



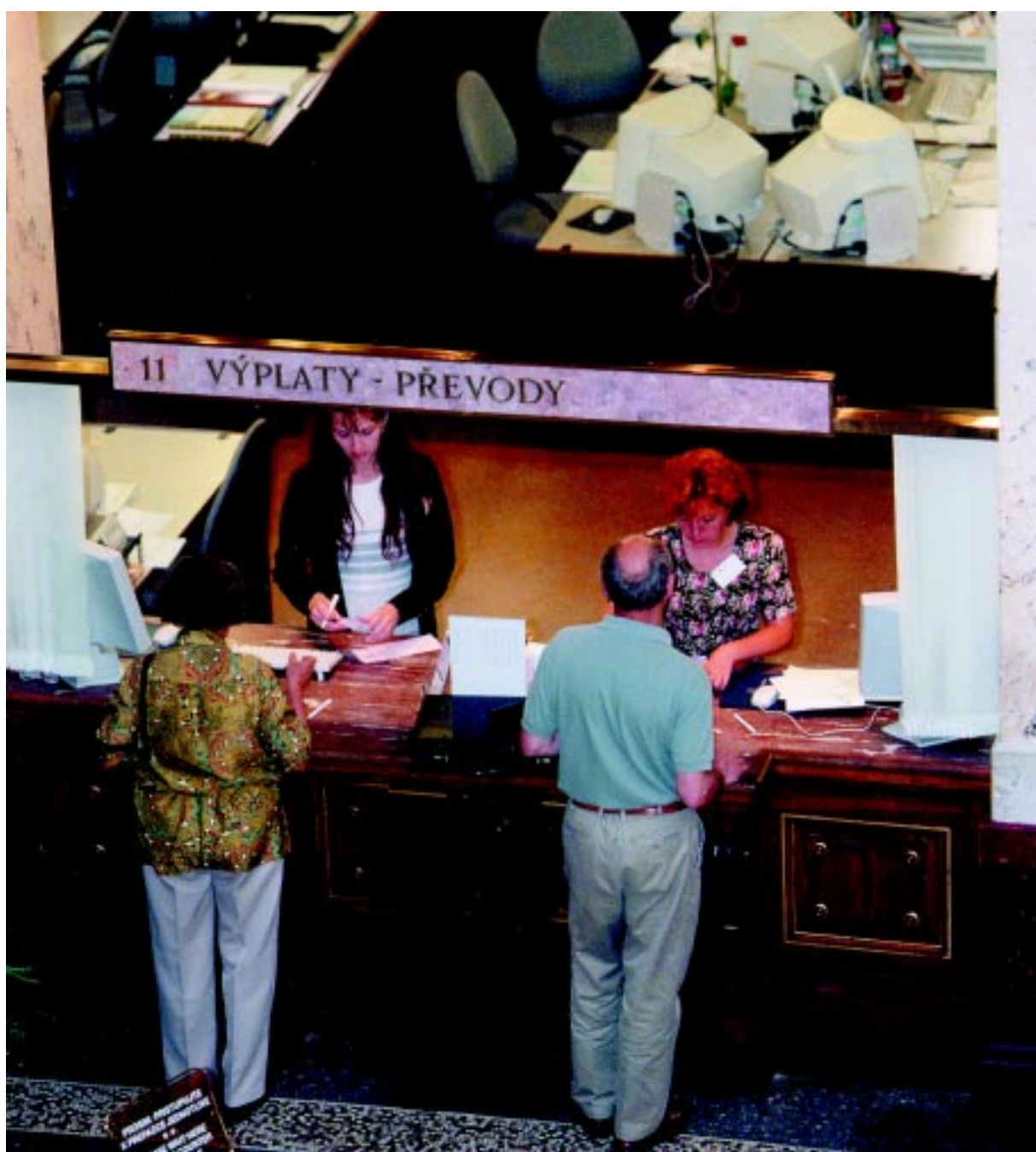
ŽIVNOSTENSKÁ BANKA



ANNUAL REPORT

2000





The Supervisory Board

Mr Thomas Kurze

Chairman (since 22 June 2000)

Mr Vlastimil Uzel

Vice-Chairman (until 22 June 2000)

Mr Dirk Hoffmann

Vice-Chairman (since 22 June 2000)

Ms Ivana Burešová

(since 26 June 2000)

Mr Vladimír Burian

(since 26 June 2000)

Mr Heinz D. Gottschalk

(since 22 June 2000)

Ms Eliška Hlavsová

(until 22 June 2000)

Mr Vikas Thapar

(since 22 June 2000)

The Board of Directors

Mr Jiří Kunert

Chairman

Mr Josef Pitra

Vice-Chairman

Mr Aleš Barabas

Mr Thomas Bürkle

Mr Tomáš Zralý





SUPERVISORY BOARD REPORT

In April 2000, Bankgesellschaft Berlin AG (BGB) increased its stake in Živnostenská banka from 49.87 % to 50.64 %. BGB took this step as part of its long-term strategic plan to reinforce its position in the oldest Czech bank and to expand the scope of its operations in Central and Eastern Europe as the region prepares for EU membership. In accordance with Czech legislation, BGB then proceeded to make the compulsory buyout of shares from minority shareholders, which gave it a share of 85.16% in the registered capital of Živnostenská banka.

Several changes were made to the lineup of the Živnostenská banka Supervisory Board in 2000. Eliška Hlavsová and long-term Deputy Chairman Vlastimil Uzel stepped down from the Supervisory Board. The General Meeting of Shareholders, held in June 2000, elected three BGB representatives, Thomas Kurze, Heinz Gottschalk, and Dirk Hoffmann, as well as Vikas Thapar from International Finance Corporation, for another four-year term. Živnostenská banka staff elected Ivana Burešová and Vladimír Burian to represent them in place of the departing members of the Supervisory Board.

The Živnostenská banka Supervisory Board carried out its duties in accordance with the legal regulations of the Czech Republic and the Bank's Articles of Association. At its regular meetings, attended by the Bank's Board of Directors, it supervised the implementation of Živnostenská banka's new offensive strategy as an integral part of the BGB group, and the Bank's financial performance, which entailed an in-depth inspection of costs. It was pleased to note that, despite the difficult conditions and increasingly keen competition on the Czech market, in the last year of the millennium Živnostenská banka managed to achieve a sound result.

4 The Supervisory Board declares that it obtained all the information it required from the Board of Directors of Živnostenská banka to fulfil its tasks with respect to decision-making and supervisory activity regularly and in good time, and that it found no grave shortcomings in the Bank's financial management.

The Supervisory Board discussed the results of the Bank's operations in 2000 as set out in the financial statements audited in accordance with Czech and International Accounting Standards. After reviewing the closing accounts, it agreed with the auditor's conclusion that the financial statements clearly evidence the Bank's financial situation as at 31 December 2000 and its results for the year 2000 accounting period.

The Supervisory Board declares that Živnostenská banka was duly managed by its Board of Directors in 2000.

March 2001

Thomas Kurze
Chairman of the Supervisory Board



CHAIRMAN'S FOREWORD TO THE DIRECTORS' REPORT

Živnostenská banka, a.s. managed to turn the loss of 1999 into a profit in 2000. This turnaround was boosted by a cost-cutting programme and the strategy of investment into private and personal banking, which started bearing fruit. The ensuing earnings of CZK 244 million are a sound result for the bank, which is investing considerable sums of money into building up a modern and effective distribution network and into taking on clients.

At the end of 2000, Živnostenská banka was operating 8 branches and 15 agencies, with another three agencies prepared to open their doors to business at the beginning of 2001.

The bank entered the mortgage market.

I am pleased to note that in 2000 Živnostenská banka retained its high reputation among Czech banks. The prestigious rating agency Moody's Investors Service gave Živnostenská banka's financial strength a rating of D+, which is the highest rating achieved by a Czech bank.

The joint secretariat of the International Monetary Fund (IMF) and the World Bank (WB) chose Živnostenská banka to provide it with comprehensive banking services during the IMF and WB annual meetings in Prague in September 2000. The Bank acquitted itself very well.

An undeniably significant feature of 2000 was the fact that Bankgesellschaft Berlin AG increased its stake in the registered capital of Živnostenská banka to 85.16%.

March 2001

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

Jiří Kunert
Chairman of the Board of Directors

DIRECTORS' REPORT



6 In 2000, the **economic environment** impacted positively on the banking sector in the Czech Republic for the first time after three years of economic recession. The economic revival was underscored by the 2.9% growth in gross domestic product (GDP); this was better than market expectations and put an end to the three-year recession from the end of the 1990s. During the year, the sources of the rise in the Czech economy gradually shifted from external demand to domestic demand, especially investments. The immense influx of foreign direct investments was reflected in a strong rise in gross fixed capital formation and inventories, which became the driving force behind economic growth in the latter half of the year. Practically the whole increase in capital expenditure focused on plant and equipment, pushed up by the overwhelming majority of non-financial companies. Household consumption only rose moderately in the past year, with spending on catering and telecommunications rising most. In contrast, a substantial drop was registered in vehicle and fuel spending, which was connected to the sharp rise in oil prices on the world markets. The deterioration in the balance of trade had a negative impact on economic growth. Rising imports of machinery, equipment, and technology for foreign investments in the Czech Republic were only partly compensated by the positive balance of services.

The year 2000 intimated that the revival in the Czech economy is built on sound foundations offering hope for further acceleration in 2001. Further deterioration in the deficit of the balance of trade and fiscal instability caused by the growing deficit in public finances will remain risks in the future.

On 8 November 2000, the European Commission published its regular report on the Czech Republic's progress towards European Union accession. It stated that the Czech Republic could be regarded as a functioning market economy. Macroeconomic stability had increased, growth had resumed, while the favour-

able performance on inflation and external balance had been maintained. Efforts had been made to increase the transparency of the public accounts. However, measures need to be taken in order to ensure fiscal sustainability in the medium term. The European Commission also mentioned that progress had been made on further restructuring and privatisation of banks. The strengthening of proper supervision in the financial sector is crucial in order to reinforce macro-economic policies and to foster economic activity. Further improvement of the legal framework, the implementation of the prudential regulations for the financial sector and the continued development of this sector are essential.

The European Commission was appreciative of the fact that the Czech Republic had progressed in restructuring the **banking sector**. However, bad loans still account for 26% of GDP and therefore are a serious matter of concern.

The year 2000 was the third year of Živnostenská banka's **five-year strategy** aimed at developing private and personal banking. The Bank opened another ten agencies, began offering new products, such as mortgage facilities, and innovated many services in order to meet client demands more fully (e.g. the DuoBonus preferential account programme). In the face of increasingly keen competition, Živnostenská banka managed to achieve good **results**. It followed up on its activities from 1999 focusing on increased distribution power (setting up a network of agencies, developing the NetBanka Internet banking service, the establishment of a call centre) and cutting costs (closing the Bank's branch in London).

Živnostenská banka's total assets went up 54.2 % from CZK 37.9 billion at 31 December 1999 to CZK 58.4 billion at 31 December 2000. *(The figures in this chapter have been calculated according to International Accounting Standards.)* However, it should be pointed out that roughly CZK 11 billion is a short-term credit framework for a top-rated foreign client with cash collateral to the same amount. The individual asset and liability items provides a crisper picture of the rise in the bank's trading activities. Client loans went up 60.4 % during 2000, from CZK 10.1 billion to CZK 16.2 billion. Deposits at banks rose 33.7 % from CZK 16.9 billion to CZK 22.6 billion. On the liabilities side, client deposits went up 25.6 % from CZK 26.6 billion to CZK 33.4 billion. The rise in deposits from banks, from CZK 7.2 billion to CZK 19.6 billion, was affected by the above-mentioned transaction, under which we received a bank deposit of approximately CZK 11 billion as collateral.

Živnostenská banka posted consolidated earnings in 2000 of CZK 243.8 million. Net interest income rose 5.6% from CZK 781.6 million to CZK 825 million. Net fees and commissions increased 4.6 % from CZK 241.6 million to CZK 252.7 million. The profit from foreign exchange transactions went up 37.0 % from CZK 207 million to CZK 283.5 million. The „other revenues from operating activities“ item was affected by the dissolution of accumulated depreciation from unpaid loans. The Bank's total costs registered growth of 1%; personnel costs were down 8.7 %, depreciation fell 4.7 %, and other operating costs rose 12.8 %. The items carrying the greatest impact on the increase in these costs were connected with the expansion in private and personal banking. The rise in client deposits was reflected in a corresponding surge in deposit insurance (from CZK 44.4 million to CZK 71.5 million), marketing costs (from CZK 69.2 million to CZK 98.8 million), and communication costs (from CZK 25.9 million to CZK 33.1 million).

As part of its expansion in services to individuals (i.e. **private and personal banking**), in 2000 Živnostenská banka opened new agencies in Prague, Prostějov, Olomouc, Plzeň, Mladá Boleslav, Teplice, Kroměříž, Písek, and Opava. This expansion was not just limited to high-street business outlets and traditional counters. Substantial investments into the development of direct banking ushered in new services allowing clients to communicate with the bank 24 hours a day regardless of where they are. Živnostenská Banka introduced NetBanka, its Internet banking system, at the beginning of April 2000. The launch came as a successful presentation at Prague Internet World 2000, where the system won the appreciation of the professional public, and the first clients registered before the exhibition at the Trade Fair Palace in Prague was over.

In October, the Bank expanded its TeleBanka phonebanking services considerably, adding a full-value call centre to the established automatic voice service and round-the-clock information line. The Bank launched a unique concept of phone and Internet banking integrated services, allowing clients to use the same access passwords for both systems. These services are supported by the electronic banking Helpdesk and card service Hot-line.

As a result of the ongoing expansion, Živnostenská banka clients had the freedom to use twenty self-service zones at the end of 2000. The Bank managed to keep ahead of the competition in this self-service banking segment, and is still the only institution on the domestic market to accept payment orders and cash deposits at its agencies twenty-four hours a day. During the year, the ratio of electronic transactions (homebanking, Internet, telephone, and self-service terminals) to traditional pen-and-paper orders came to 70:30, and the number of electronic payment orders overstepped the 1.5 million mark.

The range of products and services for personal clients was expanded to embrace DuoBonus, which combines advantageous interest on current account balances with lower charges for other services.

Along with the increasing volume of **private banking** client assets under the Bank's management, there was higher interest in the use of the investment products offered by the Bank and investment consulting provided by the specialized private banking staff. The fast-rising volume of foreign securities bought by private banking clients and managed by the bank, investments in the scope of collective investment programmes, the increased volume of trade conducted by private clients on the money markets, and their investments into investment portfolios run by experienced investment managers confirmed that this client segment was veering away from traditional deposit banking products.

The expansion of credit products in 2000 to include mortgages also gave private banking clients the opportunity of advantageous funding of their housing requirements and facility management needs. This type of credit met with unprecedented interest, evidenced by the ever rising mortgage applications.

Besides the personal contact clients were able to enjoy with their private financial advisers as a key communication channel for the provision of private banking services, the Bank also registered palpable private-client interest in the use of the very latest forms of communication: direct banking products, including phonebanking and Internet banking, mainly used by private banking clients to manage cash flow on their accounts.

The enhanced exclusivity of private banking services is proven by a new payment instrument from the series of VISA cards: the prestigious international VISA Platinum credit card. What makes this card so



special is not simply the high limits permitted for non-cash payments and cash withdrawals, but also a whole range of exclusive services, including superior travel and accident insurance for credit-card holders and their families, legal protection insurance for drivers, and the opportunity of using a number of the benefits issuing from membership of the Executive Club International and Priority Pass programme. In June 2000, Živnostenská banka became the first bank in the Czech Republic to offer this exclusive credit card to its most solvent private banking clients.

Živnostenská banka again deepened its personal contact with private clients in the form of information seminars to present new products and services, and extended social activities for clients to include a summer social event wrapped up with a golf tournament open to those clients who wanted to try their hand.

At the end of 1999 Živnostenská banka was awarded a licence to issue a special type of bonds - mortgage certificates - and as such became the eighth entity on the Czech market authorized to provide mortgages and secure them with issues of mortgage certificates. The **Mortgage Banking** Department was set up on 1 January 2000 as part of the personal and private banking segment. After rounding off the preparation of the necessary technology and know-how, the Bank entered the market with this product as February gave way to March.

Živnostenská banka opted for a combination of a centralized and decentralized structure in the provision of mortgages to private individuals. Mortgages are offered and applications accepted at all the Bank's sales outlets, branches and agencies alike. The content of applications is then assessed and processed at the Mortgage Banking department at head office.

Živnostenská banka viewed the year 2000 as a trial period for its mortgage programme, a time to 'get things off the ground', but even so the Bank still granted 145 mortgages worth a total CZK 263 million over the first nine months of the launch, accounting for 2.85% of the total year-end volume of mortgages provided to individuals in the Czech Republic in 2000.

The Bank confirmed for itself that its expectations of the prospects in this area were justified. Demand for mortgages is set to rise further and the clients the Bank focuses on will be seeking this product type. In this respect, the Bank is developing its range of mortgage banking services and enhancing its ability to satisfy client requirements to the utmost. Special attention is paid to the quality, fast, and flexible processing of mortgage applications so that the administrative burden on the client is kept to a minimum.

The Bank's subsidiaries ŽB-Trust, investiční společnost, a.s. and ŽB-Asset Management, a.s. made successful progress in 2000 and ended the year in the black.

ŽB-Trust maintained its position as fourth largest investment company in the Czech Republic by volume of the assets it manages in investment and mutual funds, and nudged up its share of the collective investment fund market from 5.8% to 6.8%. This investment company now manages seven funds, of which two are voucher privatization funds, four are open-ended mutual funds, offering differing investment specialization designed for the public at large, and one is a special open-ended fund where the investors are foundations and endowment funds.

The total value of assets in ŽB-Trust funds stood at CZK 6.27 billion at 31 December 2000, which was a rise of 8% over the year. Given the poor performance of share prices on the world markets, including the market in the Czech Republic, the chief reason for the rise in managed assets in the latter half of the year was an influx of new cash from investors into open-ended funds. Net sales of share certificates came to CZK 447.2 million. In the year-on-year comparison, assets in these funds increased CZK 501 million to CZK 2.24 billion. At the same time there was a slight growth in the average investment into the funds.

The two closed-end funds, Živnobanka - 1. investiční fond, a.s. and Živnobanka - podílový fond, which were established at the time of voucher privatization about ten years ago, prepared for conversion to open-ended funds. In 2000 they continued the tradition of all previous years by paying out interesting dividends, and as such proved unique among this type of fund.

In 2000, ŽB-Trust posted net earnings of CZK 12.4 million.



The year 2000 was the second year of market operations for **ŽB-Asset Management**. The company continued setting up its infrastructure, obtained a securities trading licence, and expanded the scope of investment services it offers. In addition to investment consulting for collective investment funds, the company also offers consulting services for individual portfolio management. At the end of the year, ŽB - Asset Management was managing assets worth over a billion crowns, which was a substantial year-on-year rise.

In 2000, ŽB-Asset Management posted net earnings of CZK 2.3 million.

At the end of the year, Živnostenská banka decided to sell off its 45% stake in the pension fund **Allianz-Živnobanka, penzijní fond, a.s.** However, the Bank continues to offer clients state-subsidized supplementary pension schemes in the scope of this fund throughout its retail network.

Corporate banking in 2000 followed the same path of radical expansion as in 1999. The result was the above-mentioned growth of around 60% in loans granted to the Czech economy's corporate arena. It should be noted that these loans were channelled into highly solvent Czech and foreign companies that traditionally enjoy the keen interest of banks and other financial institutions. This policy allowed Živnostenská banka to maintain the high quality of its credit portfolio: classified loans account for just 3% or so of all loans and credit.

Živnostenská banka was able to draw on its financial resources and creativity and high professional qualities of its corporate banking staff to immerse itself successfully in projects to modernize the production technology of its clients and to develop industrial, commercial, and municipal infrastructures. Lines designed to finance the business activities of our clients, including those who use export insurance and non-regressive discount funding, also played a prominent role in the credit portfolio in 2000.

In an environment of ever keener competition in corporate banking on the Czech market, Živnostenská banka's own corporate banking section has set itself highly ambitious targets for the next few years. If these targets are to be achieved, the Bank will have to make efficient use of the opportunities still available in the unconsolidated Czech economy, as well as the new technology that is emerging - especially the direct channels, which the Bank has been focusing on long term. Based on the experience it wields, the Corporate Banking Section is convinced that it meets all the prerequisites for further sound, dynamic growth that will contribute to the lasting appreciation of the Bank's value.

Last year, Živnostenská banka made its presence felt in areas of special **structured finance**. The construction of commercial properties is progressing with credit support from the Bank: Free Zone Pardubice built a production base; the Hotel Slunce in České Budějovice is being reconstructed to serve as a commercial and office building. Another project worth mentioning is the construction of a shopping centre in Hradec Králové, the investor being the Liberec-based group Syner. But that is not all: the Prague group ECM has renovated and is adding to an administrative complex near Bertramka; a commercial and industrial zone in Liberec is being built, differing from other industrial zones in the Czech Republic by the fact that the Bank's partner is not the town, but a commercial company working in association with the town. The Bank has also sowed seeds in acquisition finance, the essence of which is to support corporate development by involvement in international structures or by selling assets to a group of financiers and businessmen with a background and experience in a given branch of business. In this respect, the Bank made contributions to the purchase of the Hotel Intercontinental and BVV (Brno Fairs and Exhibitions) and the financing of Fezko as it bought up Tonak shares.

In terms of relations with partner **financial institutions**, the main progress in 2000 was seen in the optimization of the network of correspondent banks and the successful development of current and new activities.

There was a dynamic rise in the volume of funds provided to foreign banks in the form of syndicated loans. Its prudent risk distribution ensured Živnostenská banka made interesting returns on this business activity.

The Bank managed to increase its share of the market of services to clients from the ranks of non-banking financial institutions and to reinforce its position as one of the top custodians for domestic investment

companies and investment and pension funds. In the same period, there was a substantial rise in the number of securities management clients and the volume of domestic and foreign securities entrusted to the Bank for management.

Time is money, and this is never more true when dealing on today's fast moving and often highly volatile **financial markets**.

Živnostenská banka Financial Markets Division provides a comprehensive range of treasury services and products to its customers, which include foreign exchange, money markets, securities, bonds, equities and derivatives.

At Živnostenská we pride ourselves in working closely with our clients, and attach considerable importance to building long-term relationships with our customers, assisting them in recognising the risks they face, quantifying those risks and then managing them.

Since the birth of the euro, our foreign exchange activities have continued to grow, as has our reputation in providing a professional service from front to back office. Yet again, our foreign exchange results have made a major contribution to the net income of the bank.



Our money market activities have also shown considerable growth, with the bank firmly focused on achieving its results from trading mainly in shorter end of the market, with paramount importance in both liquidity and quality. Živnostenská retains a high profile in the local crown market, and is regarded as a leading international market maker in Czech crowns. Our money market activities also made a major contribution to the annual net income of the bank.

Global equity business continues to grow, with many of our customers now using the global equity markets to develop diversified portfolios.

