share in the registered capital of this company. The company BAPS s.r.o. operates as a real estate agency.

CBCB – CZECH BANKING CREDIT BUREAU, A.S.

Key financial characteristics of the company (CZK thou.):

	December 31, 2001
Registered capital	1,200
Equity	1,191
Total assets	1,200
Net profit/loss	(9)

As of December 31, 2001, HVB Bank Czech Republic a.s. and its consolidation unit had a 25% share in the registered capital of this company. In 2001 the company did not perform any activity.