Živnostenská banka's Bratislava-based **representative office for Slovak Republic** systematically researched economic and political developments in Slovakia. Following instructions from the head office in Prague, individual branches in the Czech Republic, and the majority shareholder Bankgesellschaft Berlin, it gathered information and documentation on the financial performance and situation of the main companies in Slovakia. It was in contact with Slovak government and parliament officials, as well as with financial institutions headed by the National Bank of Slovakia. The office set up business meetings between the representatives of these institutions and Živnostenská banka and the Bankgesellschaft Berlin Group. Working in association with individual departments at head office and coordinating with BGB Group members, it offered specific products to companies in Slovakia.

The **Information Technology** and Organization Division made thorough preparations for the conversion to the year 2000, so the Bank registered no Y2K problems. The section's achievements in 2000 include the quality IT support for the new on-line authorization card system (Starcard), mortgages, the NetBanka Internet banking system, the establishment of new sub-branches, and the call centre. The Bank's branch support was centralized and its reliability was enhanced. All measures allowing the Bank to cope with potential IT crises were checked.

Živnostenská banka runs a system of lifelong **training** and personal development for employees. In addition to external training programmes, comprehensive development programmes are being prepared for some positions to standardize staff knowledge and skills and to nurture a professional approach to the Bank's clients. The training system at the Bank is designed to be a motivating and stabilizing element that will improve employee quality considerably over the long term.

Živnostenská banka's support for education was a priority of its **charity and sponsorship operations** again in 2000. The Bank made donations to the Junior Achievement Czech Republic foundation for practical economics-based educational programmes at primary and secondary schools; the Prague Foundation for the Support of University Education in Economics so that it could offer grants to students awarded study placements abroad and purchase foreign specialist literature for the library of the Prague School of Economics; the AIESEC, a student non-profit educational organization, to mediate specialist economic placements abroad and to organize educational programmes, seminars, symposia, and conferences; and the Všehrd Association of Czech Lawyers. The Bank also sponsored the specialist periodical *Finance a úvěr* („Finance and Credit“), published by the Faculty of Social Sciences, Charles University, Prague.

In the world of culture, Živnostenská banka was exclusive sponsor (for the eighth time) of the literary Jaroslav Seifert Prize, awarded since 1986 by the Charter 77 Foundation. Last year, this prestigious prize was awarded in the hall of Živnostenská banka's premises at Na Příkopě 20 to Pavel Šrut for his collections of poetry *Zlá milá* („The Evil Dear“) and *Brožované básně* („Paperback Poems“). Another example of Bank sponsorship was the revived production of Bohumil Hrabal's play *Hlučná samota* („Too Loud A Solitude“) at the Bez zábradlí Theatre in Prague.

In 2000, Živnostenská banka again sponsored the Bohemia Foundation, which concentrates on spreading the good reputation of the Czech Republic. The Bank also provided financial assistance to the annual conference of the Institute of International Finance, the global association of financial institutions, held in Prague in September 2000.

Živnostenská banka made donations to two pre-Christmas charity projects: a concert by visually impaired soloists organized by the Czech Blind United in Prague Castle's Spanish Hall, and a performance of Tchaikovsky's *The Nutcracker* at the historic building of the National Theatre in Prague, organized by the

Circle of Friends of the National Theatre Opera for six hundred handicapped children from institutions in and out of Prague and for handicapped children in home care.

In sport, the Bank has traditionally profiled as the eponymous sponsor of the international men's tennis tournament Živnobanka Open 2000, held in Prostějov in June. This ATP tournament now enjoys a firm place in the world tennis schedule and is one of the top Czech sports events.

Živnostenská banka's branches have cultivated good relations with the regions they are in. One example is the branch in Pardubice, which partnered the Jazz Goes to Town festival in Hradec Králové and the Fišerův Bydžov brass band festival, provided aid to the haemato-oncological ward of the Children's Centre at the Hradec Králové Teaching Hospital, and lends year-long assistance to the Pardubice Children's Choir, the East Bohemian Theatre in Pardubice, and Klicpera Theatre in Hradec Králové. Other examples include the branch in České Budějovice, which made a financial donation to the Arpida Children's Centre, a facility for handicapped young children, the branch in Zlín, which helped the 28th Czech - Slovak Congress on Cerebrovascular Accidents, and the branch in Liberec, which supported the Ethical Forum of Secondary School Students at the Euro-Regional Gymnasium in Liberec-Radčice. These are just a handful examples.

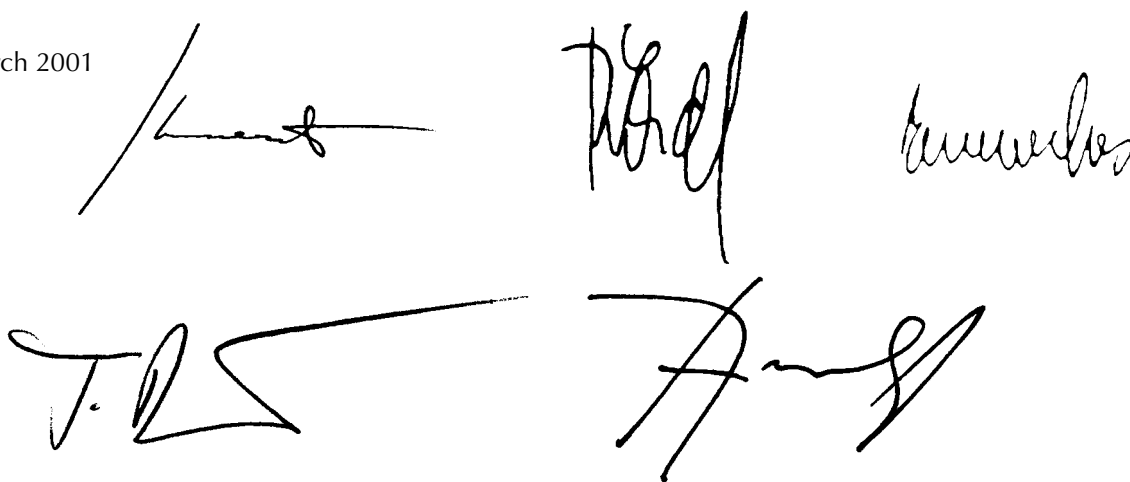
In November 2000, Moody's Investors Service confirmed the following ratings awarded to Živnostenská banka: financial power at D+, long-term deposits at Baa1, and short-term deposits at P-2. Moody's stated that the Živnostenská banka **ratings** reflected the Bank's link with the Bankgesellschaft Berlin Group, its evolving strategy on the still fragile Czech banking market, and the sound quality of its assets.

On 7 April 2000, **Bankgesellschaft Berlin** (BGB) increased its stake in Živnostenská banka from 49.87 % to approximately 51 %. In accordance with Czech legislation, it also made the compulsory two offers to buy out minority shareholders. As a result, on 12 September 2000 BGB held a stake of 85.16 %.

On the occasion of the annual conferences of the Boards of Governors of the International Monetary Fund and World Bank Group in Prague, on 25 September 2000, Bankgesellschaft Berlin and Živnostenská banka held a joint press conference in Živnostenská banka's building at Na Příkopě 20 to present the BGB strategy for Central and Eastern Europe.

The top executives of Bankgesellschaft Berlin said Živnostenská banka was a significant member of the BGB Group and a solid pillar of its strategy of expanding into EU candidate countries. Živnostenská banka has excellent prospects of playing a prominent role in the future of Czech banking. They stressed their determination to exploit this potential to the full.

The Živnostenská banka Board of Directors believes that the year 2000 was a successful stepping-stone for the oldest Czech bank on the way to achieving its ambitious strategic objectives.



Report of independent auditors to the shareholders of Živnostenská banka, a.s.

We have audited the balance sheet of Živnostenská banka, a.s. („the Bank“) as at 31 December 2000, the related income statement and notes, for the year then ended presented in the annual report of the Bank on pages 16 to 49 (the „financial statements“). The financial statements and underlying accounting records are the responsibility of the Bank's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion the accompanying financial statements present fairly, in all material respects, the assets, liabilities and equity of the Bank as at 31 December 2000, and the results of its operations for the year then ended in accordance with the Act on Accounting and other relevant legislation of the Czech Republic.

We have examined whether the supplementary financial information included in the annual report of the Bank on pages 3 to 14 and 91 to 109, which does not form part of the financial statements for the year ended 31 December 2000, is consistent with the audited financial statements of the Bank. In our opinion, this information is consistent with the audited financial statements in all material respects.

21 August 2000



PricewaterhouseCoopers Audit, s.r.o.
represented by



François Mattelaer
partner



Ing. Zdeněk Mojžíšek
Auditor,
Licence No. 1813

Balance Sheet as at 31 December 2000 (according to the Czech Accounting Standards)

CZK'000	2000 Gross amount	2000 Provision	2000 Net amount	1999 Net amount
ASSETS				
1 Cash in hand balances with central banks and post office accounts	1,421,725	0	1,421,725	944,944
2 State treasury bills and other bills eligible for refinancing with the ČNB	11,693,780	0	11,693,780	3,744,592
a) state treasury bills and similar securities issued by the state	541,780	0	541,780	2,364,592
b) other treasury bills	11,152,000	0	11,152,000	1,380,000
3 Receivables from banks	22,646,811	0	22,646,811	16,929,746
a) repayable on demand	190,309	0	190,309	278,373
b) other receivables including subordinated assets	22,456,502	0	22,456,502	16,651,373
	0	0	0	0
4 Receivables from customers	16,888,605	269,963	16,618,642	10,488,621
a) repayable on demand	4,269	0	4,269	2,828
b) other receivables including subordinated assets	16,884,336	269,963	16,614,373	10,485,793
	0	0	0	0
5 Bonds and other fixed income securities held for trading	11,565,248	4,919	11,560,329	325,317
a) issued by banks	1,525,605	97	1,525,508	20,337
including own bonds	0	0	0	0
b) issued by other entities	10,039,643	4,822	10,034,821	304,980
6 Shares and other variable income securities held for trading	29	0	29	882
7 Participation interests with substantial influence	39,271	3,986	35,285	103,721
a) in banks	0	0	0	0
b) in other entities	39,271	3,986	35,285	103,721
8 Participation interests with controlling influence	16,477	0	16,477	15,862
a) in banks	0	0	0	0
b) in other entities	16,477	0	16,477	15,862
9 Other financial investments	3,498,826	171,029	3,327,797	4,465,670
10 Intangible fixed assets	510,616	386,905	123,711	132,222
a) establishment costs	0	0	0	0
b) goodwill	0	0	0	0
11 Tangible fixed assets	2,636,328	914,163	1,722,165	1,734,907
a) land and build for purp of banking activities	1,576,856	290,882	1,285,974	1,306,391
b) other	1,059,472	623,281	436,191	428,516
12 Own shares	0	0	0	0
13 Other assets	343,293	0	343,293	240,188
14 Shareholder receivables from capital subscribed but not paid	0	0	0	0
15 Prepayments and accrued income	353,575	0	353,575	340,311
Total assets	71,614,584	1,750,965	69,863,619	39,466,983

Statutory representative:

Date: 31 January 2001

Responsible person
for financial statements:

Date: 31 January 2001

Responsible person
for accounting:

Date: 31 January 2001

CZK'000

2000

1999

LIABILITIES

1	Due to banks	30,776,319	8,527,153
	a) repayable on demand	75,275	35,385
	b) other payables	30,701,044	8,491,768
2	Due to customers	33,401,683	26,637,220
	a) saving accounts	0	0
	including repayable on demand	0	0
	b) due to customers, other	33,401,683	26,637,220
	including repayable on demand	8,925,693	7,588,890
3	Certificates of deposit and similar debentures	0	0
	a) certificates of deposits	0	0
	b) other	0	0
4	Deferred income and accrued expenses	350,809	219,376
5	Provisions	532,049	362,275
	a) provisions for standard loans and guarantees	339,489	191,616
	b) provisions for FX losses	0	0
	c) provisions for other banking risks	120,750	152,460
	d) other provisions	71,810	18,199
6	Subordinated liabilities	1,000,000	1,000,000
7	Other liabilities	1,314,953	464,370
8	Registered capital	1,360,410	1,360,410
	including registered capital paid up	1,360,410	1,360,410
9	Share premium	0	0
10	Reserve funds	1,082,921	1,082,921
	a) obligatory reserve funds	272,082	272,082
	b) reserve fund to own shares	0	0
	c) statutory reserve funds	0	0
	d) other reserve funds	810,839	810,839
11	Capital funds and other funds from profit	0	0
	a) capital funds	0	0
	b) other funds from profit	0	0
12	Retained earnings or (losses) from previous periods	-186,741	34,135
13	Profit or (loss) for the accounting period	231,216	-220,877
Total liabilities		69,863,619	39,466,983

OFF-BALANCE SHEET

1	a) acceptances and endorsements commitments including:	1,683,047	581,127
	a) acceptances and endorsements	0	0
	b) payables resulting from guarantees	1,683,047	581,127
	c) payables resulting from collateral	0	0
2	Other irrevocable liabilities	16,649,796	5,260,922
3	Receivables from spot, term and option transaction	23,660,403	21,141,118
4	Liabilities from spot, term and option transaction	23,707,062	21,134,865

Statutory representative:

Date: 31 January 2001

Responsible person
for financial statements:

Date: 31 January 2001

Responsible person
for accounting:

Date: 31 January 2001

Profit and Loss Statement for the year ended 31 December 2000 (according to the Czech Accounting Standards)

CZK'000	2000	1999
1 Interest income and similar income	2,720,620	2,436,386
including interest income from fixed income securities	448,911	437,412
2 Interest expense and similar expense including	1,896,088	1,656,099
interest expense from fixed yield securities	23,303	5,905
Net interest income	824,532	780,287
3 Income from variable income securities including:	22,913	14,102
a) income from shares and other variable income securities	22,913	14,102
b) income from participation interests with significant influence	0	0
c) income from participation interests with controlling influence	0	0
d) income from participation interests in other associated entities	0	0
4 Commission and fee income	290,680	262,300
5 Commission and fee expense	37,973	20,738
6 Net profit (loss) from financial operations	328,152	161,972
7 Other income	142,319	15,062
8 General operating expenses including	1,154,784	1,209,557
a) employee expenses	365,615	403,696
aa) wages and salaries	275,992	331,261
ab) social insurance	66,654	55,113
ac) health insurance	22,969	17,322
b) other operating expenses	789,169	805,861
9 Creation of provision for tangible and intangible fixed assets	0	0
a) creation of specific provision for tangible fixed assets	0	0
b) creation of other provision for tangible fixed assets	0	0
c) creation of specific provision for intangible fixed assets	0	0
10 Utilization of provisions for tangible and intangible fixed assets	0	0
a) utilization of specific provisions for tangible fixed assets	0	0
b) utilization of other provisions for tangible fixed assets	0	0
c) utilization of specific provision for intangible fixed assets	0	0
11 Other expenses	160,964	342,947
Net operating income before adjustments and reserves for loans and investments	254,875	-339,519
12 Creation of provisions for loans and guarantees	379,429	330,472
13 Utilization of provisions for loans and guarantees	186,362	389,428
14 Creation of provisions for participation interests and other financial investments	344,671	645,279
15 Utilization of provisions for participation interests and other financial investments	630,036	643,323
16 Creation of other provisions	132,058	9,313
17 Utilization of other provisions	179	3,484
Profit on ordinary activities before tax	215,294	-288,348
18 Income tax from ordinary activities	0	-40,733
19 Profit or (loss) from ordinary activities after tax	215,294	-247,615
20 Extraordinary income	16,490	27,367
21 Extraordinary expenses	568	629
Profit or (loss) from extraordinary activities	15,922	26,738
22 Income tax from extraordinary activities	0	0
23 Profit or (loss) from extraordinary activities after tax	15,922	26,738
24 Profit or (loss) for the accounting period	231,216	-220,877

Statutory representative:

Date: 31 January 2001

Responsible person
for financial statements:

Date: 31 January 2001

Responsible person
for accounting:

Date: 31 January 2001

1 GENERAL INFORMATION

Živnostenská banka was founded in 1868 as an incorporated company for the purpose of financing small and middle-sized Czech companies. It was the first bank in the Austrian Hungarian Empire with only Czech capital. It was nationalized in 1945 like the other banks in the Czech Republic. Živnostenská banka existed as a legal entity during the years 1950-1956 but its activities were very limited. Later Živnostenská banka started to provide special services to individuals, which related to their income denominated in foreign currencies. The London branch of Živnostenská banka was involved with the financing of international business relations in some countries associated in The Council for Mutual Economic Assistance.

Živnostenská banka, a.s. (hereinafter referred to as the Bank) was incorporated on 1 March 1992. The Bank has its registered office at Praha 1, Na Příkopě 858/20, Post Code 113 80 and it is organised as eight domestic regional branches.

The Bank's operations primarily consist of:

- providing Czech and foreign currency loans and guarantees;
- accepting and placing deposits in Czech and foreign currency;
- accepting current and term accounts denominated in Czech and foreign currency;
- rendering of general banking services through a network of branches and agencies;
- providing foreign exchange transactions on the inter-bank money market;
- providing foreign trade finance and related banking services;
- dealing in securities and portfolio management.

The members of the board of directors as at 31 December 2000 and 31 December 1999 were as follows:

		Appointed
Mr Jiří Kunert	Chairman	1 March 1992
Mr Josef Pitra	Vice-chairman	1 March 1992
Mr Aleš Barabas	Member	1 March 1992
Mr Thomas Bürkle	Member	15 June 1998
Mr Tomáš Zralý	Member	1 March 1992

The members of the supervisory board as at 31 December 2000 were as follows:

		Appointed
Mr Thomas Kurze	Chairman	22 June 2000
Mr Dirk Hoffmann	Vice-Chairman	22 June 2000
Ms Ivana Burešová	Member	26 June 2000
Mr Vladimír Burian	Member	26 June 2000
Mr Heinz-Dieter Gottschalk	Member	22 June 2000
Mr Vikas Thapar	Member	22 June 2000

The following members of the supervisory board resigned during the year 2000:

		Resigned
Mr Vlastimil Uzel	Vice-Chairman	22 June 2000
Ms Eliška Hlavsová	Member	22 June 2000

The members of the supervisory board as at 31 December 1999 were as follows:

		Appointed
Mr Thomas Kurze	Chairman	11 June 1999
Mr Vlastimil Uzel	Vice-Chairman	20 May 1994
Mr Heinz-Dieter Gottschalk	Member	30 January 1998
Ms Eliška Hlavsová	Member	22 November 1999
Mr Dirk Hoffmann	Member	26 November 1999
Mr Vikas Thapar	Member	24 May 1996

The following members of the supervisory board resigned during the year 1999:

		Resigned
Mr Peter-Jörg Klein	Chairman	11 June 1999
Ms Marie-Hélène Bérard	Member	26 November 1999
Mr Antonín Jakubše	Member	31 August 1999

2 ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The financial statements and accounting records are prepared in accordance with and comply with the Act on accounting and the Chart of accounts and accounting rules for banks prescribed by the Ministry of Finance of the Czech Republic. The financial statements are prepared under the historical cost convention and principle of accruals.

The financial statements are rounded in thousands of Czech Crowns (CZK'000) unless otherwise stated and are not consolidated.

(B) FOREIGN CURRENCIES

Financial assets and liabilities denominated in foreign currencies are translated to Czech Crowns at the exchange rate announced by the Czech National Bank ("CNB") effective at the balance sheet date. All resulting realised and unrealised foreign exchange gains and losses are recognised in the income statement.

(C) TRADING SECURITIES

Trading securities consist of money market investments, bonds and other fixed income securities, and shares and other variable income securities traded on the capital market. These securities are available for sale.

Securities transactions are recorded in the balance sheet position on a settlement date basis.

Money market investments consist of State Treasury Bills and CNB Treasury Bills and are carried at amortised cost including related discounts. Purchase discounts are amortised into income on a straight-line basis over the period to maturity.

Government and corporate bonds are purchased for liquidity management purposes and equities are purchased for speculative purposes. These securities are quoted on a stock exchange or auxiliary market.

Bonds and other fixed income securities, and shares and other variable income securities are valued at the lower of cost or market value on an individual basis. A specific provision is made for securities with lower liquidity or for securities, which are not traded on the main or auxiliary markets of recognised stock exchanges.

Capital markets in the Czech republic are not fully developed. Prices listed on the public markets do not always correspond to real conditions of supply and demand or to the economic situation of the issuer. Realised prices can therefore differ from listed prices.

(D) INVESTMENTS IN SUBSIDIARY AND ASSOCIATED UNDERTAKINGS AND OTHER INVESTMENT SECURITIES

The investment securities contain not readily marketable equities, marketable equities purchased for strategic holding purposes and debt securities held to maturity.

Tradable investment securities are valued at the lower of cost or market value on a portfolio basis. Investments in subsidiary and associated undertakings and other non-tradable investment securities are valued at the lower of cost or "proportional equity" value on an individual basis.

(E) SECURITIES FINANCING ARRANGEMENTS

Transactions where securities are sold under a commitment to repurchase (repurchase agreement) at a pre-determined price or purchased under a commitment to resell (resale agreement) are treated as collateralised borrowing and lending transactions. The legal title of securities subject to resale or repurchase agreements is transferred to, and recorded in the balance sheet of, the lender. The securities subject to resale agreement included in the balance sheet are not subject to lower of cost or market valuation. Receivables from securities sold under a repurchase agreement and payables from securities purchased under a resale agreement are included in "Receivables from banks" or "Receivables from customers" and "Due to banks" or "Due to customers", respectively. Interest accrued on securities sold under a repurchase agreement is recorded in "Prepayments and accrued income"; interest is not accrued on securities recorded in the balance sheet under a resale agreement.

(F) DERIVATIVE FINANCIAL INSTRUMENTS

All derivatives are estimated at their fair value and recorded in the off balance sheet at the trade date. Positive fair value resulting from their revaluation is included within other assets, negative fair value coming from revaluation is recorded into other liabilities.

Fair values are obtained from quoted market prices and discounted cash flow models as appropriate.

Gains and losses on derivative instruments used in trading activities are included in gains less losses from trading as they arise. Gains and losses on other derivative financial instruments used for hedging purposes are deferred in other liabilities and recognised in income or expense on the same basis as the corresponding expense or income on the hedged position.

The Bank's criteria for a derivative instrument to be classified as a hedge include:

- (i) the transaction must be reasonably expected to match or eliminate a significant portion of the risk inherent in the position being hedged, and
- (ii) there is adequate evidence of the intent to hedge at the outset of the transaction.

(G) INTEREST INCOME AND EXPENSE

Interest income and expense are recognised on an accruals basis. Income on non-performing loans is also accrued and capitalised into the related loan balance. Such amounts are considered in estimating the provision for non-performing loans. Interest income also includes coupons and accrued discount earned on fixed income securities. Interest expense includes discounts on all discounted fixed income instruments.

(H) FEE AND COMMISSION INCOME

Fixed fee income for arrangement of loans, guarantees and other activities is recognised immediately, whereas commission is accrued over the period to maturity.

(i) PROVISIONS AND ALLOWANCES

Provisions are created when the Bank has a present obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions for off balance sheet exposures and general provisions for loans are included within liabilities.

Allowances are deducted from the cost of each asset at risk. The amount of allowance for loans and other assets at risk is based on appraisals of the recoverable amount from these assets at the balance sheet date after taking into consideration the forced sale value of collateral. The market in the Czech Republic for many of the types of collateral accepted is in an early stage of development and there is a low level of liquidity for certain types of assets. As a result, the realisable value on foreclosure may differ from the value ascribed in estimating allowances.

Tax-deductible provisions and allowances are computed at the limits allowed by the Czech taxation rules and form part of the total recognised allowances and provisions.

(j) TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible and intangible fixed assets are recorded at cost, which includes costs incurred in bringing the assets to their present location and condition.

Fixed assets are depreciated by applying the straight-line basis over the estimated useful lives. Low value tangible assets with a unit cost of less than CZK 40,000 and low value intangible assets with a unit cost of less than CZK 60,000 are expensed upon consumption.

The depreciation rates used are as follows:

	<u>First year of use</u>	<u>Other years</u>
Buildings and constructions	1.4 %	3.4 %
Energy equipment	14.2 %	28.6 %
Machinery and equipment	8.5 %	18.3 %
Furniture and fittings	8.5 %	18.3 %
Motor vehicles	14.2 %	28.6 %
Software	14.2 %	28.6 %

Repairs and maintenance expenditures are charged to expense as incurred. Improvement expenditures (i.e. expenditures enhancing the value of the property) which exceed CZK 40,000 per unit over one year are capitalised.

Assets held under finance lease agreements are not capitalised and are accounted for in the same way as operating leases, with rental charges being reflected in the income statement on a straight-line basis. Neither is the corresponding lease obligation recorded as a liability.

(k) VALUE ADDED TAX

The Bank is registered for value added tax ("VAT"). Fixed tangible assets and intangible assets and inventories are valued at cost including appropriate VAT. The Bank does not raise claims for input VAT, since the ratio of income subject to VAT is lower than 5 % of the total income of the Bank. Input VAT incurred, except on fixed assets, is expensed immediately. In case of activities on which VAT is set the tax is paid.

(l) PENSIONS

During the year the Bank operated defined contribution schemes for its employees in the Czech Republic. Regular contributions are made to the state to fund the national pension plan.

For the defined benefit scheme the expected cost of providing pensions is charged to profit so as to spread the pension cost over the average expected service lives of employees in the scheme. For the defined contribution scheme the contributions made to the pension fund for the period are charged to profit.

(M) SUBSEQUENT EVENTS

The effects of events, which occurred between the balance sheet date and the date of signing the financial statements, are reflected in the financial statements in the case that these events provide further evidence of conditions, which existed at the balance sheet date.

Where significant events occur subsequent to the balance sheet date prior to the signing of the financial statements which are indicative of conditions which arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves reflected in the financial statements.

(N) DEFERRED TAXATION

Deferred tax is accounted since 1 January 2000 using the full liability method.

Deferred tax liability is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax asset is recognised if there is evidence beyond reasonable doubt, that future taxable profit will be available against which these assets can be utilised.

(O) CHANGES IN ACCOUNTING POLICY

There have been the following significant changes in accounting policies in 2000 following the changes in the accounting rules for banks effective since 1 January 2000: All derivatives are valued at fair value (see Note 2 f). Changes in the fair value of derivatives used for hedging are deferred in other liabilities (Note 16) until the hedged item is reflected in net income. Changes in fair value of marketable derivatives are recorded into the profit and loss statement to „Gains and losses from financial operations“ (Note 21).

3 CASH AND DEPOSITS WITH CENTRAL BANK

	<u>31 December 2000</u>	<u>31 December 1999</u>
	CZK'000	CZK'000
Cash on hand	398,466	304,636
Obligatory reserves	748,597	606,081
Other deposits with central banks	<u>274,662</u>	<u>34,227</u>
	<u>1,421,725</u>	<u>944,944</u>

Deposits with central bank include obligatory reserve deposits as at 31 December 2000 of CZK 748,597,000 (as at 31 December 1999: CZK 606,081,000). These deposits are not available for use in the Bank's day to day operations.

4 DUE FROM BANKS

	<u>31 December 2000</u>	<u>31 December 1999</u>
	CZK'000	CZK'000
Current accounts with banks	190,309	278,373
Term deposits with banks	10,834,248	14,820,366
Loans based on resale agreements	11,102,000	1,370,000
Standard loans granted to banks	<u>520,254</u>	<u>461,007</u>
	<u>22,646,811</u>	<u>16,929,746</u>

Loans provided in reverse repo transactions as at 31 December 2000 of CZK 11,102 million (31 December 1999: CZK 1,370 million) are reverse repo operations with CNB (Note 7 and 12).

At 31 December 2000

	Within 3 months	3 - 12 months	1 - 2 years	2 - 4 years	4 - 5 years	over 5 years	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Actual residual maturities							
Current accounts and term deposits	8,473,343	2,551,214	-	-	-	-	11,024,557
Loans based on resale agreements	11,102,000	-	-	-	-	-	11,102,000
Standard loans granted to banks	<u>75,163</u>	<u>287,186</u>	<u>87,725</u>	<u>70,180</u>	-	-	<u>520,254</u>
	<u>19,650,506</u>	<u>2,838,400</u>	<u>87,725</u>	<u>70,180</u>	-	-	<u>22,646,811</u>

At 31 December 1999

	Within 3 months	3 - 12 months	1 - 2 years	2 - 4 years	4 - 5 years	over 5 years	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Actual residual maturities							
Current accounts and term deposits	12,461,631	2,563,216	73,892	-	-	-	15,098,739
Loans based on resale agreements	1,370,000	-	-	-	-	-	1,370,000
Standard loans granted to banks	<u>457,312</u>	<u>-</u>	<u>3,695</u>	-	-	-	<u>461,007</u>
	<u>14,288,943</u>	<u>2,563,216</u>	<u>77,587</u>	-	-	-	<u>16,929,746</u>

5 LOANS TO CLIENTS

	<u>31 December 2000</u> CZK'000	<u>31 December 1999</u> CZK'000
Standard loans to companies and individuals	16,375,398	9,843,973
Impaired loans to companies and individuals	513,207	580,636
Standard loans to municipalities	-	<u>178,803</u>
Loans allowed to clients	16,888,605	10,603,412
Allowance for impaired loans (Note 14)	<u>(269,963)</u>	<u>(114,791)</u>
	<u>16,618,642</u>	<u>10,488,621</u>

The loan balances as at 31 December 2000 and 1999 include also loans to subsidiaries, associates and related parties that are further described below.

The Bank provided a credit line of CZK 11,299 million to a foreign company (EUR 320 million). CZK 1,123 million was drawn from this facility as at 31 December 2000 (EUR 32 million). The unutilised amount of the credit line was CZK 10,106 million as at 31 December 2000 (EUR 288 million) (Note 18). As a collateral for the loan the Bank received cash deposit in the amount of CZK 10,878 million (EUR 310 million) from banks of Bankgesellschaft Berlin AG group (hereinafter „BGB“) (Note 12). A part of the difference between the cash deposit and utilised amount of credit line as at 31 December 2000 was invested in foreign government bonds in a nominal value of CZK 9,246 million (EUR 263.5 million) (Note 7).

The Bank provided a related party incorporated abroad with a 5 year loan of CZK 402 million (USD 11 million) due in 2005. The loan conditions are defined to secure credit risk and market risk of

reference assets held by the foreign company. The loan could terminate before the original maturity date following a credit default of any one of the reference assets or if the mark to market loss on the portfolio exceeds 70% of the loan principal. The early redemption amount would be calculated as the loan principal and accrued interest as at termination date less mark to market value of the portfolio. In the opinion of management of the Bank the probability of occurrence of the above specified events is not significant and therefore no provision was created.

MATURITY OF LOANS

The maturity of loans to clients can be summarised as follows:

At 31 December 2000

	Within 3 months CZK'000	3 - 12 months CZK'000	1 - 2 years CZK'000	2 - 4 years CZK'000	4 - 5 years CZK'000	over 5 years CZK'000	Total CZK'000
Actual remaining maturities							
Standard loans to companies and individuals	3,626,999	4,970,243	1,602,536	2,993,469	1,255,391	1,926,760	16,375,398
Impaired loans to companies and individuals	<u>230,862</u> <u>3,857,861</u>	<u>177,844</u> <u>5,148,087</u>	<u>13,375</u> <u>1,615,911</u>	<u>1,446</u> <u>2,994,915</u>	<u>846</u> <u>1,256,237</u>	<u>88,834</u> <u>2,015,594</u>	<u>513,207</u> <u>16,888,605</u>

At 31 December 1999

	Within 3 months CZK'000	3 - 12 months CZK'000	1 - 2 years CZK'000	2 - 4 years CZK'000	4 - 5 years CZK'000	over 5 years CZK'000	Total CZK'000
Actual remaining maturities							
Standard loans to companies and individuals	1,558,225	3,839,811	931,941	1,270,441	1,079,744	1,163,811	9,843,973
Impaired loans to companies and individuals	389,997	21,319	81,109	-	-	88,211	580,636
Standard loans to municipalities	<u>-</u> <u>1,948,222</u>	<u>-</u> <u>3,861,130</u>	<u>-</u> <u>1,013,050</u>	<u>178,803</u> <u>1,449,244</u>	<u>-</u> <u>1,079,744</u>	<u>-</u> <u>1,252,022</u>	<u>178,803</u> <u>10,603,412</u>

IMPAIRED LOANS

Impaired loans are categorised in accordance with the appropriate provisions of the CNB in four categories (watch, substandard, doubtful, loss) and represent total outstanding principal and accrued interest receivable with service payments overdue or other defaults in contractual terms or financial performance.

In addition to the allowance for impaired loans the Bank has reflected at 31 December 2000 a general provision for loans of CZK 460 million (31 December 1999: CZK 344 million) as a liability as required by Czech accounting regulations (Note 14).

	<u>31 December 2000</u>	<u>31 December 1999</u>
	CZK'000	CZK'000
Watch	198,788	120,187
Substandard	136	28,454
Doubtful	35,735	336,238
Loss	278,548	95,757
Total impaired loans	<u>513,207</u>	<u>580,636</u>

The value ascribed to assets received as collateral for all loans can be analysed as follows:

	<u>31 December 2000</u>	<u>31 December 1999</u>
	CZK'000	CZK'000
Cash (see above)	11,232,759	264,753
Securities	41,403	12,803
Land and buildings	4,695,001	4,602,936
Other assets	<u>11,425,136</u>	<u>9,260,673</u>
	<u>27,394,299</u>	<u>14,141,165</u>

LOANS TO RELATED PARTIES

Standard loans to companies and individuals include the following loans to subsidiary and associated undertakings, board members and other related parties as defined by the Act on Banks:

	<u>31 December 2000</u>	<u>31 December 1999</u>
	CZK'000	CZK'000
<u>Subsidiaries</u>		
ŽB - Asset Management, a.s.	125,423	-
<u>Associated undertakings</u>		
Český leasing, s.r.o.	<u>439,012</u>	<u>309,985</u>
<u>Other related parties</u>		
Board of directors	-	not applicable *
Supervisory board	804	not applicable *
Management	4,437	not applicable *
Other related parties	<u>402,894</u>	<u>4,689</u>
	<u>408,135</u>	<u>4,689</u>

* It was not required for the Bank to report the balances at 31 December 1999.

At 31 December 2000 and 31 December 1999, the Bank did not granted loans to its shareholders.

6 SYNDICATED LOANS

At 31 December 2000 and at 31 December 1999, the Bank was an administrator of two syndicated loans provided to clients incorporated in the Czech Republic.

Members	Currency	Balance of the loan		Share of members	
		31 December	31 December	31 December	31 December
		2000	1999	2000	1999
		CZK'000	CZK'000	%	%
Facility 1					
Živnostenská banka, a.s. – manager	DEM	400,362	173,004	50.0	50.0
BHF- BANK - member	DEM	<u>400,362</u>	<u>173,004</u>	<u>50.0</u>	<u>50.0</u>
		<u>800,724</u>	<u>346,008</u>	<u>100.0</u>	<u>100.0</u>
Facility 2					
Živnostenská banka, a.s. - manager	CZK	250,000	-	31.0	0.0
Bankgesellschaft Berlin AG - member	CZK	200,000	-	25.0	0.0
ČSOB, a.s. - member	CZK	150,000	-	19.0	0.0
Česká spořitelna, a.s. - member	CZK	100,000	-	12.5	0.0
BNP Dresdner Bank (ČR), a.s. - member	CZK	<u>100,000</u>	<u>-</u>	<u>12.5</u>	<u>0.0</u>
		<u>800,000</u>	<u>-</u>	<u>100.0</u>	<u>0.0</u>

7 TRADING SECURITIES

Money Market Securities

At 31 December 2000

	Cost	Market value
	CZK'000	CZK'000
State Treasury Bills	541,780	541,836
CNB Bills	11,152,000	11 152,000
Other T-bills	-	-
	<u>11,693,780</u>	<u>11,693,836</u>
Provision for money market securities	-	-
Money market securities	<u>11,693,780</u>	

CNB bills of CZK 11,152 million was received in conjunction with reverse repo operations with CNB (Note 4 and 12).

At 31 December 1999

	Cost	Market value
	CZK'000	CZK'000
State Treasury Bills	2,364,592	2,364,592
CNB Bills	<u>1,380,000</u>	<u>1,380,000</u>
	<u>3,744,592</u>	<u>3,744,592</u>
Provision for money market securities	-	-
Money market securities	<u>3,744,592</u>	

BONDS AND OTHER FIXED INCOME SECURITIES

At 31 December 2000

	<u>Cost</u> CZK'000	<u>Market value</u> CZK'000
State bonds	9,362,797	9,363,098
Other securities	1,943,188	1,938,370
Securities not traded on a recognised stock exchange *	105,270	105,270
Accrued interest on bonds	<u>153,993</u>	<u>153,992</u>
Total	11,565,248	<u>11,560,730</u>

Provision for unrealised losses (Note 14)	<u>(4,919)</u>
	<u>11,560,329</u>

At 31 December 1999

	<u>Cost</u> CZK'000	<u>Market value</u> CZK'000
State bonds	88,868	88,817
Other securities	121,492	119,823
Securities not traded on a recognised stock exchange *	208,380	108,390
Accrued interest on bonds	<u>21,313</u>	<u>21,313</u>
Total	440,053	<u>338,343</u>

Provision for unrealised losses (Note 14)	<u>(114 736)</u>
	<u>325 317</u>

* Non-tradable investment securities are valued at the lower of cost or „proportional equity“ value on an individual basis.

Bonds and similar debt securities in the dealing portfolio at 31 December 2000 include CZK 533 million of securities bearing fixed interest till maturity which represented 5% of the total balance (at 31 December 1999: CZK 114 million representing 27% of the total balance).

SHARES AND OTHER VARIABLE INCOME SECURITIES

At 31 December 2000

	<u>Cost</u> CZK'000	<u>Market value</u> CZK'000
Traded on the main or auxiliary market of recognised stock exchanges	<u>29</u>	<u>29</u>

At 31 December 1999

	<u>Cost</u> CZK'000	<u>Market value</u> CZK'000
Traded on the main or auxiliary market of recognised stock exchanges	<u>882</u>	<u>913</u>

As a result of the low liquidity of many securities and high market volatility, realisable prices may materially differ from the stated market value. As a result, discounts to quoted market values are applied for less liquid securities or for large volumes of securities held.

8 INVESTMENTS IN SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

At 31 December 2000

<u>Name and registered office</u>	<u>At cost</u> CZK'000	<u>Nominal</u> <u>value</u> CZK'000	<u>Share</u> <u>capital</u> CZK'000	<u>Shareholding</u> %
ŽB - Trust, investiční společnost, a.s. Politických vězňů 5, 113 80 Praha 1	5,250	20,000	20,000	100
ŽB - Asset Management, a.s. Politických vězňů 5, 113 80 Praha 1	10,590	10,000	10,000	100
Zivnostenska Finance B.V. Haaksbergweg 27, 1101 BP Amsterdam, The Netherlands	<u>637</u> 16,477	NLG 40,000	NLG 40,000	100
Provision for diminution in value (Note 14)	<u>-</u> <u>16,477</u>			

At 31 December 1999

<u>Name and registered office</u>	<u>At cost</u> CZK'000	<u>Nominal</u> <u>value</u> CZK'000	<u>Share</u> <u>capital</u> CZK'000	<u>Shareholding</u> %
ŽB - Trust, investiční společnost, a.s. Politických vězňů 5, 113 80 Praha 1	5,250	20,000	20,000	100
ŽB - Asset Management, a.s. Politických vězňů 5, 113 80 Praha 1	10,590	10,000	10,000	100
Zivnostenska Finance B.V. Haaksbergweg 27, 1101 BP Amsterdam, The Netherlands	<u>656</u> 16,496	NLG 40,000	NLG 40,000	100
Provision for diminution in value (Note 14)	<u>(634)</u> <u>15,862</u>			

Company Zivnostenska Finance B.V. did not perform any activity in the years 2000 and 1999.

SUMMARY FINANCIAL INFORMATION ON SUBSIDIARY UNDERTAKINGS

At 31 December 2000 and for the year then ended:

<u>Name</u>	<u>Net book amount</u> CZK'000	<u>Equity</u> CZK'000	<u>Total assets</u> CZK'000	<u>Revenues</u> CZK'000	<u>Profit before tax</u> CZK'000
ŽB - Trust, investiční společnost, a.s. (preliminary unaudited financial statements as at 31 December 2000)	5,250	118,359	137,304	512,956	18,448
ŽB - Asset Management, a.s. (preliminary unaudited financial statements as at 31 December 2000)	10,590	18,480 data not available	149,520 data not available	29,316 data not available	1,983 data not available
Zivnostenska Finance B. V.	637				

At 31 December 1999 and for the year then ended:

<u>Name</u>	<u>Net book amount</u> CZK'000	<u>Equity</u> CZK'000	<u>Total assets</u> CZK'000	<u>Revenues</u> CZK'000	<u>Profit before tax</u> CZK'000
ŽB - Trust, investiční společnost, a.s.	5,250	106,227	118,331	511,970	25,634
ŽB - Asset Management, a.s.	10,149	17,349	31,706	21,594	10,733
Zivnostenska Finance B. V.	463	NLG 22,878	NLG 39,110	NLG 1,764	NLG (23,901)

INVESTMENT IN ASSOCIATED UNDERTAKINGS

At 31 December 2000

<u>Name and registered office</u>	<u>At cost</u> CZK'000	<u>Nominal value</u> CZK'000	<u>Share capital</u> CZK'000	<u>Share- holding</u> %
Český leasing, s.r.o. Charkovská 24, 101 00 Praha 10	<u>39,271</u>	37,000	148,000	25
	39,271			
Provision for diminution in value (Note 14)	<u>(3,986)</u>			
	<u>35,285</u>			

At 31 December 1999

<u>Name and registered office</u>	<u>At cost</u> tis. Kč	<u>Nominal value</u> tis. Kč	<u>Share capital</u> tis. Kč	<u>Shareholding</u> %
Allianz - Živnobanka, penzijní fond, a.s. Francouzská 4, 120 00 Praha 2	69,979	27,000	60,000	45
Český leasing, s.r.o. Charkovská 24, 101 00 Praha 10	<u>39,271</u>	37,000	148,000	25
	109,250			
Provision for diminution in value (Note 14)	<u>(5,529)</u>			
	<u>103,721</u>			

SUMMARY FINANCIAL INFORMATION ON ASSOCIATED UNDERTAKINGS

At 31 December 2000 and for the year then ended:

<u>Name</u>	<u>Net book amount</u> CZK'000	<u>Share of net assets</u> CZK'000	<u>Equity</u> CZK'000	<u>Total assets</u> CZK'000	<u>Revenues</u> CZK'000	<u>Profit before tax</u> CZK'000
Český leasing, s.r.o. (preliminary unaudited financial statements as at 31 December 2000)	35,285	42,365	169,450	3,083,521	1,175,749	28,308

At 31 December 1999 and for the year then ended:

<u>Name</u>	<u>Net book amount</u> CZK'000	<u>Share of net assets</u> CZK'000	<u>Equity</u> CZK'000	<u>Total assets</u> CZK'000	<u>Revenues</u> CZK'000	<u>Profit before tax</u> CZK'000
Allianz - Živnobanka, penzijní fond, a.s.	69,979	570,839	1,268,531	1,313,253	4,955,195	60,105
Český leasing, s.r.o.	33,742	35,286	141,142	2,055,587	852,716	20,907

The movements in subsidiary and associated undertakings can be analysed as follows:

	<u>Subsidiary undertakings</u>		<u>Associated undertakings</u>	
	<u>At cost</u>	<u>Nominal</u>	<u>At cost</u>	<u>Nominal</u>
	<u>CZK'000</u>	<u>CZK'000</u>	<u>CZK'000</u>	<u>CZK'000</u>
Balance at 1 January 1999	7,474	21,634	91,750	46,500
Share capital increase of ŽB - Asset Management, a.s.	9,000	9,000	-	-
Share capital increase of Český leasing, s.r.o.	-	-	17,500	17,500
Revaluation of CZK balance	<u>22</u>	<u>22</u>	<u>-</u>	<u>-</u>
Balance at 31 December 1999	<u>16,496</u>	<u>30,656</u>	<u>109,250</u>	<u>64,000</u>
Sale of share of Allianz - Živnobanka, penzijní fond, a.s.	<u>-</u>	<u>-</u>	<u>(69,979)</u>	<u>(27,000)</u>
Balance at 31 December 2000	<u>16,496</u>	<u>30,656</u>	<u>39,271</u>	<u>37,000</u>

Gain from sale of share of Allianz - Živnobanka, penzijní fond, a.s. in 2000 can be analysed as follows:

	<u>2000</u>
	<u>CZK'000</u>
Sale proceeds	<u>83,000</u>
Acquisition cost	<u>(69,979)</u>
Realised gain	<u>13,021</u>

9 INVESTMENT SECURITIES

BONDS AND OTHER FIXED INCOME SECURITIES

At 31 December 2000

	<u>Cost</u> CZK'000	<u>Market value</u> CZK'000
Government bond (10.95 % / 01)	163,404	165,216
Aero Vodochody (7.50 % USD)	376,561	390,419
City of Ostrava (2.90 % DEM)	<u>124,033</u>	<u>125,149</u>
Total	<u>663,998</u>	<u>680,784</u>
Foreign bonds	1,842,037	1,580,797
Total traded on the main or auxiliary market of recognised stock exchanges	<u>2,506,035</u>	<u>2,261,581</u>
Not traded on the main or auxiliary market of recognised stock exchanges	608,278	606,801
Accrued interest	<u>52,896</u>	<u>52,897</u>
	<u>3,167,209</u>	<u>2,921,279</u>
Shares and other fixed income securities (see below)	<u>387,365</u>	<u>458,167</u>
	3,554,574	<u>3,379,446</u>
Provision for unrealised losses (Note 14)	<u>(175,015)</u>	
Investment securities	<u>3,379,559</u>	
Participation with substantial influence	35,285	
Participation with controlling influence	16,477	
Other financial investments	<u>3,327,797</u>	
Investment securities	<u>3,379,559</u>	

At 31 December 1999

	<u>Cost</u> CZK'000	<u>Market value</u> CZK'000
Government bond (10.95 % / 01)	168,850	174,560
Aero Vodochody (7.50 % USD)	357,991	356,192
City of Ostrava (2.90 % DEM)	126,043	127,255
SPT (5.12 % DEM)	<u>92,687</u>	<u>92,042</u>
Total	<u>745,571</u>	<u>750,049</u>
Foreign bonds	<u>3,049,856</u>	<u>2,549,881</u>
Total traded on the main or auxiliary market of recognised stock exchanges	3,795,427	3,299,930
Not traded on the main or auxiliary market of recognised stock exchanges	714,092	703,096
Accrued interest	<u>88,125</u>	<u>88,125</u>
	4,597,644	4,091,151
Shares and other fixed income securities (see below)	<u>447,990</u>	<u>494,504</u>
	5,045,634	<u>4,585,655</u>
Provision for unrealised losses (Note 14)	<u>(460,381)</u>	
Investment securities	<u>4,585,253</u>	
Participation with substantial influence	103,721	
Participation with controlling influence	15,862	
Other financial investments	<u>4,465,670</u>	
Investment securities	<u>4,585,253</u>	

Where a market value was not available, cost less provision for permanent diminution was used.

Bonds and other fixed income securities in the investment portfolio at 31 December 2000 include CZK 3,153 million of securities bearing fixed interest till maturity which represents 89 % of the total balance (at 31 December 1999 include CZK 3,719 million of securities bearing fixed interest till maturity which represents 82 % of the total balance).

SHARES AND OTHER VARIABLE INCOME SECURITIES

At 31 December 2000

	<u>Cost</u> CZK'000	<u>Market value</u> CZK'000
<u>Traded on the main or auxiliary market of recognised stock exchanges</u>		
Živnobanka - korunový balancovaný fond investiční společnosti		
ŽB - Trust, investiční společnost, a.s., otevřený podílový fond	5,000	5,752
Živnobanka - akciový fond investiční společnosti ŽB - Trust, investiční společnost, a.s., otevřený podílový fond	10,000	10,000
Živnobanka - 1. investiční fond, a.s.	<u>279,710</u>	<u>376,981</u>
Total traded securities	<u>294,710</u>	<u>392,733</u>
<u>Subsidiaries</u>		
ŽB - Asset Management, a.s.	10,590	10,590
ŽB - Trust, investiční společnost, a.s.	5,250	5,250
Zivnostenska Finance B. V.	637	637
Total subsidiaries	<u>16,477</u>	<u>16,477</u>
<u>Associates</u>		
Český leasing, s.r.o.	<u>39,271</u>	<u>35,286</u>
Total associates	<u>39,271</u>	<u>35,286</u>
At 31 December 2000		
	<u>Cost</u> CZK'000	<u>Market value</u> CZK'000
<u>Other securities</u>		
Burza cenných papírů Praha, a.s.	14 355	14,355
Bankovní institut, a.s.	1 400	815
BHF Zivnostenska Investment B. V.	20 548	889
S. W. I. F. T. Brussels S.C.	<u>604</u>	<u>608</u>
Total other securities	<u>36,907</u>	<u>16,667</u>
Total not traded on a recognised stock exchange	<u>92,655</u>	<u>68,430</u>
Total shares and other variable income securities	<u>387,365</u>	<u>461,163</u>

At 31 December 1999

	<u>Cost</u> CZK'000	<u>Market value</u> CZK'000
<u>Traded on the main or auxiliary market of recognised stock exchanges</u>		
Živnobanka – korunový balancovaný fond		
investiční společnosti ŽB-Trust,		
investiční společnost, a.s., otevřený podílový fond	5,000	6,660
Živnobanka – 1. investiční fond, a.s.	<u>279,710</u>	<u>350,981</u>
Total traded securities	<u>284,710</u>	<u>357,641</u>
<u>Subsidiaries</u>		
ŽB - Asset Management, a.s.	10,590	10,148
ŽB - Trust, investiční společnost, a.s.	5,250	5,250
Zivnostenska Finance B. V.	<u>656</u>	<u>457</u>
Total subsidiaries	<u>16,496</u>	<u>15,855</u>
<u>Associates</u>		
Allianz - Živnobanka, penzijní fond, a.s.	69,979	69,979
Český leasing, s.r.o.	<u>39,271</u>	<u>33,742</u>
Total associates	<u>109,250</u>	<u>103,721</u>
<u>Other securities</u>		
Burza cenných papírů Praha, a.s.	14,355	14,355
Bankovní institut, a.s.	1,400	1,400
BHF Zivnostenska Investment B. V.	21,157	910
S. W. I. F. T. Brussels S.C.	<u>622</u>	<u>622</u>
Total other securities	<u>37,534</u>	<u>17,287</u>
Total not traded on a recognised stock exchange	<u>163,280</u>	<u>136,863</u>
Total shares and other variable income securities	<u>447,990</u>	<u>494,504</u>

10 TANGIBLE AND INTANGIBLE FIXED ASSETS

INTANGIBLE FIXED ASSETS

	31 December 1999 CZK'000	Additions CZK'000	Disposals CZK'000	31 December 2000 CZK'000
<u>Cost</u>				
Software	449,255	59,174	30	508,399
Acquisition of intangible fixed assets	<u>7,871</u>	<u>53,521</u>	<u>59,175</u>	<u>2,217</u>
	<u>457,126</u>	<u>112,695</u>	<u>59,205</u>	<u>510,616</u>
<u>Accumulated amortisation</u>				
Software	324,904	62,031	30	386,905
Net book amount	<u>132,222</u>	<u>50,664</u>	<u>59,175</u>	<u>123,711</u>

TANGIBLE FIXED ASSETS

	31 December 1999 CZK'000	Additions CZK'000	Disposals CZK'000	31 December 2000 CZK'000
<u>Cost</u>				
Land	49,936	-	6,110	43,826
Buildings	1,520,079	265,856	222,603	1,563,332
Equipment	1,022,761	335,451	329,133	1,029,079
Assets in the course of construction	<u>91</u>	<u>-</u>	<u>-</u>	<u>91</u>
	<u>2,592,867</u>	<u>601,307</u>	<u>557,846</u>	<u>2,636,328</u>
<u>Accumulated depreciation</u>				
Buildings	237,521	96,280	42,919	290,882
Equipment	<u>620,439</u>	<u>149,448</u>	<u>146,606</u>	<u>623,281</u>
Total	<u>857,960</u>	<u>245,728</u>	<u>189,525</u>	<u>914,163</u>
Net book amount	<u>1,734,907</u>			<u>1,722,165</u>

FIXED ASSETS UNDER LEASE CONTRACTS

The Bank also uses assets under finance lease contracts, which have not been included as fixed assets in the financial statements. The leases can be analysed as follows:

	31 December <u>2000</u> CZK'000	31 December <u>1999</u> CZK'000
Amounts already paid on existing finance lease contracts	<u>505</u>	<u>277</u>
Outstanding amounts payable within one year	259	278
Outstanding amounts payable after more than one year	—	<u>209</u>
Total amounts payable on existing finance lease contracts	<u>259</u>	<u>487</u>

ASSETS UNDER CHARGE

At 31 December 2000, the Bank had no fixed assets provided by the Bank as security over its liabilities or liabilities of third parties.

11 OTHER ASSETS

	31 December <u>2000</u> CZK'000	31 December <u>1999</u> CZK'000
Other receivables from clients	50,424	79,558
Receivables from unsettled securities transactions	-	2,183
Advances granted	85,526	78,443
Financial derivatives (Note 26)	132,894	-
Deferred taxation (Note 24)	-	-
Settlement clearance accounts	439	12,278
Other receivables	64,771	63,442
Estimated accrued income	<u>9,239</u>	<u>4,284</u>
	<u>343,293</u>	<u>240,188</u>
Prepayments	24,539	22,960
Accrued income	<u>329,036</u>	<u>317,351</u>
	<u>353,575</u>	<u>340,311</u>
	<u>696,868</u>	<u>580,499</u>

12 AMOUNTS OWED TO BANKS AND CLIENTS

	31 December 2000 CZK'000	31 December 1999 CZK'000
Amounts owed to central banks (Note 4 and 7)	11,152,000	456
Amounts owed to other banks	19,624,319	8,526,697
	30,776,319	8,527,153
Deposits received from clients	33,401,683	26,637,220
	<u>64,178,002</u>	<u>35,164,373</u>

Amounts owed to central banks, other banks and clients can be analysed as follows:

At 31 December 2000

ACTUAL RESIDUAL MATURITIES

	within 3 months CZK'000	3 - 12 months CZK'000	1 - 2 years CZK'000	2 - 4 years CZK'000	4 - 5 years CZK'000	Over 5 years CZK'000	Total CZK'000
Amounts owed to central banks	11,152,000	-	-	-	-	-	11,152,000
Amounts owed to other banks	1,900,067	17,395,075	32,294	-	296,883	-	19,624,319
Deposits received from clients	<u>32,217,446</u> <u>45,269,513</u>	<u>1,130,360</u> <u>18,525,435</u>	<u>53,499</u> <u>85,793</u>	<u>378</u> <u>378</u>	<u>-</u> <u>296,883</u>	<u>-</u> <u>-</u>	<u>33,401,683</u> <u>64,178,002</u>

At 31 December 1999

ACTUAL RESIDUAL MATURITIES

	within 3 months CZK'000	3 - 12 months CZK'000	1 - 2 years CZK'000	2 - 4 years CZK'000	4 - 5 years CZK'000	Over 5 years CZK'000	Total CZK'000
Amounts owed to central banks	456	-	-	-	-	-	456
Amounts owed to other banks	4,455,397	399,508	3,671,792	-	-	-	8,526,697
Deposits received from clients	<u>25,731,047</u> <u>30,186,900</u>	<u>848,521</u> <u>1,248,029</u>	<u>56,932</u> <u>3,728,724</u>	<u>-</u> <u>-</u>	<u>720</u> <u>720</u>	<u>-</u> <u>-</u>	<u>26,637,220</u> <u>35,164,373</u>

DEPOSITS FROM RELATED PARTIES

	<u>31 December 2000</u>	<u>31 December 1999</u>
	CZK'000	CZK'000
Deposits from subsidiary undertakings and other companies within the group including holding company	10,993,235	41,436
Deposits from associated undertakings	-	9,732
Funds in custody of ŽB - Trust, investiční společnost, a.s.	148,563	348,363
Board of directors	18,418	not applicable *
Supervisory board	1,466	not applicable *
Management	<u>11,578</u>	<u>not applicable *</u>
	<u>11,173,260</u>	<u>399,531</u>

* It was not required for the Bank to report the balances at 31 December 1999.

The Bank has accepted deposits from related parties, including its management, shareholders and their affiliates. Management considers that such deposits were accepted on substantially the same terms and conditions, including interest rates, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal interest rate and liquidity risk or present other unfavourable features.

13 CERTIFICATES OF DEPOSITS AND BONDS ISSUED

At 31 December 2000, the Bank had no certificates of deposit and bonds issued.

14 ALLOWANCES, PROVISIONS AND WRITE OFFS

	<u>31 December 2000</u>	<u>31 December 1999</u>
	CZK'000	CZK'000
General provisions for loans (Note 5)	442,958	344,076
Allowance for granted guarantees	<u>17,280</u>	-
Total provisions	<u>460 238</u>	<u>344,076</u>
Provision for impaired loans (Note 5)	269,963	114,791
Provision for investment securities (below)	175,015	460,381
Provision for trading securities (below)	4,919	114,736
Allowance for pensions contribution	717	717
Provision for contingencies (Note 18)	40,000	-
General provision for liabilities written off	<u>31,094</u>	<u>17,482</u>
	<u>521,708</u>	<u>708 107</u>
Investments in subsidiary undertakings (Note 8)	-	634
Investments in associated undertakings (Note 8)	3,986	5,529
Other financial investments	<u>171,029</u>	<u>454,218</u>
Provision for investment securities (Note 9)	<u>175 015</u>	<u>460,381</u>
Money market securities (Note 7)	-	-
Bonds and other fixed income securities (Note 7)	<u>4,919</u>	<u>114,736</u>
Provision for trading securities	<u>4,919</u>	<u>114,736</u>

The movements in the allowances and provisions can be analysed as follows:

	Impaired loans CZK'000	General provision for receivables CZK'000	Provision for invest- ment securities CZK'000	Provision for trading securities CZK'000	Provision for contin- gencies CZK'000	Allowance for pensions contribution CZK'000	General provision for liabilities written off CZK'000
At 1 January							
1999	133,943	383,761	395,418	30,860	-	3,575	8,795
Addition	117,472	213,000	645,279	101,207	-	548	8,765
Usage	(136,743)	(252,685)	(643,323)	(14,466)	-	(3,406)	(78)
Foreign exchange adjustment	119	-	63,007	(2,865)	-	-	-
At 31 December							
1999	114,791	344,076	460,381	114,736	-	717	17,482
Addition	169,887	288,577	367,690	78,191	40,000	-	13,791
Usage	(13,947)	(172,415)	(630,036)	(188,405)	-	-	(179)
Foreign exchange adjustment	(768)	-	(23,020)	397	-	-	-
At 31 December							
2000	269,963	460,238	175,015	4,919	40,000	717	31,094

WRITE OFFS AND RECOVERY OF AMOUNTS WRITTEN OFF PREVIOUSLY

	Amounts written off CZK'000	2000 Recovery of amounts written off previously CZK'000	1999 Amounts written off CZK'000	Recovery of amounts written off previously CZK'000
Clients (Note 22)	50,595	89,676	341,170	2,359

Bad debts are written off against expenses in the case that management asserts their recoverability as being remote. If a provision for a bad debt was created previously, it is released to income at the time of write-off.

15 SUBORDINATED DEBT

On 29 December 1999 the Bank received a subordinated debt of EUR 27.7 million, which was converted to CZK 1 billion on 29 March 2000, from a major shareholder. The subordinated debt bears interest at the Prague Interbank Offered Rate („PRIBOR“) plus a margin of 60 basis points until 29 December 2004 and 120 basis points thereafter. The interest is payable quarterly in arrears. The principal is repayable by 29 December 2009, with no repayment being possible before 29 December 2004 and without the consent of the CNB. The debt, which is unsecured, is subordinated to all other liabilities of the Bank and forms a part of the tier two capital of the Bank as defined by the CNB for the purposes of determination of its capital adequacy.

16 OTHER PAYABLES

	<u>31 December 2000</u>	<u>31 December 1999</u>
	CZK'000	CZK'000
Payables from unsettled securities transactions	27,791	2,479
Other payables to clients	819,427	253,861
Financial derivatives (Note 26)	158,812	-
Settlement clearance accounts	633	24,484
Deferred tax liability (Note 24)	-	-
Other payables	277,728	180,728
Differences from revaluation of hedging derivatives	29,305	-
Social fund	<u>1,257</u>	<u>2,818</u>
Miscellaneous payables	1,314,953	464,370
Accruals and deferred income	<u>350,809</u>	<u>219,376</u>
	<u>1,665,762</u>	<u>683,746</u>

17 EQUITY AND PROFIT DISTRIBUTION

SHARE CAPITAL

	<u>31 December 2000</u>	<u>31 December 1999</u>
	CZK'000	CZK'000
Issued and paid	<u>1 360 410</u>	<u>1 360 410</u>
<u>Issues of shares</u>		
<u>ISIN</u>	<u>Date of issue</u>	<u>Date of registration</u>
		<u>Nominal value of share</u>
		CZK
CZ0008002557	17 April 1992	24 May 1993
		1,000
		633,407
		633,407
CZ0008002557	17 April 1992	30 August 1993
		1,000
		727,003
		<u>727,003</u>
		<u>1,360,410</u>

Shareholders

	31 December 2000	31 December 1999
<u>Name and registered office</u>	<u>Holding</u> %	<u>Holding</u> %
Bankgesellschaft Berlin AG, Alexanderplatz 2, Berlín	85.16	49.87
International Finance Corporation, 18181 H Street 20433 Washington D.C.	-	10.09
P.I.F., a.s. – 1. privatizační investiční fond, Školská 3, 110 00 Praha 1	-	8.93
Česká pojišťovna, a.s., Spálená 16, 110 00 Praha 1	-	7.58
Other shareholders holding less than 5% of share capital	<u>14.84</u>	<u>23.53</u>
	<u>100.00</u>	<u>100.00</u>

At 31 December 2000 and 31 December 1999 all shares of the Bank's CZK 1,360,410,000 nominal value shares in issue were registered for trading and were traded on the public markets (i.e. Prague Stock Exchange and RM-System).

During 2000 the stake of BGB in the Bank increased as a consequence of two public purchase of the Bank's shares made through RM-System.

Number of shares owned by members of the board of directors, supervisory board and management:

	<u>2000</u>
Board of directors	15
Supervisory board	-
Management	42

CHANGES IN EQUITY

	<u>Share capital</u> CZK'000	<u>Other reserve funds</u> CZK'000	<u>Reserve fund</u> CZK'000	<u>Accumulated losses</u> CZK'000	<u>Retained earnings</u> CZK'000
Balance at 31 December 1999	1,360,410	810,839	272,082	-	34,135
Loss for the year 1999	-	-	-	(220,877)	-
Allocation to other reserve funds	-	-	-	-	-
Dividends declared	-	-	-	-	-
Supervisory board remuneration	-	-	-	-	-
Balance at 31 December 2000	<u>1,360,410</u>	<u>810,839</u>	<u>272,082</u>	<u>(220,877)</u>	<u>34,135</u>

PROFIT DISTRIBUTION

The proposal for allocation of the profit for the year 2000 amounted of CZK 231,216,000 and the settlement of the loss occurred in 1999 of CZK 220,877,000 is specified in the following table:

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
Retained earnings	3,639	-
Social fund	6,700	-
Accumulated losses from previous years	<u>220,877</u>	<u>(220,877)</u>
Net profit/ (loss)	<u>231,216</u>	<u>(220,877)</u>

18 CONTINGENCIES AND COMMITMENTS

The Bank is the subject of several legal disputes. A provision of CZK 40 million (31 December 1999: CZK 0 million) was made as on the basis of the Bank's assessment of the expected outcome of these legal disputes (Note 14).

Commitments to extend loans, loan guarantees and letters of credit represent an exposure to a credit loss in the event of client default. Various commitments and contingent liabilities arise in the normal course of business involving elements of credit risk, interest rate risk and liquidity risk.

Contingent liabilities and assets at 31 December 2000 can be analysed as follows:

Guarantees granted

	<u>31 December 2000</u> CZK'000	<u>31 December 1999</u> CZK'000
On behalf of banks	1,000,000	-
On behalf of clients	652,193	540,029
Letters of credit	<u>30,854</u>	<u>41,098</u>
	<u>1,683,047</u>	<u>581,127</u>

<u>31 December 2000</u> CZK'000	<u>31 December 1999</u> CZK'000
------------------------------------	------------------------------------

Guarantees received

<u>From other entities</u>	<u>13,007</u>	<u>252,407</u>
Irrevocable loan commitments	<u>16,649,796</u>	<u>5,260,922</u>

ASSETS HELD IN CUSTODY AND DEPOSITORY

During 2000 the Bank acted as depository for certain mutual, investment and pension funds. The aggregate net asset value of these funds at 31 December 2000 was CZK 13,102 million (31 December 1999: CZK 7,958 million). Management considers that no present obligations were associated with these fiduciary duties at 31 December 2000.

CAPITAL EXPENDITURES

At 31 December 2000, the Bank had contractual commitments for capital expenditure in the amount of CZK 29 million (31 December 1999: CZK 170 million).

19 INTEREST INCOME

	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
Interest on inter-bank transactions	1,350,590	1,363,726
Interest on loans to clients and state	921,119	635,248
Interest and discount on debt securities	333,459	385,581
Interest and discount on other financial transactions	<u>115,452</u>	<u>51,831</u>
	<u>2,720,620</u>	<u>2,436,386</u>

20 INTEREST EXPENSE

	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
Interest on inter-bank transactions	820,089	707,935
Interest on deposits from clients and state	1,052,696	938,461
Interest and discount on debt securities	-	3,798
Interest and discount on other financial transactions	<u>23,303</u>	<u>5,905</u>
	<u>1,896,088</u>	<u>1,656,099</u>

21 NET GAINS (LOSES) FROM FINANCIAL OPERATIONS

Gains less losses from trading for the years ended 31 December 2000 and 1999 can be analysed as follows:

	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
Realised gains/ (losses) from securities dealing	38,745	(44,905)
Realised gains from financial derivatives	87,437	-
Gains from foreign currency transactions	<u>201,970</u>	<u>206,877</u>
Net realised trading account gains	<u>328,152</u>	<u>161,972</u>

22 OTHER INCOME AND EXPENSES

	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
<u>Other income</u>		
Commission and fee income	290,680	262,300
Dividend income	<u>22,913</u>	<u>14,102</u>
	313,593	276,402
<u>Other operating income</u>	<u>142,319</u>	<u>15,062</u>
	<u>455,912</u>	<u>291,464</u>

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
<u>Other operating expenses</u>		
Commission and fee expense	<u>37,973</u>	<u>20,738</u>
Rent and lease charges	38,109	34,387
General operating expenses	456,338	451,852
Depreciation and amortisation	271,504	288,119
Other operating expenses	<u>23,218</u>	<u>31,503</u>
	<u>789,169</u>	<u>805,861</u>

General operating expenses include the following:

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
Wages and salaries	265,732	322,161
Social security and other social costs	89,623	72,435
Emoluments of board of directors	<u>10,260</u>	<u>9,100</u>
	<u>365,615</u>	<u>403,696</u>

Staff statistics

	<u>2000</u>	<u>1999</u>
Average number of employees	724	662
Number of members of the board of directors	5	5
Number of members of the supervisory board	6	6

Expenses for statutory bodies and management

	<u>2000</u> CZK'000
Boards of directors	10,260
Supervisory board	1,190
Management	<u>48,969</u>
	<u>60,419</u>

Management of the Bank is as follows: the general manager, 4 vice general managers, 3 heads of section, 21 heads of division and of branches of the Bank.

Other expenses

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
Bad debt written-off (Note14)	117,253	341,170
Disposals of investments	42,364	-
Other expenses	<u>1,347</u>	<u>1,777</u>
	<u>160,964</u>	<u>342,947</u>

23 PENSION BENEFITS

The Bank contributes to a pension fund (Allianz-Živnobanka, penzijní fond, a.s.) on behalf of its Czech Republic employees. The fund is a defined contribution plan. The Bank makes fixed contributions to its employees for pension insurance. In addition, the Bank can contribute a percentage of annual net profit to the pension plan based on income of employees.

24 TAXATION

Refund of UK Corporation tax

<u>2000</u>	<u>1999</u>
CZK'000	CZK'000
=	(40,733)
=	<u>(40,733)</u>

Due to tax losses from the years 2000 and 1999, the Bank has no tax obligation. However due to the closure of London branch and losses in 1999, the Bank was entitled to recover taxes paid in previous years of GBP 713,000 (CZK 40,733,000), which was included in Income tax from ordinary activities in the year 1999.

DEFERRED TAXATION

Deferred tax payable/receivable is analysed as follows:

	<u>2000</u>	<u>1999</u>
	CZK million	CZK million
Unused tax losses of non-deductible provisions for loans	39	-
Unused tax losses of non-deductible provisions for securities	2	10
Unused tax losses	21	41
Differences between tax and accounting depreciation	<u>(23)</u>	<u>(17)</u>
	<u>39</u>	<u>34</u>

A total deferred tax asset of CZK 39 million at 31 December 2000 (31 December 1999: CZK 34 million) comprises the effect of unused tax losses of CZK 21 million at 31 December 2000 (31 December 1999: CZK 41 million), of non-deductible provisions of CZK 41 million at 31 December 2000 (31 December 1999: CZK 10 million) and of a liability resulting from unrealised differences of tax and accounting depreciation of CZK 23 million at 31 December 2000 (31 December 1999: a liability of CZK 17 million). The deferred tax asset has not been recognised, as the timing of the recoverability of the asset is uncertain.

25 FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES

Balance sheet

	31 December 2000		31 December 1999	
	Assets	Liabilities	Assets	Liabilities
	CZK'000	CZK'000	CZK'000	CZK'000
Denominated in foreign currencies	<u>31,315,059</u>	<u>32,434,833</u>	<u>22,566,007</u>	<u>19,785,643</u>

Off balance sheet statement

	31 December 2000		31 December 1999	
	Assets	Liabilities	Assets	Liabilities
	CZK'000	CZK'000	CZK'000	CZK'000
Denominated in foreign currencies	<u>22,755,551</u>	<u>26,007,993</u>	<u>12,135,422</u>	<u>17,436,220</u>

26 DERIVATE FINANCIAL INSTRUMENTS

The Bank has outstanding derivative contracts, which can be analysed as follows:

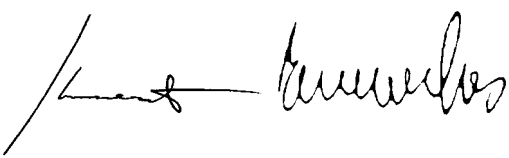
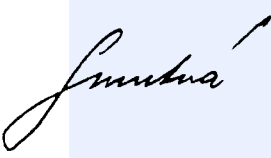

	31 December 2000			31 December 1999
	Nominal value	Positive fair value	Negative fair value	Nominal value
	CZK'000	CZK'000	CZK'000	CZK'000
HEDGING AGREEMENTS				
<u>Interest rate derivatives</u>				
Forward including FRA	-	-	-	1,379,380
Swap	<u>3,606,341</u>	<u>38,578</u>	<u>(9,273)</u>	<u>4,663,120</u>
	<u>3,606,341</u>	<u>38,578</u>	<u>(9,273)</u>	<u>6,042,500</u>
<u>Currency derivatives</u>				
Forward including FRA	-	-	-	2,487,248
Swap	-	-	-	<u>6,488,777</u>
	-	-	-	<u>8,976,025</u>
TRADING AGREEMENTS				
<u>Interest rate derivatives</u>				
Forward including FRA	2,532,700	967	(670)	-
Swap	<u>1,765,966</u>	<u>21,263</u>	<u>(27,937)</u>	-
	<u>4,298,666</u>	<u>22,230</u>	<u>(28,607)</u>	-
<u>Currency derivatives</u>				
Forward including FRA	1,235,640	11,846	(24,453)	-
Swap	<u>5,400,769</u>	<u>60,240</u>	<u>(96,479)</u>	-
	<u>6,636,409</u>	<u>72,086</u>	<u>(120,932)</u>	-

The Bank disclosed at 31 December 1999 all financial derivatives as hedge transactions because of different accounting regulation in the year 1999.

27 SUBSEQUENT EVENTS

The management of the Bank considers that there were no events, which have occurred subsequent to the year end, which would have a material impact on the financial statements at 31 December 2000.

These financial statements including notes have been approved for submission to the general meeting of shareholders by the board of directors of the Bank and have been signed on their behalf:

Date	Stamp and statutory signatures	Person responsible for accounting	Person responsible for the financial statements preparation
			

31 January 2001



Report of Independent Auditors to the shareholders of Živnostenská banka, a.s.

We have audited the accompanying consolidated balance sheet of Živnostenská banka, a.s. in its subsidiary (the „Group“) as at 31 December 2000, and the related consolidated statements of income, statement of changes in equity, and cash flows for the year then ended. These consolidated financial statements set out on pages 52 to 98 are the responsibility of the Group’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 International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance as 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 financial position of the Group as at 31 December 2000, and of the results of its operations, its changes in equity and its cash flows for the year then ended in accordance with International Accounting Standards.

26 February 2001



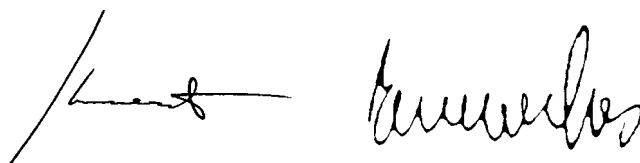
PricewaterhouseCoopers Audit, s.r.o.

CONSOLIDATED INCOME STATEMENT

(according to the International Accounting Standards)

	Notes	Year ended 31 December	
		2000 CZK'000	1999 CZK'000
Interest and discount income	2	2,721,123	2,436,951
Interest expense	2	(1,896,097)	(1,655,369)
Net interest income		825,026	781,582
Fee and commission income	5	290,680	262,300
Fee and commission expense	5	(37,973)	(20,738)
Net fee and commission income		252,707	241,562
Foreign exchange gains	6	283,492	206,996
Dividend income	4	23,468	14,135
Net trading income / (expense)	3	19,655	(46,242)
Gains less losses from investment securities	20	253,199	2,594
Other operating income	8	229,905	146,175
Operating income		1,887,452	1,346,802
Operating expenses	7	(1,326,418)	(1,301,353)
Bad and doubtful debts expense	10	(311,527)	(282,333)
Profit / (loss) before tax		249,507	(236,884)
Income tax (expense) / refund	11	(5,704)	32,061
Net profit / (loss)	34	243,803	(204,823)
Earnings / (loss) per share (expressed in CZK per share)			
- basic and diluted	12	179.2	(150.6)

The following notes form an integral part of these consolidated financial statements.



CONSOLIDATED BALANCE SHEET

(according to the International Accounting Standards)

		As at 31 December	
	Notes	2000	1999
		CZK'000	CZK'000
ASSETS			
Cash and balances with central banks	13	1,421,762	944,950
Treasury bills and other eligible bills	14	541,780	2,364,592
Due from other banks	15	22,649,378	16,931,542
Trading securities	16	11,437,271	342,813
Loans and advances to customers	18	16,175,684	10,144,545
Investment securities	19	3,326,712	4,411,003
Investments in unconsolidated subsidiary and associated undertakings	20	46,512	114,333
Property and equipment	21	1,858,662	1,877,234
Other assets	22	904,534	725,014
Total assets		<u>58,362,295</u>	<u>37,856,026</u>
LIABILITIES			
Due to other banks	23	19,624,319	7,147,153
Due to customers	24	33,401,683	26,637,220
Other liabilities	25	1,734,885	714,048
Subordinated debt	29	1,000,000	1,000,000
Total liabilities		<u>55,760,887</u>	<u>35,498,421</u>
SHAREHOLDERS' EQUITY			
Ordinary shares	30	1,360,410	1,360,410
Reserves	31	1,087,012	1,087,012
Retained profit / (loss)	31	153,986	- 89,817
Total shareholders' equity		<u>2,601,408</u>	<u>2,357,605</u>
Total shareholders' equity and liabilities		58,362,295	37,856,026

These financial statements have been approved for issue by the Board of Directors on 26 February 2001 and signed on its behalf by Mr Jiří Kunert, Chairman and CEO, and by Mr Aleš Barabas, Member of the Board of Directors.

The following notes form an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital CZK'000	Reserves CZK'000	Retained profit / (loss) CZK'000	Total equity CZK'000
Balance at 1 January 1999	1,360,410	1,048,689	221,349	2,630,448
Dividend for 1998	-	-	(68,020)	(68,020)
Loss for the year 1999	-	-	(204,823)	(204,823)
Transfer to reserves	-	38,323	(38,323)	-
Balance at 31 December 1999	<u>1,360,410</u>	<u>1,087,012</u>	<u>(89,817)</u>	<u>2,357,605</u>
Balance at 1 January 2000	1,360,410	1,087,012	(89,817)	2,357,605
Profit for the year 2000	-	-	243,803	243,803
Balance at 31 December 2000	<u>1,360,410</u>	<u>1,087,012</u>	<u>153,986</u>	<u>2,601,408</u>

An analysis of movements in each category within „Reserves“ is presented in Note 31.

The following notes form an integral part of these consolidated financial statements.



CONSOLIDATED CASH FLOW STATEMENT

	<u>Notes</u>	<u>Year ended 31 December</u>	
		<u>2000</u>	<u>1999</u>
		<u>CZK'000</u>	<u>CZK'000</u>
Cash flows from operating activities			
Interest and discount income receipts		2,723,875	2,436,951
Interest payments		(1,780,681)	(1,655,369)
Dividend receipts		23,468	14,135
Fee and commission receipts		252,707	241,562
Other income received		274,904	138,186
Cash payments to employees and suppliers		(1,349,153)	(1,321,884)
Income taxes paid		<u>(7,079)</u>	<u>(9,272)</u>
Cash flows from operating profits before changes in operating assets and liabilities		<u>138,041</u>	<u>(155,691)</u>
Changes in operating assets and liabilities:			
Net (increase) in trading securities and treasury and other eligible bills		(9,703,440)	(391,501)
Net (increase) / decrease in loans and advances to banks		(355,503)	2,171,985
Net (increase) in loans and advances to customers		(5,842,074)	(2,245,114)
Net (increase) in other assets		(176,768)	(90,923)
Net increase / (decrease) in deposits and loans from other banks		12,477,166	(2,233,852)
Net increase in amounts due to customers		6,764,463	1,820,627
Net increase / (decrease) in other liabilities		<u>905,421</u>	<u>(478 611)</u>
Net cash from / (used in) operating activities		<u>4,207,306</u>	<u>(1,603,080)</u>
Cash flows from investing activities			
Purchase of property and equipment		(714,001)	(841,723)
Proceeds from sale of property and equipment		38,611	1,714
Purchases of investment securities		(10,000)	44,842
Proceeds from sales of investment securities		<u>939,942</u>	<u>3,557</u>
Net cash from / (used in) investing activities		<u>254,552</u>	<u>(791,610)</u>

CONSOLIDATED CASH FLOW STATEMENT (continued)

	<u>Notes</u>	<u>Year ended 31 December</u>	
		<u>2000</u>	<u>1999</u>
		<u>CZK'000</u>	<u>CZK'000</u>
Cash flows from financing activities			
Subordinated debt received		-	1,000,000
Dividends paid		<u>-</u>	<u>(68,020)</u>
Net cash from financing activities		<u>-</u>	<u>931,980</u>
Effect of exchange rate changes on cash and cash equivalents		<u>258,148</u>	<u>(545,954)</u>
Net increase / (decrease) in cash and cash equivalents		4,720,006	(2,008,664)
Cash and cash equivalents at beginning of year	33	<u>16,876,313</u>	<u>18,884,977</u>
Cash and cash equivalents at end of year	33	<u>21,596,319</u>	<u>16,876,313</u>

The following notes form an integral part of these consolidated financial statements.



INTRODUCTION

Živnostenská banka was founded in 1868 and incorporated as Živnostenská banka, a.s. („the Bank“) on 1 March 1992. Its registered office is Na Příkopě 858/20, Prague 1, Czech Republic. The Bank has a full banking license and its principal activities include commercial lending, commercial deposit taking, private banking, foreign exchange and corporate finance.

The Bank operates from its head office in Prague and as at 31 December 2000, was organised as eight domestic regional branches.

In addition to its banking activities, Živnostenská banka's activities include subsidiary and associated undertakings involved in fund management (ŽB - Trust, investiční společnost, a.s.), hereby referred to as „the Group“.

1 ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

(1) Basis of presentation

The consolidated financial statements are prepared in accordance with and comply with International Accounting Standards. The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of certain trading assets, liabilities and off-balance sheet instruments to fair value.

In the notes all amounts are shown in thousands of Czech crowns unless otherwise stated.

(2) Consolidation

Companies in which the Bank, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations (subsidiary undertakings) are consolidated from the later of the date on which effective control is transferred to the Bank or when, in the opinion of the directors, they become material to the consolidated financial statements of the Group; they are no longer consolidated from the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between consolidated companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Bank.

The consolidated financial statements for 2000 and 1999 include the results and net assets of ŽB - Trust, investiční společnost, a.s., a wholly owned subsidiary of the Bank.

A listing of the Bank's unconsolidated subsidiaries is set out in Note 20.

(3) Associated undertakings

Associated undertakings are those companies in which the Bank, directly or indirectly has between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control.

In the opinion of the Directors the associated undertakings shown in Note 20 are not material for the fair presentation of the financial position and results of the Group and therefore have not been accounted for under the equity method. They are recorded at cost less provisions for long-term impairment in value instead.

A listing of the Bank's unconsolidated associates is set out in Note 20.

(4) Foreign currencies

Foreign currency transactions in Group companies are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement. Such balances are translated at year-end exchange rates unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used.

(5) Derivative financial instruments

Derivative financial instruments including foreign exchange contracts, forward rate agreements and interest rate swaps are initially recognised in the balance sheet at cost (including transaction costs) and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices and discounted cash flow models. All derivatives are carried as „Other assets“ when their fair value is positive and as „Other liabilities“ when their fair value is negative. Changes in the fair value of interest rate financial derivatives held for trading are included in „Net trading income“. Changes in the fair value of foreign exchange financial derivatives held for trading are included in „Foreign exchange gains“.

The Group's criteria for a derivative instrument to be accounted for as a hedge include:

- i) the transaction must be reasonably expected to match or eliminate a significant portion of the risk inherent in the position being hedged, and
- ii) there is adequate evidence of the intent to hedge at the outset of the transaction.

Derivative financial instruments used for hedging purposes are accounted for on the same basis as the underlying transactions they hedge. If the hedge no longer meets the criteria for hedge accounting mentioned above, an adjustment to the carrying amount of the hedging derivative financial instrument is recorded to „Net (loss) / profit“ of the current year.

(6) Interest and discount income and expense

Interest income and expense are recognised in the income statement on an accruals basis. Income on non-performing loans is also accrued and capitalised into the related loan balance. Such amounts are considered in estimating the provision for non-performing loans and related interest. Interest income also includes coupons and accrued discount earned on fixed interest bearing securities. Interest expense includes discounts on all discounted fixed income instruments.

(7) Trading securities

Trading securities consist of money market investments, bonds and other fixed interest bearing securities, and shares, bonds and other variable interest bearing securities. These securities are available for sale.

Securities transactions are recorded in the balance sheet position on a settlement date basis.

Money market investments consist of State Treasury Bills and the Czech National Bank („CNB“) Treasury Bills and are carried at amortised cost including related discounts. Purchased discounts are amortised into income on a straight-line basis over the period to maturity. Gains and losses arising from trading in these instruments are included in „Net trading income“.

Government and corporate bonds are purchased for liquidity management purposes and equities are purchased for speculative purposes. These securities are quoted on a stock exchange or auxiliary market.

Trading securities are valued at the lower of cost and market value on an individual basis. A specific provision is made for securities with lower liquidity or for securities, which are not traded on the main or auxiliary markets of recognised stock exchanges.

Capital markets in the Czech Republic are not fully developed. Prices listed on the public markets do not always correspond to real conditions of supply and demand or to the economic situation of the issuer. Realised prices can therefore differ from listed prices.

(8) Sale and repurchase agreements

Securities sold under sale and repurchase agreements („repos“) are retained in the financial statements and the counterparty liability is included in deposits from banks or customers as appropriate. Securities purchased under agreements to resell („reverse repos“) are recorded as loans and advances to other banks or customers as appropriate. The difference between the sale and repurchase price is treated as interest and accrued evenly over the life of the agreement.

(9) Investment securities

The investment securities contain not readily marketable equities, marketable equities purchased for strategic holding purposes and debt securities held to maturity.

Tradable investment securities are valued at the lower of cost and market value on a portfolio basis. Investments in unconsolidated subsidiaries and associated undertakings are valued at the lower of cost and „net equity“ value on an individual basis. Other non-tradable investment securities are valued at cost less permanent diminution in value.

(10) Loans and the provisions for loan impairment

Allowances are deducted from the cost of each asset at risk. The amount of allowance for loans and other assets at risk is based on appraisals of the recoverable amount from these assets at the balance sheet date after taking into consideration the forced sale value of collateral. In the case of loans to borrowers in countries where there is an increased risk of difficulties in servicing external debt, an assessment of the political and economic situation is made, and additional country risk provisions are established as necessary.

In addition to specific provisions for individually identified loss loans, a provision for existing losses not specifically identified but which experience indicates are present in the portfolio of loans and advances is set aside. This provision is allocated to borrowers, based on an analysis of internal credit gradings, refined to reflect the economic climate in the markets in which the Group operates.

When a loan is deemed uncollectable, it is written-off against the related provision for impairment. Subsequent recoveries are credited to the income statement if previously written off.

(11) Property and equipment

All property and equipment is stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight line method to write off the cost of each tangible and intangible asset to its residual value over its estimated useful life as follows:

Software	4 years
Buildings	30 years
Equipment and motor vehicles	4 to 12 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their net book value and are taken into account in determining operating profit. Repairs and renewals are charged to the income statement when the expenditure is incurred.

(12) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity including: cash and balances with central banks, treasury bills and other eligible bills, amounts due from other banks and trading securities.

(13) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the net present value of the obligation can be made.

(14) Pensions

During the year the Bank operated defined contribution schemes for its employees in the Czech Republic. Regular contributions are made to the state to fund the national pension plan.

For the defined benefit scheme the expected cost of providing pensions is charged to profit so as to spread the pension cost over the average expected service lives of employees in the scheme. For the defined contribution scheme the contributions made to the pension fund for the period are charged to profit.

(15) Deferred taxation

Deferred tax is accounted using the full liability method. A deferred tax liability is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. A deferred tax asset is recognised if there is probable doubt, that future taxable profit will be available against which these assets can be utilised.

(16) Operating leasing

For operating leases, lease payments are recognised as an expense in the income statement over the lease term.

(17) New accounting developments

For the consolidated financial statements for 2001, a new International Accounting Standard IAS 39 „Financial Instruments: Recognition and Measurement“ will come into effect. The Standard requires all financial assets and financial liabilities to be recognised on the balance sheet, including all derivatives. The Group's financial statements will be affected by the introduction of fair value accounting for certain available-for-sale securities and derivatives used for hedging purposes. For securities that are remeasured to fair value the Group currently intends to recognise the changes in fair value in the income statement. The Standard also establishes hedge accounting criteria and guidelines. The Group's activities that will be most affected by the new Standard have been identified.

The assessment of the impact of IAS 39 on the Group's financial position as of 1 January 2001 will be reported in the 2001 consolidated financial statements as an restatement of equity at 1 January 2001, with no restatement of previously reported amounts for the year ended 31 December 2000.

2 NET INTEREST INCOME

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
Interest and discount income		
Cash and short term funds	1,351,093	1,364,284
Securities	333,459	385,583
Loans and advances	921,119	635,253
Other	<u>115,452</u>	<u>51,831</u>
	<u>2,721,123</u>	<u>2,436,951</u>
Interest expense		
Banks and customers	1,872,794	1,645,666
Other	<u>23,303</u>	<u>9,703</u>
	<u>1,896,097</u>	<u>1,655,369</u>
<u>Net interest income</u>	<u>825,026</u>	<u>781,582</u>

Interest income for the year ended 31 December 2000 related to ŽB - Trust, investiční společnost, a.s. amounted to CZK 503,000 (1999: CZK 565,000).

3 NET TRADING INCOME/(EXPENSE)

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
Securities and interest rate derivatives	<u>19,655</u>	<u>(46,242)</u>

The total amount of CZK 19,655,000 includes trading income of CZK 2,360,000 relating to ŽB - Trust, investiční společnost, a.s. (1999: trading expense of CZK 1,337,000).

4 DIVIDEND INCOME

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
Dividend income	<u>23,468</u>	<u>14,135</u>

The total amount of CZK 23,468,000 (1999: CZK 14,135,000) includes CZK 555,000 (1999: CZK 33,000) representing dividend income of ŽB - Trust, investiční společnost, a.s.

5 FEE AND COMMISSION INCOME

	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
Commission income	212,215	167,527
Income from trading securities	40,597	66,277
Income from other operations	<u>37,868</u>	<u>28,496</u>
Total fee and commission income	<u>290,680</u>	<u>262,300</u>
Expenses from interbank transactions	11,324	11,049
Expense from trading securities	263	393
Expense from other operations	<u>26,386</u>	<u>9,296</u>
Total fee and commission expense	<u>37,973</u>	<u>20,738</u>
Net fee and commission income	<u>252,707</u>	<u>241,562</u>

6 FOREIGN EXCHANGE GAINS

	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
Foreign exchange loss from trading securities and loans	(23,391)	-
Foreign exchange gains from derivative instruments	104,913	n/a
Net income from foreign exchange transactions	<u>201,970</u>	<u>206,996</u>
Foreign exchange gains	<u>283,492</u>	<u>206,996</u>

n/a - The Bank did not monitor the foreign exchange gains in a such detailed structure in 1999.

7 OPERATING EXPENSES

	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
<u>Operating expenses</u>		
Staff costs (Note 9)	386,662	423,586
Depreciation (Note 21)	276,614	290,092
Administrative expenses	114,741	97,374
Communications	33,064	25,881
Advertising and marketing	98,831	69,186
Compulsory deposit insurance	71,525	44,365
Professional services	90,317	62,090
Operating lease rentals	45,909	45,079
Additions to other provisions	71,071	9,313
Net loss / (profit) on sale of property and equipment	3,853	(388)
Other	<u>133,831</u>	<u>234,775</u>
Total operating expenses	<u>1,326,418</u>	<u>1,301,353</u>

The operating expenses for the year ended 31 December 2000 include an amount of CZK 95,099,000 (1999: CZK 84,190,000) related to ŽB - Trust, investiční společnost, a.s.

8 OTHER OPERATING INCOME

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
<u>Operating income</u>		
Recovery of the loan written off previously	89,676	2,359
Other income including income from management fees and commissions of ŽB - Trust, investiční společnost, a.s.	<u>140,229</u>	<u>143,816</u>
Total operating income	<u>229,905</u>	<u>146,175</u>

The operating income for the year ended 31 December 2000 includes an amount of CZK 109,731,000 (1999: CZK 105,106,000) related to ŽB - Trust, investiční společnost, a.s.

9 STAFF COSTS

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
Wages and salaries	289,382	343,463
Social security costs	93,288	77,461
Pension costs	3,992	2,653
Other social costs	<u>-</u>	<u>9</u>
	<u>386,662</u>	<u>423,586</u>

The average number of persons employed by the Group during the year was 747 (1999: 685).

Total staff costs of ŽB - Trust, investiční společnost, a.s. for the year ended 31 December 2000 amounted to CZK 18,774,000 (1999: CZK 19,890,000) for an average of 23 persons (1999: 23 persons).

10 BAD AND DOUBTFUL DEBT EXPENSE

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
Loans and advances to customers (Note 18)		
- Provision charge for individually identified credit risk impairment	212,645	69,333
- Provision charge for impairment	<u>98,882</u>	<u>213,000</u>
	<u>311,527</u>	<u>282,333</u>

11 INCOME TAX EXPENSE

	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
Current tax / (refund)	<u>5,704</u>	<u>(32,061)</u>
The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate of the Czech Republic as follows:		
	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
Profit / (loss) before tax	<u>249,507</u>	<u>(236,884)</u>
Prima facie tax / (refund) calculated at a tax rate of 31% (1999: 35 %)	77,347	(82,909)
Tax effect of:		
Income not assessable for tax purposes	(286,325)	(252,315)
Expenses not deductible for tax purposes	241,817	281,130
Utilisation of previously unrecognised securities trading losses	-	(14,673)
Addition to operational tax losses	(19,990)	29,119
Other	<u>(7,145)</u>	<u>7,587</u>
Current income tax expense / (refund)	<u>5,704</u>	<u>(32,061)</u>

For the year ended 31 December 2000, ŽB - Trust, investiční společnost, a.s. reported a profit before taxes of CZK 18,291,000 (1999: CZK 24,726,000) and therefore recorded a tax expense of CZK 5,704,000 (1999: CZK 8,672,000). The effective tax rate for ŽB - Trust, investiční společnost, a.s. is 31.2 % (1999: 35.1 %).

Further information about deferred tax is presented in Note 26.

12 EARNINGS / (LOSS) PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of shares in issue during the year.

	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
Net profit / (loss) attributable to shareholders	243,803	(204,823)
Weighted average number of shares in issue	1,360,410	1,360,410
Basic earnings / (losses) per share (CZK per share)	<u>179.2</u>	<u>(150.6)</u>

As the Bank had no potentially dilutive instruments in issue in 2000 or 1999 the basic earnings per share equals the fully diluted earnings per share.

13 CASH AND BALANCES WITH CENTRAL BANKS

	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
Cash in hand	398,503	304,642
Balances with central banks	<u>1,023,259</u>	<u>640,308</u>
Total cash and balances with central banks (Note 33)	<u>1,421,762</u>	<u>944,950</u>

Balances with central banks include mandatory reserve deposits of CZK 748,597,000 (1999: CZK 606,081,000). These funds are not available to finance the Bank's day-to-day operations. The total balance of CZK 1,421,762,000 (1999: CZK 944,950,000) as at 31 December 2000 includes an amount of CZK 37,000 (1999: CZK 6,000) in relation to ŽB - Trust, investiční společnost, a.s.

14 TREASURY BILLS AND OTHER ELIGIBLE BILLS

	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
State Treasury bills	<u>541,780</u>	<u>2,364,592</u>

The total amount of state treasury bills of CZK 541,780,000 (1999: CZK 2,364,592,000) includes an amount of CZK 521,484,000 (1999: CZK 1,620,599,000) related to state treasury bills with less than 90 days maturity (Note 33).

15 DUE FROM OTHER BANKS

	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
Balances with other banks	192,876	280,169
Placements with other banks	10,834,248	14,820,212
Loans and advances to other banks	<u>11,622,254</u>	<u>1,831,161</u>
	<u>22,649,378</u>	<u>16,931,542</u>

As at 31 December 2000, the total balance of CZK 22,649,378,000 (1999: CZK 16,931,542,000) includes an amount of CZK 2,567,000 (1999: CZK 1,796,000) in relation to ŽB - Trust, investiční společnost, a.s.

The total amount of CZK 22,649,378,000 (1999: CZK 16,931,542,000) includes an amount of CZK 19,653,073,000 (1999: CZK 14,290,740,000) related to due from banks with less than 90 days maturity (Note 33).

16 TRADING SECURITIES

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
Bonds and other variable interest bearing securities		
- Listed	10,792,797	124,772
- Unlisted	105,270	108,390
Bonds and other fixed interest bearing securities		
- Listed	530,129	106,949
- Unlisted	-	-
Equities		
- Listed	9,045	2,668
- Unlisted	<u>30</u>	<u>34</u>
	<u>11,437,271</u>	<u>342,813</u>

The total amount of CZK 11,437,271,000 (1999: CZK 342,813,000) represents trading securities with more than 90 days maturity (1999: CZK 20,024,000 with less than 90 days maturity) (Note 33).

17 DERIVATIVE FINANCIAL INSTRUMENTS

The Bank has financial derivatives agreements at the balance sheet date, which can be divided as follows:

	<u>31 December 2000</u>		<u>31 December 1999</u>
	<u>Nominal value</u> CZK'000	<u>Fair value positive</u> CZK'000	<u>Fair value negative</u> CZK'000
Hedging agreements			
<u>Interest rate derivatives</u>			
Forwards	-	-	-
Swaps	3,606,341	38,578	(9,273)
	<u>3,606,341</u>	<u>38,578</u>	<u>(9,273)</u>
<u>Foreign exchange derivatives</u>			
Forwards	-	-	-
Swaps	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>(14,395)</u>

Fair value of the hedging instruments is not recognised in the financial statements.

	31 December 2000	31 December 1999		
	Nominal value CZK'000	Fair value positive CZK'000	Fair value negative CZK'000	Fair value CZK'000
Trading agreements				
Interest rate derivatives				
Forwards	2,532,700	967	(670)	-
Swaps	<u>1,765,966</u>	<u>21,263</u>	<u>(27,937)</u>	<u>-</u>
	<u>4,298,666</u>	<u>22,230</u>	<u>(28,607)</u>	<u>-</u>
Foreign exchange derivatives				
Forwards	1,235,640	11,846	(24,453)	-
Swaps	<u>5,400,769</u>	<u>60,240</u>	<u>(96,479)</u>	<u>-</u>
	<u>6,636,409</u>	<u>72,086</u>	<u>(120,932)</u>	<u>-</u>
Total interest rate derivatives	7,905,007	60,808	(37,880)	75,175
Total foreign exchange derivatives	<u>6,636,409</u>	<u>72,086</u>	<u>(120,932)</u>	<u>(14,395)</u>
Total agreements	<u>14,541,416</u>	<u>132,894</u>	<u>(158,812)</u>	<u>60,780</u>

Fair value of the trading instruments is recognised in the financial statements.

The tables above provide a detailed breakdown of the contractual or notional amounts and the fair value of the Bank's derivative financial instruments outstanding at year end as described below.

These instruments, comprising foreign exchange and interest rate derivatives allow the Bank and its customers to transfer, modify or reduce their foreign exchange and interest rate risks.

The Bank maintains strict control limits on net open positions, i.e. the difference between purchase and sale contracts, by both currency and term.

Nominal amounts

The nominal amounts represent the sum of all currency and interest rate positions of the respective derivative contracts as of the balance sheet date. The nominal amounts do not always represent amounts exchanged by the parties, but rather represent the contract amounts based on which payments are calculated. The potential risk relates to fluctuations in market prices as well as the credit risk of contract partners.

Fair values

The computation of fair values does not consider the offsetting change in the value of the item being hedged.

Fair values are obtained from quoted market prices or discounted cash flow models.

Credit risk

The credit risk is the sum of the fair values of derivatives with a positive fair value. The credit risk is the danger of non-performance of counterparties. This risk is minimised by entering into contracts exclusively with counterparties of high credit standing and ensuring that the limits set by the Bank for each counterparty are adhered to.

Foreign exchange forwards represent commitments to purchase foreign and domestic currency.

Forward rate agreements are effectively tailor-made interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies, interest rates (for example, fixed rate for floating rate) or a combination of all these. Except for certain currency swaps, no exchange of principal takes place. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for lending decisions.

As noted above, the notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms.

18 LOANS AND ADVANCES TO CUSTOMERS

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
Gross loans and advances	16,888,605	10,603,412
Less provision charge for individually identified credit risk impairment	(269,963)	(114,791)
Less provision charge for impairment	<u>(442,958)</u>	<u>(344,076)</u>
Net loans and advances	<u>16,175,684</u>	<u>10,144,545</u>

During 2000, the Bank provided a credit line of CZK 11,299 million (EUR 320 million) to a foreign company. As at 31 December 2000, CZK 1,123 million (EUR 32 million) was drawn from this facility. As at 31 December 2000, the unutilised amount of the credit line was CZK 10,106 million (EUR 288 million) (Note 28). As collateral for the loan the Bank received a cash deposit of CZK 10,878 million (EUR 310 million) from banks of Bankgesellschaft Berlin AG group (hereinafter „BGB“) (Note 40). A part of the difference between the cash deposit and utilised amount of credit line as at 31 December 2000 was invested in foreign government bonds in a nominal value of CZK 9,246 million (EUR 263.5 million) (Note 16).

Also during 2000, the Bank provided to a related party incorporated abroad a five year loan of CZK 402 million (USD 11 million) due in 2005. The loan conditions are defined to secure credit risk and market risk of reference assets held by the foreign company of USD 43 million. The loan could terminate before the original maturity date following a credit default of any one of the reference assets or if the mark-to-market loss on the portfolio exceeds USD 7 million. The early redemption amount would be calculated as the loan principal and accrued interest as at termination date less the market value of the portfolio. In the opinion of the management of the Bank the probability of occurrence of the above specified events is remote and therefore no provision was set aside.

Movements in provisions for impairment are as follows:

	<u>Specific provision</u> CZK'000	<u>Provision</u> CZK'000
Balance at 1 January 1999	133,943	383,761
Additions to / (release of) provisions, (Note 10)	69,333	213,000
Bad debts written off	<u>(88,485)</u>	<u>(252,685)</u>
Balance at 31 December 1999	<u>114,791</u>	<u>344,076</u>
Additions to / (release of) provisions, (Note 10)	212,645	98,882
Bad debts written off	<u>(57,473)</u>	<u>-</u>
Balance at 31 December 2000	<u>269,963</u>	<u>442,958</u>

Economic sector risk concentrations within the customer gross loan portfolio were as follows:

	<u>2000</u> CZK'000	<u>2000</u> %	<u>1999</u> CZK'000	<u>1999</u> %
Services	9,273,970	55	5,278,786	50
Manufacturing	6,796,697	40	4,667,796	44
Private individuals	265,600	2	90,402	1
Other	<u>552,338</u>	<u>3</u>	<u>566,428</u>	<u>5</u>
	<u>16,888,605</u>	<u>100</u>	<u>10,603,412</u>	<u>100</u>

The following table presents the distribution of the Bank's gross credit exposure by geographical region for loans and advances to customers and debt securities.

	<u>Loans and advances</u> <u>to customers</u> CZK'000	<u>Other credit risk</u> <u>bearing instruments</u> CZK'000
31 December 2000		
Czech Republic	11,990,271	7,200,667
Other OECD countries	4,707,650	11,035,664
Non - OECD Central and Eastern Europe countries	176,112	96,512
Other countries	<u>14,572</u>	<u>-</u>
	<u>16,888,605</u>	<u>18,332,843</u>
31 December 1999		
Czech Republic	10,200,940	5,654,670
Other OECD countries	14,965	48,139
Non - OECD Central and Eastern Europe countries	387,507	131,325
Other countries	<u>-</u>	<u>7,915</u>
	<u>10,603,412</u>	<u>5,842,049</u>

Loans and advances are further analysed as a part of the balance sheet in Note 35 Concentration of credit risk, Note 36 Currency risk, Note 37 Interest rate risk, Note 38 Liquidity risk, Note 39 Fair value information, Note 40 Related party transactions.

19 INVESTMENT SECURITIES

	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
Unlisted debt securities	226,878	467,727
Provision for permanent diminution in value	<u>(226,878)</u>	<u>(422,753)</u>
	-	44,974
Tradable equity securities at cost	385,077	322,244
Tradable debt securities at cost	<u>2,887,434</u>	<u>4,075,250</u>
	3,272,511	4,397,494
Provision for lower market value	<u>54,201*</u>	<u>(31,465)</u>
	<u>3,326,712</u>	<u>4,411,003</u>

Movements in provision for diminution in value are as follows:

	<u>Provision for permanent diminution in value</u>	<u>Provision for lower market value</u>	<u>Total specific provision</u>
	CZK'000	CZK'000	CZK'000
Balance at 1 January 1999	313,477	69,127	382,604
Net movement for the year	<u>109,276</u>	<u>(37,662)</u>	<u>71,614</u>
Balance at 31 December 1999	422,753	31,465	454,218
Net movement for the year	<u>(195,875)</u>	<u>(85,666)</u>	<u>(281,541)</u>
Balance at 31 December 2000	<u>226,878</u>	<u>(54,201)*</u>	<u>172,677</u>

* Positive provision of CZK 54,201,000 is due to the fact that investment portfolio is valued on portfolio basis.

As at 31 December 2000, the balance of CZK 3,326,712,000 (31 December 1999: CZK 4,411,003,000) includes the following amounts from ŽB - Trust, investiční společnost, a.s.

	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
Listed shares and other variable income securities	53,460	33,458
Provision for diminution in value	<u>(1,648)</u>	<u>-</u>
	<u>51,812</u>	<u>33,458</u>

20 INVESTMENTS IN UNCONSOLIDATED SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

In the opinion of the directors, consolidation of the financial statements of the following subsidiary and associated undertakings would not have a material effect on the consolidated financial statements of the Group.

The unconsolidated subsidiary and associated undertakings, all of which are unlisted, are:

	Country of incorporation	As at 31 December 2000		As at 31 December 1999	
		% interest held	Cost	% interest held	Cost
Zivnostenska Finance B. V. Haaksbergweg 27, Amsterdam Zuidoost	The Netherlands	100	637	100	656
ŽB - Asset Management, a.s. Politických vězňů 5, Prague 1	Czech Republic	100	10,590	100	10,590
Allianz - Živnobanka, penzijní fond, a.s. Francouzská 4, Prague 2	Czech Republic	-	-	45	69,979
Český leasing, s.r.o. Charkovská 24, Prague 10	Czech Republic	25	39,271	25	39,271
			50,498		120,496
Less provision for impairment			(3,986)		(6,163)
			<u>46,512</u>		<u>114,333</u>

	Provision for investment securities CZK'000	Provision for impairment of investment in subsidiary and associated undertakings CZK'000	Total specific provision CZK'000
Balance at 1 January 2000	454,218	6,163	460,381
Foreign exchange movement	(23,020)	-	(23,020)
Creation of provision	369,338	-	369,338
Release of provision	<u>(627,859)</u>	<u>(2,177)</u>	<u>(630,036)</u>
Balance at 31 December 2000	<u>172,677</u>	<u>3,986</u>	<u>176,663</u>

	Provision for investment securities CZK'000	Provision for impairment of investment in subsidiary and associated undertakings CZK'000	Total specific provision CZK'000
Balance at 1 January 1999	382,604	13,807	396,411
Foreign exchange movement	63,007	-	63,007
Creation of provision	9,600	-	9,600
Release of provision	<u>(993)</u>	<u>(7,644)</u>	<u>(8,637)</u>
Balance at 31 December 1999	<u>454,218</u>	<u>6,163</u>	<u>460,381</u>

Gains less losses from investment securities for the year 2000 can be analysed as follows:

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
Provisions created in the year	(30,058)	(9,600)
Provisions released for the year	199,276	8,637
Transfer from provisions for investment securities to provisions for credit risk	<u>137,520</u>	<u>-</u>
Net movement in provisions	306,738	(963)
Realised (losses) / gains from sale of investment securities	<u>(53,539)</u>	<u>3,557</u>
Gains less losses from investment securities	<u>253,199</u>	<u>2,594</u>

21 PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u> CZK'000	<u>Buildings</u> CZK'000	<u>Equipment</u> CZK'000	<u>Software</u> CZK'000	Assets in the course of construction CZK'000	<u>Total</u> CZK'000
At 31 December 1999						
Cost	49,936	1,520,078	1,043,211	453,121	7,962	3,074,308
Accumulated depreciation	-	237,521	633,370	326,183	-	1,197,074
Net book amount	<u>49,936</u>	<u>1,282,557</u>	<u>409,841</u>	<u>126,938</u>	<u>7,962</u>	<u>1,877,234</u>
Year ended 31 December 2000						
Opening net book amount	49,936	1,282,557	409,841	126,938	7,962	1,877,234
Additions	-	265,856	340,439	61,424	53,521	721,240
Disposals /transfers	6,110	179,684	185,574	-	59,175	430,543
Depreciation charge	-	96,280	149,728	63,261	-	309,269
Closing net book amount	<u>43,826</u>	<u>1,272,449</u>	<u>414,978</u>	<u>125,101</u>	<u>2,308</u>	<u>1,858,662</u>
At 31 December 2000						
Cost	43,826	1,606,250	1,198,076	514,545	2,308	3,365,005
Accumulated depreciation	-	333,801	783,098	389,444	-	1,506,343
Net book amount	<u>43,826</u>	<u>1,272,449</u>	<u>414,978</u>	<u>125,101</u>	<u>2,308</u>	<u>1,858,662</u>

As at 31 December 2000, the total balance of property and equipment of CZK 1,858,662,000 includes an amount of CZK 12,786,000 (1999: CZK 10,105,000) related to ŽB - Trust, investiční společnost, a.s.

22 OTHER ASSETS

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
Accounts receivable and prepayments	199,278	104,996
Taxation recoverable	5,201	11,011
Accrued income	329,036	469,821
Financial derivatives	94,316	12,278
Accrued interest on securities	207,179	-
Other	<u>69,524</u>	<u>126,908</u>
	<u>904,534</u>	<u>725,014</u>

As at 31 December 2000, the total balance of CZK 904,534,000 includes an amount of CZK 39,355,000 (1999: CZK 48,097,000) related to ŽB - Trust, investiční společnost, a.s.

23 DUE TO OTHER BANKS

	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
Deposits from other banks	<u>19,624,319</u>	<u>7,147,153</u>

Included in the balance of due to other banks are amounts drawn under a syndicated loan facility arranged during 1996 which matures on 18 April 2001 and bears interest at LIBOR + 0.25 %. At 31 December 2000, the amount of CZK 3,781,300,000 outstanding (1999: CZK 3,597,900,000) is denominated in U.S. Dollars and is comprised of three tranches totalling US \$ 100,000,000 (1999: US \$ 100,000,000).

At each rollover date interest rates may be fixed for one, three or six month periods and the currency of the tranche may be chosen as either U.S. Dollars or Deutsche Marks, both at the option of the Bank. Repayment before maturity may be made without penalty, and amounts repaid may be redrawn up to the maturity date of the facility.

24 DUE TO CUSTOMERS

	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
Corporate customers	9,254,525	7,544,531
Retail customers	<u>24,147,158</u>	<u>19,092,689</u>
	<u>33,401,683</u>	<u>26,637,220</u>

25 OTHER LIABILITIES

	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
Payment and settlement items in transit	819,429	253,861
Current taxes	508	652
Interest receivable and payable	350,808	224,903
Payables from unsettled securities transactions	31,136	2,479
Other creditors	53,346	43,498
Accruals	120,125	66,789
Financial derivatives	149,539	24,484
Remuneration of Supervisory Board payable	1,190	-
Provisions for litigations	40,000	-
Other	<u>168,804</u>	<u>97,382</u>
	<u>1,734,885</u>	<u>714,048</u>

As at 31 December 2000, the total balance of CZK 1,734,885,000 (1999: CZK 714,048,000) includes an amount of CZK 18,610,000 (1999: CZK 12,103,000) attributable to ŽB - Trust, investiční společnost, a.s.

26 DEFERRED INCOME TAXES

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
Deferred income tax liabilities		
Differences between accounting and tax depreciation	23,000	17,000
Deferred income tax assets		
Securities trading loss carry forwards (available for 3 years)	5,000	4,000
Operational loss carry forwards (available for 7 years)	16,000	37,000
Tax non-deductible provisions	<u>41,000</u>	<u>10,000</u>
	62,000	51,000
Net unrecognised deferred income tax asset	<u>39,000</u>	<u>34,000</u>

Deferred income tax assets are recognised for tax loss carry forwards only to the extent that realisation of the related tax benefit is probable.

The deferred tax asset has not been recognised, as its recoverability is uncertain.

27 PENSION OBLIGATIONS

The Bank contributes to a pension fund (Allianz - Živnobanka, penzijní fond, a.s.) on behalf of its Czech Republic employees. The fund is a defined contribution plan. The Bank makes monthly contributions in fixed amounts. In addition, the Bank is required to contribute a percentage of annual net profit to the plan on behalf of its employees based on each employee's salary.

28 CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings. The Group is subject to various legal proceedings in its normal course of business. A provision of CZK 40 million (1999: CZK nil) has been made as independent professional advice indicates that such a loss may eventuate (Note 25).

Capital commitments. At 31 December 2000 the Group had capital commitments amounting to CZK 29 million (31 December 1999: CZK 170 million) in respect of buildings and equipment purchases.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the

Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss, though not easy to quantify, is considerably less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining commitments. The risk is viewed as modest, since it results from the possibility of unused portions of loan authorisation being drawn by the customer and, second, from these drawings subsequently not being repaid as due. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

The following table indicates the contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers.

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
Commitments to extend credit	16,649,796	5,260,922
Guarantees, acceptances and letters of credit	1,683,047	581,127

Operating lease commitments. The future minimum lease payments for buildings entered into by the Group as at 31 December 2000 are as follows:

<u>Year</u>	<u>2000</u> CZK'000	<u>1999</u> CZK'000
2001	43,422	25,992
2002	44,026	26,013
2003	44,695	24,489
2004	42,551	16,459
Thereafter	<u>32,505</u>	<u>38,707</u>
Total	<u>207,199</u>	<u>131,660</u>

29 SUBORDINATED DEBT

On 29 December 1999 the Bank received from a major shareholder a subordinated debt of EUR 27.7 million, which was converted to CZK 1 billion on 29 March 2000. The subordinated debt bears interest at the Prague Interbank Offered Rate („PRIBOR“) plus a margin of 60 basis points until 29 December 2004 and 120 basis points thereafter. The interest is payable quarterly in arrears. The principal is repayable by 29 December 2009, with no repayment being possible before 29 December 2004 and without the consent of the CNB. The debt, which is unsecured, is subordinated to all other liabilities of the Bank and forms a part of the tier two capital of the Bank as defined for capital adequacy purposes.

30 ORDINARY SHARES

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
Ordinary shares of CZK 1,000 per share issued at par and fully paid	<u>1,360,410</u>	<u>1,360,410</u>

31 RESERVES AND RETAINED EARNINGS

	Statutory fund CZK'000	Other funds CZK'000	Retained profit / loss CZK'000	Total CZK'000
Balance at 1 January 2000	276,172	810,840	(89,817)	997,195
Profit 2000	-	-	243,803	243,803
Balance at 31 December 2000	<u>276,172</u>	<u>810,840</u>	<u>153,986</u>	<u>1,240,998</u>

32 DIVIDENDS PER SHARE

Dividends payable are not accounted for until they have been approved by the Annual General Meeting. The proposal is that no dividend will be paid in respect of 2000 (1999: no dividends were paid) due to the accumulated loss of the Bank from previous years.

33 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprises the following balances with less than 90 days maturity:

	<u>2000</u> CZK'000	<u>1999</u> CZK'000
Cash and balances with central banks (Note 13)	1,421,762	944,950
Treasury bills and other eligible bills (Note 14)	521,484	1,620,599
Due from other banks (Note 15)	19,653,073	14,290,740
Trading securities (Note 16)	-	20,024
	<u>21,596,319</u>	<u>16,876,313</u>

34 BUSINESS SEGMENTS

The Group has two distinct industry segments, i.e. banking activities provided by Živnostenská banka, a.s. and asset management services provided by ŽB - Trust, investiční společnost, a.s.

Primary segment information

<u>Year ended 31 December 2000</u>	<u>Banking</u> CZK'000	<u>Asset management</u> CZK'000	<u>Group</u> CZK'000
Operating income	1,774,062	113,390	1,887,452
Profit from operations	542,743	18,291	561,034
Profit before tax	231,216	18,291	249,507
Income tax	-	(5,704)	(5,704)
Net profit	<u>231,216</u>	<u>12,587</u>	<u>243,803</u>
Segment assets	58,224,833	137,462	58,362,295
Capital expenditure	714,002	7,238	721,240
Segment net assets	2,482,556	118,852	2,601,408
Depreciation	209,472	280	209,752
Amortisation	62,031	1,230	63,261
Impairment charge	113,963	-	113,963
Other non-cash expenses	311,527	-	311,527
 <u>Year ended 31 December 1999</u>	 <u>Banking</u> CZK'000	 <u>Asset management</u> CZK'000	 <u>Group</u> CZK'000
Operating income	1,237,886	108,916	1,346,802
Profit from operations	20,723	24,726	45,449
(Loss) / profit before tax	(261,610)	24,726	(236,884)
Income tax	40,733	(8,672)	32,061
Net (loss) / profit	<u>(220,877)</u>	<u>16,054</u>	<u>(204,823)</u>
Segment assets	37,737,657	118,369	37,856,026
Capital expenditure	831,393	10,330	841,723
Segment net assets	2,251,339	106,266	2,357,605
Depreciation	203,900	1,327	205,227
Amortisation	84,219	646	84,865
Impairment charge	289,999	-	289,999
Other non-cash expenses	282,333	-	282,333
Restructuring costs	115,570	-	115,570

Transactions between the business segments were on normal commercial terms and conditions. There are no material items of income or expense between the business segments.

Geographical segments

Secondary segment information

The majority of revenue from external customers originates from the Czech Republic. Subsequent to the closure of the London Branch, the majority of the assets are also allocated in the Czech Republic and there has been no significant capital expenditure outside the Czech Republic.

35 CONCENTRATION OF CREDIT RISK

As at 31 December 2000

	Total <u>assets</u> CZK'000	Total <u>liabilities</u> CZK'000	Credit <u>commitments</u> CZK'000	Capital <u>expenditure</u> CZK'000
Czech Republic	30,621,281	37,366,029	5,528,453	721,240
Other OECD countries	26,904,247	19,959,414	11,031,637	-
Non - OECD Central and Eastern Europe countries	261,243	746,295	89,706	-
Other countries	<u>575,524</u>	<u>290,557</u>	<u>-</u>	<u>-</u>
	<u>58,362,295</u>	<u>58,362,295</u>	<u>16,649,796</u>	<u>721,240</u>

As at 31 December 1999

	Total <u>assets</u> CZK'000	Total <u>liabilities</u> CZK'000	Credit <u>commitments</u> CZK'000	Capital <u>expenditure</u> CZK'000
Czech Republic	23,106,026	31,058,981	5,078,986	841,723
Other OECD countries	12,955,092	5,883,050	47,013	-
Non - OECD Central and Eastern Europe countries	1,105,480	693,639	131,325	-
Other countries	<u>689,428</u>	<u>220,356</u>	<u>3,598</u>	<u>-</u>
	<u>37,856,026</u>	<u>37,856,026</u>	<u>5,260,922</u>	<u>841,723</u>

The Czech Republic is the home country of the parent Bank, which is also the main operating company. The areas of operation include all the primary business segments.

As an active participant in the international banking markets, the Group has a significant concentration of credit risk with other financial institutions. In total, credit risk exposure to financial institutions amounted to CZK 22,754,834,000 at 31 December 2000 of which CZK 105,456,000 consisted of derivative financial instruments (1999: CZK 16,989,955,000 of which derivative financial instruments CZK 58,413,000).

Interest and fee income, total assets, total liabilities and contingent liabilities are allocated based on the country in which the counterparty is located.

36 CURRENCY RISK

Concentrations of assets, liabilities and off balance sheet items

The Group has the following significant currency positions:

As at 31 December 2000	CZK CZK'000	USD CZK'000	GBP CZK'000	EUR* CZK'000	Other CZK'000	Total CZK'000
Assets						
Cash and balances with central banks	1,289,974	44,185	5,095	66,244	16,264	1,421,762
Treasury bills and other eligible bills	541,780	-	-	-	-	541,780
Due from other banks	13,033,125	6,929,759	426,733	2,118,782	140,979	22,649,378
Trading securities	288,767	878,242	-	10,270,262	-	11,437,271
Loans and advances to customers	8,967,292	1,234,283	287	5,640,633	333,189	16,175,684
Investment securities	601,194	1,778,458	-	338,782	608,278	3,326,712
Investments in unconsolidated subsidiary and associated undertakings	45,875	-	-	637	-	46,512
Property and equipment	1,858,662	-	-	-	-	1,858,662
Other assets	<u>458,371</u>	<u>172,781</u>	<u>4,704</u>	<u>222,414</u>	<u>46,264</u>	<u>904,534</u>
Total assets	<u>27,085,040</u>	<u>11,037,708</u>	<u>436,819</u>	<u>18,657,754</u>	<u>1,144,974</u>	<u>58,362,295</u>
<i>* Positions denominated in all currencies of the eurozone</i>						
Liabilities						
Due to other banks	3,374,440	4,159,804	33	12,087,597	2,445	19,624,319
Due to customers	17,900,540	7,795,458	435,760	6,597,950	671,975	33,401,683
Other liabilities	1,053,700	285,791	4,765	335,355	55,274	1,734,885
Subordinated debt	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Total liabilities	<u>23,328,680</u>	<u>12,241,053</u>	<u>440,558</u>	<u>19,020,902</u>	<u>729,694</u>	<u>55,760,887</u>
Net balance sheet position						
	<u>3,756,360</u>	<u>(1,203,345)</u>	<u>(3,739)</u>	<u>(363,148)</u>	<u>415,280</u>	<u>2,601,408</u>
Off balance sheet net notional position						
	(985,243)	1,115,753	8,148	247,416	(432,732)	(46,658)
Credit commitments	5,127,177	388,956	841	11,119,710	13,112	16,649,796

** Positions denominated in all currencies of the eurozone*

As at 31 December 1999	<u>CZK</u> CZK'000	<u>USD</u> CZK'000	<u>GBP</u> CZK'000	<u>EUR*</u> CZK'000	<u>Other</u> CZK'000	<u>Total</u> CZK'000
Assets						
Cash and balances with central banks	842,988	33,515	4,871	50,631	12,945	944,950
Treasury bills	2,364,592	-	-	-	-	2,364,592
Due from other banks	5,115,899	8,382,494	422,244	2,865,546	145,359	16,931,542
Trading securities	134,600	-	-	208,213	-	342,813
Loans and advances to customers	4,088,273	939,120	15,267	4,829,951	271,934	10 144 545
Investment securities	581,415	2,476,619	-	756,460	596,509	4 411 003
Investments in unconsolidated subsidiary and associated undertakings	114,333	-	-	-	-	114,333
Property and equipment	1,877,234	-	-	-	-	1,877,234
Other assets	<u>486,088</u>	<u>172,248</u>	<u>2,873</u>	<u>45,005</u>	<u>18,800</u>	<u>725,014</u>
Total assets	<u>15,605,422</u>	<u>12,003,996</u>	<u>445,255</u>	<u>8,755,806</u>	<u>1,045,547</u>	<u>37,856,026</u>
Liabilities						
Due to other banks	2,592,585	4,065,627	46,481	442,435	25	7,147,153
Due to customers	11,646,570	7,265,492	451,752	6,646,073	627,333	26,637,220
Other liabilities	549,068	101,344	2,105	32,727	28,804	714,048
Subordinated debt	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Total liabilities	<u>15,788,223</u>	<u>11,432,463</u>	<u>500,338</u>	<u>7,121,235</u>	<u>656,162</u>	<u>35,498,421</u>
Net balance sheet position	<u>(182,801)</u>	<u>571,533</u>	<u>(55,083)</u>	<u>1,634,571</u>	<u>389,385</u>	<u>2,357,605</u>
Off balance sheet net notional position	2,577,831	(637,956)	17,706	(1,569,548)	(381,779)	6,254
Credit commitments	3,334,049	764,664	272	1,148,361	13,576	5,260,922

* Positions denominated in all currencies of the eurozone

37 INTEREST RATE RISK

As at 31 December 2000	Up to 1 month CZK'000	1 - 3 months CZK'000	3 - 12 months CZK'000	1 - 5 years CZK'000	Over 5 years CZK'000	Non-interest bearing CZK'000	Total CZK'000
Assets							
Cash and balances with central banks	673,165	-	-	-	-	748,597	1,421,762
Treasury and other eligible bills	541,780	-	-	-	-	-	541,780
Due from other banks	20,825,012	350,000	1,474,366	-	-	-	22,649,378
Trading securities	1,000,183	9,793,315	356,952	238,147	40,000	8,674	11,437,271
Loans and advances to customers	6,920,557	6,328,045	1,720,056	1,226,454	693,493	(712,921)	16,175,684
Investment securities	-	192,341	927,764	1,281,380	485,950	439,277	3,326,712
Investments in unconsolidated subsidiary and associated undertakings	-	-	-	-	-	46,512	46,512
Property and equipment	-	-	-	-	-	1,858,662	1,858,662
Other assets	-	-	-	-	-	904,534	904,534
Total assets	<u>29,960,697</u>	<u>16,663,701</u>	<u>4,479,138</u>	<u>2,745,981</u>	<u>1,219,443</u>	<u>3,293,335</u>	<u>58,362,295</u>
Liabilities							
Due to other banks	13,951,416	300,000	5,172,903	200,000	-	-	19,624,319
Due to customers	13,015,138	19,213,129	1,119,539	53,877	-	-	33,401,683
Other liabilities	-	-	-	-	-	1,734,885	1,734,885
Subordinated debt	-	1,000,000	-	-	-	-	1,000,000
Total liabilities	<u>26,966,554</u>	<u>20,513,129</u>	<u>6,292,442</u>	<u>253,877</u>	<u>-</u>	<u>1,734,885</u>	<u>55,760,887</u>
On balance sheet interest sensitivity gap	2,994,143	(3,849,428)	(1,813,304)	2,492,104	1,219,443	1,558,450	2,601,408
Off balance sheet interest sensitivity gap	100,727	1,375,033	1,083,871	(1,763,935)	(795,696)	-	-

As at 31 December 1999	<u>Up to 1 month</u> CZK'000	<u>1 - 3 months</u> CZK'000	<u>3 – 12 months</u> CZK'000	<u>1 – 5 years</u> CZK'000	<u>Over 5 years</u> CZK'000	<u>Non- interest bearing</u> CZK'000	<u>Total</u> CZK'000
Assets							
Cash and central banks	338,869	-	-	-	-	606,081	944,950
Treasury and other eligible bills	176,559	1,444,039	743,994	-	-	-	2,364,592
Due from other banks	9,401,963	4,888,777	2,563,216	77,586	-	-	16,931,542
Trading securities	-	148,414	104,974	86,723	-	2,702	342,813
Loans to customers	1,208,069	2,301,002	5,528,817	847,408	718,116	(458,867)	10,144,545
Investment securities	238,254	258,994	721,971	1,994,248	789,149	408,387	4,411,003
Investments in uncon- solidated subsidiary and associated undertakings	-	-	-	-	-	114,333	114,333
Property and equipment	-	-	-	-	-	1,877,234	1,877,234
Other assets	-	-	-	-	-	725,014	725,014
Total assets	<u>11,363,714</u>	<u>9,041,226</u>	<u>9,662,972</u>	<u>3,005,965</u>	<u>1,507,265</u>	<u>3,274,884</u>	<u>37,856,026</u>

	<u>Up to 1 month</u> CZK'000	<u>1 - 3 months</u> CZK'000	<u>3 – 12 months</u> CZK'000	<u>1 – 5 years</u> CZK'000	<u>Over 5 years</u> CZK'000	<u>Non- interest bearing</u> CZK'000	<u>Total</u> CZK'000
Liabilities							
Due to other banks	2,566,655	340,163	3,966,935	73,892	199,508	-	7,147,153
Due to customers	23,383,707	2,347,807	848,054	57,652	-	-	26,637,220
Other liabilities	-	-	-	-	-	714,048	714,048
Subordi- nated debt	-	1,000,000	-	-	-	-	1,000,000
Total liabilities	<u>25,950,362</u>	<u>3,687,970</u>	<u>4,814,989</u>	<u>131,544</u>	<u>199,508</u>	<u>714,048</u>	<u>35,498,421</u>
On balance sheet interest sensitivity gap	(14,586,648)	5,353,256	4,847,983	2,874,421	1,307,757	2,560,836	2,357,605
Off balance sheet interest sensitivity gap	653,325	775,431	2,164,314	(2,584,405)	(1,002,277)	-	6,388

The table below summarises the effective interest rate by major currencies for monetary financial instruments:

As at 31 December 2000	<u>CZK</u> %	<u>USD</u> %	<u>GBP</u> %	<u>EUR*</u> %
Assets				
Cash and balances with central banks	n/a	n/a	n/a	n/a
Treasury bills and other eligible bills	5.33	n/a	n/a	n/a
Due from other banks	5.31	6.76	5.21	5.09
Trading securities - debt securities	6.79	6.80	n/a	5.03
Loans and advances to customers	7.18	7.76	7.18	6.70
Investment securities - debt securities	4.21	6.65	n/a	5.03
Liabilities				
Due to other banks	5.56	6.99	n/a	5.10
Due to customers	3.95	4.07	3.60	2.38
As at 31 December 1999	<u>CZK</u> %	<u>USD</u> %	<u>GBP</u> %	<u>EUR*</u> %
Assets				
Cash and balances with central banks	n/a	n/a	n/a	n/a
Treasury bills and other eligible bills	5.39	n/a	n/a	n/a
Due from other banks	5.99	6.14	3.82	3.59
Trading securities - debt securities	6.70	n/a	n/a	3.90
Loans and advances to customers	6.74	6.77	6.64	5.59
Investment securities - debt securities	7.55	7.43	n/a	5.49
Liabilities				
Due to other banks	5.41	6.30	3.74	6.67
Due to customers	4.02	3.60	3.18	1.38

* positions denominated in all currencies of the eurozone
n/a - not applicable

38 LIQUIDITY RISK

Maturities of assets and liabilities

As at 31 December 2000	Up to 1 month CZK'000	1 - 3 months CZK'000	3 – 12 month CZK'000	1 – 5 years CZK'000	Over 5 years CZK'000	Unspe- cified CZK'000	Total CZK'000
Cash and central banks balances	673,165	-	-	-	-	748,597	1,421,762
Treasury and other eligible bills	499,705	21,779	20,296	-	-	-	541,780
Due from other banks	16,177,819	3,475,254	2,838,400	157,905	-	-	22,649,378
Trading securities	-	-	9,601,872	1,041,065	785,259	9,075	11,437,271
Loans to customers	1,011,061	2,846,800	5,148,087	5,867,063	2,015,594	(712,921)	16,175,684
Investment securities	-	-	928,817	1,465,067	474,498	458,330	3,326,712
Investments in unconso- lidated subsidiary and associated undertakings	-	-	-	-	-	46,512	46,512
Fixed assets	-	-	-	-	-	1,858,662	1,858,662
Other assets	<u>181,981</u>	<u>80,824</u>	<u>353,906</u>	<u>38,269</u>	<u>15,834</u>	<u>233,720</u>	<u>904,534</u>
Total assets	<u>18,543,731</u>	<u>6,424,657</u>	<u>18,891,378</u>	<u>8,569,369</u>	<u>3,291,185</u>	<u>2,641,975</u>	<u>58,362,295</u>
Liabilities							
Due to other banks	1,534,611	365,457	17,395,074	329,177	-	-	19,624,319
Due to customers	28,197,438	4,020,008	1,130,360	53,877	-	-	33,401,683
Other liabilities	120,673	76,519	254,123	31,369	9,549	1,242,652	1,734,885
Subordina- ted debt	-	-	-	-	1,000,000	-	1,000,000
Total liabilities	<u>29,852,722</u>	<u>4,461,984</u>	<u>18,779,557</u>	<u>414,423</u>	<u>1,009,549</u>	<u>1,242,652</u>	<u>55,760,887</u>
Net liquidity gap	<u>(11,308,991)</u>	<u>1,962,673</u>	<u>111,821</u>	<u>8,154,946</u>	<u>2,281,636</u>	<u>1,399,323</u>	<u>2,601,408</u>

As at 31 December 1999	Up to 1 month CZK'000	1 - 3 months CZK'000	3 – 12 month CZK'000	1 – 5 years CZK'000	Over 5 years CZK'000	Unspe- cified CZK'000	Total CZK'000
Cash and central banks balances	338,869	-	-	-	-	606,081	944,950
Treasury and other eligible bills	176,559	1,444,040	743,993	-	-	-	2,364,592
Due from other banks	9,401,963	4,888,777	2,563,216	77,586	-	-	16,931,542
Trading securities	-	20,024	202	319,885	-	2,702	342,813
Loans to customers	844,065	1,125,476	3,839,811	3,542,038	1,252,022	(458,867)	10,144,545
Investment securities	60,158	72,246	698,336	2,382,727	789,149	408,387	4,411,003
Investments in unconsolidated subsidiary and associated undertakings	-	-	-	-	-	114,333	114,333
Fixed assets	-	-	-	-	-	1,877,234	1,877,234
Other assets	<u>725,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>725 014</u>
Total assets	<u>11,546,628</u>	<u>7,550,563</u>	<u>7,845,558</u>	<u>6,322,236</u>	<u>2,041,171</u>	<u>2,549,870</u>	<u>37,856,026</u>
Liabilities							
Due to other banks	2,566,655	340,163	402,287	3,804,797	33,251	-	7,147,153
Due to customers	21,151,783	4,579,264	848,521	57,652	-	-	26,637,220
Other liabilities	714,048	-	-	-	-	-	714,048
Subordinated debt	-	-	-	-	1,000,000	-	1,000,000
Total liabilities	<u>24,432,486</u>	<u>4,919,427</u>	<u>1,250,808</u>	<u>3,862,449</u>	<u>1,033,251</u>	<u>-</u>	<u>35,498,421</u>
Net liquidity gap	<u>(12,885,858)</u>	<u>2,631,136</u>	<u>6,594,750</u>	<u>2,459,787</u>	<u>1,007,920</u>	<u>2,549,870</u>	<u>2,357,605</u>

The nature of the retail deposits held by the Group is such that these have a short term contractual maturity, although in practice their effective maturity is longer term.

The table above analyses assets and liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest - bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

39 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value.

	Carrying value		Fair value	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000	CZK'000	CZK'000
Financial assets				
Due from other banks	22,649,378	16,931,542	22,649,378	16,931,542
Treasury bills and trading securities	11,979,051	2,707,405	11,979,452	2,707,442
Loans and advances to customers	16,175,684	10,144,545	16,175,684	10,144,545
Investment securities	<u>3,326,712</u>	<u>4,411,003</u>	<u>3,329,593</u>	<u>4,411,003</u>
	<u>54,130,825</u>	<u>34,194,495</u>	<u>54,134,107</u>	<u>34,194,532</u>
Financial liabilities				
Due to other banks	19,624,319	7,147,153	19,624,319	7,147,153
Due to customers	<u>33,401,683</u>	<u>26,637,220</u>	<u>33,401,683</u>	<u>26,637,220</u>
	<u>53,026,002</u>	<u>33,784,373</u>	<u>53,026,002</u>	<u>33,784,373</u>

Due from other banks

Due from other banks includes short terms placements and items in the course of collection at approximately their fair values. It also includes loans and advances to other banks, the majority of these reprice within relatively short time spans; therefore it is assumed their carrying values approximate their fair values.

Treasury bills and trading securities

Fair value is based on market prices quotes by broker or dealer. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Loans and advances to customers

Loans and advances are net of provisions for impairment. Fair values of loans correspond to their carrying values due to the fact that the majority of these reprice within relatively short time spans.

Investment securities

Fair value is based on market prices quotes by broker or dealer. Where this information is not available, fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or in some cases by reference to the net tangible asset backing of the investee.

Due to other banks, other deposits, due to customers and other borrowed funds

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for debts with similar remaining maturity.

40 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Bank is controlled by Bankgesellschaft Berlin AG, Alexanderplatz 2, Berlin, incorporated in Germany („the parent company“), which owns 85.16% of the Bank's ordinary shares.

A number of other banking transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. These transactions were carried out on commercial terms and conditions and at market rates. The volumes of other related party transactions, outstanding balances at the year end, and relating expense and income for the year 2000, in addition to the transaction disclosed in Note 18 (five year loan of CZK 402 million), are as follows:

	Affiliated companies	
	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000
Loans		
Loans outstanding at beginning of year	309,985	118,231
Loans issued during the year	352,616	191,754
Loan repayments during the year	<u>(98,166)</u>	<u>-</u>
Loans outstanding as at end of year	<u>564,435</u>	<u>309,985</u>
Interest income earned	32,505	10,146

No provisions have been recognised in respect of loans provided to related parties.

	Parent company		Affiliated companies	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	CZK'000	CZK'000	CZK'000	CZK'000
Deposits accepted				
Deposits at beginning of year	37,410	417,192	17,147	17,945
Deposits at end of year	11,042,819	37,410	4,444	17,147
Interest expense on deposits	248,214	1,218	362	10,163
Interest income on deposits	200,829	4,621	32,505	2,512
Guarantees issued by the Bank	-	-	2,260	2,327

As at 31 December 2000 directors and members of the Boards had loans of CZK 5,241,000 granted on an arm's length basis (1999: CZK 4,687,000).

A listing of the members of the Board of Directors is shown in the annual report. In 2000 the total remuneration of the Board of Directors and the Supervisory Board was CZK 11,450,000 (1999: CZK 9,100,000).

Related party transactions with the parent company during 2000, other than the payment of dividends on ordinary shares, included foreign exchange trading, intermediation of sale and purchase of certificates of deposits and shares on an arm's length basis.

41 RECONCILIATION OF FINANCIAL STATEMENTS

ŽIVNOSTENSKÁ BANKA, A. S.

RECONCILIATION OF THE INTERNATIONAL ACCOUNTING STANDARDS (IAS) BALANCE SHEET WITH THE CZECH ACCOUNTING STANDARDS (CAS) USING THE IAS FORMAT

AS AT 31 DECEMBER 2000

	As at 31 December 2000		IAS	Explanatory
	CAS	Bridge	CZK'000	note
	CZK'000	CZK'000		
ASSETS				
Cash and balances with central banks	1,421,725	-	1,421,725	
Treasury bills	11,693,780	(11,152,000)	541,780	(1)
Due from other banks	22,646,811	-	22,646,811	
Trading securities *	11,560,358	(153,992)	11,406,366	(2)
Loans and advances to customers	16,618,642	(442,958)	16,175,684	(3)
Investment securities	3,327,797	(52,897)	3,274,900	(2)
Investments in unconsolidated subsidiary and associated undertakings	51,762	-	51,762	
Property and equipment	1,845,876	-	1,845,876	
Other assets	696,868	168,311	865,179	(2), (4)
Total assets	<u>69,863,619</u>	<u>(11,633,536)</u>	<u>58,230,083</u>	
LIABILITIES				
Due to other banks	30,776,319	(11,152,000)	19,624,319	(1)
Due to customers	33,401,683	-	33,401,683	
Other liabilities	2,197,811	(481,536)	1,716,275	(3), (4)
Subordinated debt	1,000,000	-	1,000,000	
Total liabilities	<u>67,375,813</u>	<u>(11,633,536)</u>	<u>55,742,277</u>	
SHAREHOLDERS' EQUITY				
Ordinary shares	1,360,410	-	1,360,410	
Reserves	1,127,396	-	1,127,396	
Total shareholders' equity	<u>2,487,806</u>	<u>-</u>	<u>2,487,806</u>	
Total equity and liabilities	<u>69,863,619</u>	<u>(11,633,536)</u>	<u>58,230,083</u>	

*This amount includes the sum of balances recorded under „bonds and other fixed interest bearing securities held for trading“, „shares, bonds and other variable interest bearing securities held for trading“ in CAS.

RECONCILIATION OF THE INTERNATIONAL ACCOUNTING STANDARDS (IAS) BALANCE SHEET WITH THE CZECH ACCOUNTING STANDARDS (CAS) USING THE IAS FORMAT

AS AT 31 DECEMBER 2000

- (1) The amount of CZK 11,152,000,000 being the payable for securities received as collateral for reverse repurchase commitments has been recorded as part of „due to other banks“ under CAS. For IAS purposes, the security received as collateral and the liability has not been included on the balance sheet.
- (2) The amount of CZK 206,889,000 has been reclassified to „other assets“ under IAS, including the amount of CZK 153,992,000 of accrued interest on bonds, which has been included under „trading securities“ for CAS purposes, as well as an amount of CZK 52,897,000 of accrued interest on investment securities.
- (3) A provision of CZK 422,958,000 has been recorded as a part of general provisions, reserves and liabilities in CAS. Under IAS it has been recorded against loans and advances.
- (4) The amount of CZK 38,578,000, being the positive fair value of the hedging derivative financial instruments has been recorded under „other assets“ under CAS. The amount of CZK 9,273,000, being the negative fair value of the hedging derivative financial instruments has been recorded under „other liabilities“. The amount of CZK 29,305,000, being the difference between the positive and negative fair value of the hedging derivative financial instruments has been recorded under „other liabilities“. For IAS purposes, the fair value of the hedging derivative financial instruments has not been recorded. Therefore the amounts mentioned above have been excluded from „other assets“ and „other liabilities“.

RECONCILIATION OF THE INTERNATIONAL ACCOUNTING STANDARDS (IAS) INCOME STATEMENT WITH THE CZECH ACCOUNTING STANDARDS (CAS) USING THE IAS FORMAT

AS AT 31 DECEMBER 2000

	CAS	As at 31 December 2000		Explanatory
	CZK'000	Bridge	IAS	note
		CZK'000	CZK'000	
Net interest income	824,532	-	824,532	
Net fee and commission income	252,707	-	252,707	
Foreign exchange gains *	328,152	(44,660)	283,492	(1), (2), (3), (5)
Dividend income	22,913	-	22,913	
Net trading income	-	17,295	17,295	(1), (2), (9)
Gains less losses from investment securities	285,365	(32,416)	252,949	(1), (3)
Other operating income	<u>142,319</u>	<u>(22,145)</u>	<u>120,174</u>	(4), (7)
Operating income	1,855,988	(81 926)	1,774,062	
Operating expenses	(1,447,627)	216,308	(1,231,319)	(4), (5), (6), (7), (8), (9)
Bad and doubtful debts (expense) / release	<u>(193,067)</u>	<u>(118,460)</u>	<u>(311,527)</u>	(5), (6), (8)
Profit before taxation	215,294	15,922	231,216	
Taxation	-	-	-	
Results from extraordinary activities	<u>15,922</u>	<u>(15,922)</u>	<u>-</u>	(4)
Net profit	<u><u>231,216</u></u>	<u><u>-</u></u>	<u><u>231,216</u></u>	

* There is no exact equivalent of net foreign exchange gains in CAS financial statements. Therefore, the line „net profit from financial operations“ has been used as a base for CAS purposes for this reconciliation.

RECONCILIATION OF THE INTERNATIONAL ACCOUNTING STANDARDS (IAS) INCOME STATEMENT WITH THE CZECH ACCOUNTING STANDARDS (CAS) USING THE IAS FORMAT

AS AT 31 DECEMBER 2000

- (1) The amount of CZK 23,020,000 representing a foreign exchange loss in IAS, has been reclassified from „gains less losses from investment securities“ under CAS, together with the amount of CZK 397,000 representing a foreign exchange gain in IAS, which has been reclassified from „net trading (expense) / income“ under CAS.
- (2) The amount of CZK 76,705,000 representing the net release of provisions to trading securities less realised losses from securities trading recorded under CAS under „net gains / (losses) from financial operations“ have been reclassified to „net trading (expense) / income“ in IAS.
- (3) The amount of CZK 55,436,000 representing the net release of provisions to trading securities less realised losses from securities trading recorded under CAS under „net gains / (losses) from financial operations“ have been reclassified to „gains less losses from investment securities“ in IAS.
- (4) Items totalling CZK 15,922,000 recorded under „extraordinary results“ for CAS do not qualify for such classification under IAS, and have therefore been reclassified as follows: CZK 16,490,000 reclassified to „other operating income“ and CZK 568,000 to „other operating expense“.
- (5) The amount of CZK 50,595,000 of the write-off of receivables and the amount of CZK 768,000 of the foreign exchange differences have been reclassified to „bad and doubtful debt expense“.
- (6) The amount of CZK 17,280,000 representing the addition to provisions for guarantees issued has been reclassified from „net release / (addition) of provisions and write-offs of receivables“ under CAS to „other operating expense“ under IAS. The amount of CZK 78,267,000 representing „other operating expense“ under CAS has been reclassified to „net release / (addition) of provisions and write-offs of receivables“ under IAS.
- (7) Reclassification of fixed assets sold in the amount of CZK 38,635,000.
- (8) Write-offs in the amount of CZK 7,646,000 have been reclassified under IAS as „movement in provisions for bad and doubtful debts“.
- (9) Written off assets in the amount of CZK 59,013,000 have been reclassified for IAS purposes from „other operating expenses“ to „net trading income“.

ŽB - TRUST, INVESTIČNÍ SPOLEČNOST, A. S.

RECONCILIATION OF THE INTERNATIONAL ACCOUNTING STANDARDS (IAS) BALANCE SHEET WITH THE CZECH ACCOUNTING STANDARDS (CAS) USING THE IAS FORMAT

AS AT 31 DECEMBER 2000

	CAS	As at 31 December 2000		Explanatory
	CZK'000	Bridge	IAS	note
	CZK'000	CZK'000	CZK'000	
ASSETS				
Cash and balances with central banks	37	-	37	
Due from other banks	2,567	-	2,567	
Trading securities	31,195	(290)	30,905	(1)
Investment securities	51,812	-	51,812	
Property and equipment	12,786	-	12,786	
Other assets	39,065	290	39,355	(1)
Total assets	<u>137,462</u>	<u>-</u>	<u>137,462</u>	
LIABILITIES				
Other liabilities	19,093	(483)	18,610	(2)
Total liabilities	<u>19,093</u>	<u>(483)</u>	<u>18,610</u>	
SHAREHOLDERS' EQUITY				
Ordinary shares	20,000	-	20,000	
Reserves	98,369	483	98,852	(2)
Total shareholders' equity	<u>118,369</u>	<u>483</u>	<u>118,852</u>	
Total equity and liabilities	<u>137,462</u>	<u>-</u>	<u>137,462</u>	

(1) Accrued interest on bonds of CZK 290,000 has been reclassified as „other assets“ for IAS purposes.

(2) The amount of CZK 483,000 represents additional net adjustments to the shareholders' equity, which were not recorded in the 1999 consolidated financial statements.

RECONCILIATION OF THE INTERNATIONAL ACCOUNTING STANDARDS (IAS) INCOME STATEMENT WITH THE CZECH ACCOUNTING STANDARDS (CAS) USING THE IAS FORMAT

AS AT 31 DECEMBER 2000

	As at 31 December 2000			Explanatory note
	CAS CZK'000	Bridge CZK'000	IAS CZK'000	
Net interest income	494	-	494	
Dividend income	-	555	555	(3)
Net trading income	-	2,360	2,360	(1)
Gains less losses from investment securities	-	250	250	(2), (4)
Other operating income	<u>513,640</u>	<u>(403,909)</u>	<u>109,731</u>	(1), (2), (3)
Operating income	514,134	(400,744)	113,390	
Operating expenses	<u>(495,843)</u>	<u>400,744</u>	<u>(95,099)</u>	(1), (4)
Profit before taxation	18,291	-	18,291	
Taxation	(5,704)	-	(5,704)	
Net profit	<u>12,587</u>	<u>-</u>	<u>12,587</u>	

(1) A total of CZK 401,456,000 related to sales of investment securities has been recorded in CAS under „operating income“ with a related amount of CZK 399,096,000 under „operating expenses“. For IAS purposes the amounts have been offset and the net effect of CZK 2,360,000 has been classified under „net trading income“.

(2) A total of CZK 1,898,000 being a release of investment securities provision has been reclassified from „operating income“ to „gains less losses from investment securities“.

(3) Dividend income of CZK 555,000 classified under CAS as „other operating income“ has been reclassified to „dividend income“ for IAS.

(4) The amount of CZK 1,648,000 representing additions to provisions of investment securities has been reclassified from „operating expense“ to „gains less losses from investment securities“ for IAS purposes..

42 CONSOLIDATED BALANCE SHEET

(according to the International Accounting Standards)

	Živnostenská banka, a.s.	ŽB - Trust, investiční společnost, a.s.	Eliminations	Group As at 31 December 2000	Group 1999
	2000 CZK'000	2000 CZK'000	2000 CZK'000	2000 CZK'000	1999 CZK'000
ASSETS					
Cash and balances with central banks	1,421,725	37	-	1,421,762	944,950
Treasury bills	541,780	-	-	541,780	2,364,592
Due from other banks	22,646,811	2,567	-	22,649,378	16,931,542
Dealing securities *	11,406,366	30,905	-	11,437,271	342,813
Loans and advances to customers	16,175,684	-	-	16,175,684	10,144,545
Investment securities	3,274,900	51,812	-	3,326,712	4,411,003
Investments in unconsolidated subsidiary and associated undertakings	51,762	-	(5,250)	46,512	114,333
Property and equipment	1,845,876	12,786	-	1,858,662	1,877,234
Other assets	865 179	39,355	-	904,534	725,014
Total assets	<u>58,230,083</u>	<u>137,462</u>	<u>(5,250)</u>	<u>58,362,295</u>	<u>37,856,026</u>
LIABILITIES					
Due to other banks	19,624,319	-	-	19,624,319	7,147,153
Due to customers	33,401,683	-	-	33,401,683	26,637,220
Other liabilities	1,716,275	18,610	-	1,734,885	714,048
Subordinated debt	1,000,000	-	-	1,000,000	1,000,000
Total liabilities	<u>55,742,277</u>	<u>18,610</u>	<u>-</u>	<u>55,760,887</u>	<u>35,498,421</u>
SHAREHOLDERS' EQUITY					
Ordinary shares	1,360,410	20,000	(20,000)	1,360,410	1,360,410
Reserves	1,127,396	98,852	14,750	1,240,998	997,195
Total shareholders' equity	<u>2,487,806</u>	<u>118,852</u>	<u>(5,250)</u>	<u>2,601,408</u>	<u>2,357,605</u>
Total equity and liabilities	<u>58,230,083</u>	<u>137,462</u>	<u>(5,250)</u>	<u>58,362,295</u>	<u>37,856,026</u>

* This amount includes the sum of balances recorded under „bonds and other fixed interest bearing securities held for trading“, „shares, bonds and other variable interest bearing securities held for trading“ in CAS.

43 CONSOLIDATED INCOME STATEMENT

(according to the International Accounting Standards)

	Živnostenská banka, a.s.	ŽB - Trust, investiční společnost, a.s.	Group Year ended 31 December 2000 CZK'000	Group 1999 CZK'000
	2000 CZK'000	2000 CZK'000	2000 CZK'000	1999 CZK'000
Interest and discount income	2,720,620	503	2,721,123	2,436,951
Interest expense	(1,896,088)	(9)	(1,896,097)	(1,655,369)
Net interest income	824,532	494	825,026	781,582
Fee and commission income and commission expense	290,680 (37,973)	- -	290,680 (37,973)	262,300 (20,738)
Net fee and commission income	252,707	-	252,707	241,562
Foreign exchange gains	283,492	-	283,492	206,996
Dividend income	22,913	555	23,468	14,135
Net trading income/(expense)	17,295	2,360	19,655	(46,242)
Gains less losses from investment securities	252,949	250	253,199	2,594
Other operating income	120,174	109,731	229,905	146,175
Operating income	1,774,062	113,390	1,887,452	1,346,802
Operating expenses	(1,231,319)	(95,099)	(1,326,418)	(1,301,353)
Bad and doubtful debts (expense)/release	(311,527)	-	(311,527)	(282,333)
Profit / (loss) before tax	231,216	18,291	249,507	(236,884)
Income tax (expense) / refund	-	(5,704)	(5,704)	32,061
Profit / (loss) after tax	231,216	12,587	243,803	(204,823)



SUPPLEMENTARY INFORMATION ABOUT ŽIVNOSTENSKÁ BANKA, A.S.

(hereinafter „the Bank“)

(by Decree of the Ministry of Finance No. 82/2001 of Coll. of 7 February 2001)

1. Basic data

Živnostenská banka, a.s. („the Bank“)

Identification number: 00001368

incorporated in the Commercial Register kept with the Municipal Court in Prague, Part B, Insert 1350

1.1. Registered business activities (entered in the Commercial Register)

The execution of domestic and foreign banking transactions, and any related operations, that are or shall be permissible under generally binding Czech legal regulations; the issue of mortgage bonds under a special Act.

2. Data about statutory and supervisory bodies

2.1. Supervisory Board

	Personal Identification	Address Number/ Date of Birth
Mr Thomas Kurze	15 November 1946	Schopenhauerstrasse 11, Berlin
Mr Dirk Hoffmann	22 June 1953	Am Heidehof 29, Berlin
Ms Ivana Burešová	536011/301	Nad zámečnicí 2778/20, Praha 5
Mr Vladimír Burian	490924/096	Manželů Dostálových 1215, Praha 9
Mr Heinz. D.Gottschalk	5 December 1948	Buschgrabenweg 9, Berlin
Mr Vikas Thapar	16 December 1948	2550 28th Street, Washington D.C.

2.2. Board of Directors (statutory body)

Mr Jiří Kunert	530131/269	Fetrovská 999, Praha 6
Mr Josef Pitra	490116/080	Tyršova 935, Černošice
Mr Aleš Barabas	590328/0482	U dubu 1371, Praha 4
Mr Thomas Bürkle	6 February 1953	Mládežnická 401, Černošice
Mr Tomáš Zralý	510715/077	Šumavská 11, Praha 2

The aforesaid members of the Board of Directors do not pursue any other main activity outside their employment for the bank.

2.3. Aggregate consideration provided to the Board of Directors and supervisory Board

Board of Directors	CZK 10,260,000
Supervisory Board	CZK 1,190,000

These sums are remuneration for holding an office in the bank's Board of Directors or supervisory Board. The bank awarded no other consideration to members of the Board of Directors and supervisory Board.

2.4. Number of Bank's shares in possession of statutory and supervisory bodies

Board of Directors	15
Supervisory Board	0

Members of the Bank's statutory and supervisory body did not take part in any transactions outside the bank's registered business activities.

The bank did not grant any credit or loans to members of the Statutory and supervisory body.

3. Data about shares

3.1. Rights issuing from possession of the Bank's shares

The Bank's shares are bearer shares and are publicly tradable.

When increasing share capital by subscription of new shares, the General Meeting shall stipulate conditions and manner of the paying up of shares in accordance with generally binding legal regulations and provisions of these Articles of Association.

In the case of a share subscription to increase share capital, subscribers shall be obliged to pay part of the par value of the shares, as determined by the General Meeting, such being at least 30% plus any issue premium, otherwise their share subscription shall be invalid. The remaining part of the issue price of such shares shall be paid up by subscribers no later than 6 months after the incorporation of the share capital increase into the Companies Register. Non-financial investments must be paid up prior to filing the proposal for the incorporation of the share capital increase into the Companies Register.

A subscriber who fails to pay the issue price of subscribed shares, or the set portion thereof, within the determined period, shall pay 20% interest p.a. on the due amount. Should a subscriber not pay the issue price of subscribed shares, or the due portion thereof, the Board of Directors shall invite him by registered letter to pay the portion within 60 days of the delivery of such invitation. After this time limit the Board of Directors shall expel the subscriber from the Bank and invite him to return his interim certificate within an adequate time limit set by the Board. Should a subscriber not return the interim certificate within the set time limit, the Board of Directors shall declare the interim certificate null and void and publish such decision in accord with Section 22 of these Articles of Association. It shall also inform the subscriber in writing of its decision.

In place of the invalid interim certificate the Board of Directors shall issue a new interim certificate or new shares to a person approved by the General Meeting, who shall pay up the issue price of these shares.

Assets acquired by the Bank by the sale of the returned interim certificate or by the issue of a new interim certificate or new shares under the previous provision shall be used to reimburse the sum paid by the expelled subscriber for the issue price of subscribed shares, after deducting the claims incurred to the Bank due to the breach by the subscriber of his obligation.

A shareholder shall be entitled to a share in profit (dividend), if determined by the General Meeting for distribution; the shareholder's share shall be computed as a ratio of the nominal value of his shares to the nominal value of other shareholders shares on the decisive day for the payment of dividends. The Bank shall pay the dividend within 90 days after the resolution on the payment thereof, unless decided otherwise by the General Meeting. The dividend shall bear no interest and if not collected within 4 years of maturity shall be transferred to the Bank's extraordinary income (as a so-called 'forfeited dividend').

During the whole existence of the Bank, or in the case of its winding-up, a shareholder may not demand the return of his investments. Should the bank be wound up by liquidation, a shareholder shall be entitled to a respective share in the liquidation balance.

A shareholder shall have the right to attend the General Meeting, submit proposals there, ask for explanations and cast votes there, except in cases when he is not entitled to exercise his right to vote under the laws or these Articles of Association.

Every shareholder entered in the statement from the register of the issuer (i.e. the Bank) maintained by the Securities Centre (Section 5, para 2) shall be entitled to attend the General Meeting and vote at it either personally or by proxy. For purposes of registering attendance at the General Meeting the Bank is obliged to procure a statement from its register, whereby such statement reflects the state of the Bank's shareholders at the decisive day, i.e. the 7th calendar day prior to the day the respective General Meeting is to be held. The General Meeting shall also be attended by persons securing the technical aspects of the General Meeting and other persons invited by the Board of Directors.

In order to participate in the General Meeting and in its discussions, a shareholder's proxy must have a special power of attorney valid for one General Meeting only, except for a case when the General Meeting has been convened due to the fact that it did not have a quorum. Production of the original of the special power of attorney to the Board of Directors of the Bank is a condition for the proxy's attendance at the General Meeting. A shareholder's proxy may not be a member of the Board of Directors or the Supervisory Board.

Each fully paid-up share represents one vote. Voting shall be effected by acclamation, unless the General Meeting approves otherwise. The General Meeting shall first vote on a proposal from the Board of Directors or the Supervisory Board. If such proposal is not accepted, the General Meeting votes on the counterproposal of a shareholder.

Shareholders attending the General Meeting shall be registered in an attendance list, the production of which presentation shall be ensured by the Board of Directors and which shall include the shareholder's name/business name, the name of his proxy (if appropriate), the shareholder's or the proxy's domicile/registered seat, and nominal value of shares entitling the shareholder to vote. Powers of attorney of shareholder's proxies shall be attached the attendance list and the Chairman of the General Meeting and the secretary shall then confirm the correctness of the attendance list with their signatures.

3.2. Legal basis for the issue of Bank shares

The bank's shares were issued pursuant to the establishment of Živnostenská banka, a.s. by a foundation charter of 10 February 1992, under which the bank's registered capital was divided into 1,360,410 registered shares of a par value of CZK 1,000 each. At the time Živnostenská banka, a.s. was founded, its assets comprised monetary and non-monetary investments valued in the project of November 1991 to privatize Živnostenská banka when it was still classified as a 'state financial institution'.

3.3. Taxation of yields from securities

The bank is registered to pay tax collected by deduction according to a special tax rate.

Payments of yields due from the holding of securities are subject to a tax allowance under Section 36 of Act No. 586/1992 Sb, the Income Tax Act, as amended, and in accordance with double-taxation agreements.

The yield from shares is the dividend. The tax deduction for all dividends is made as at the date appointed for payment, irrespective of whether they are actually paid or not.

The yield from bills of exchange is the discount. Tax is deducted on maturity of the bill.

3.4. Transfer of securities

The Bank's shares are transferred at the Prague Securities Centre; their negotiability is unlimited.

3.5. Opportunity of employee stakes in the Bank's registered capital

The Bank has issued no staff shares.

3.6. Public offering to take over the Bank's shares made by third parties

Company name and registered office of bidder: Bankgesellschaft Berlin AG, Alexanderplatz 2, D-10178 Berlin, Federal Republic of Germany

Purchase price: CZK 1,800 per share

Public offering valid:

19 April 2000 - 27 June 2000

12 July 2000 - 12 September 2000

As at 12 September 2000, the bidder raised its stake in the bank's registered capital by 34.52% from 50.64% to 85.16%.

4. Data about property and financial situation

4.1. Balance and profit and loss account for last three accounting periods - see enclosure

4.2. Result (profit, loss) in CZK after tax per share for last three accounting periods

Non- consolidated (Czech Accounting Standards)		Consolidated (International Accounting Standards)
1998	78	91
1999	-162	-151
2000	170	179

4.3. Dividend per share in CZK for last three accounting periods (before tax)

1998	50
1999	0
2000	0

4.4 Data about the Bank's equity stakes in which the bank has a direct or indirect stake at least 10% of its or 10% of its annual net profit

Company:	ŽB-Trust, investiční společnost, a.s.
Seat:	Na Příkopě 15, 110 00 Praha 1
Identification number:	63080273
Subject of business:	collective investment
Subscribed equity:	CZK 20,000,000
Profit after tax:	CZK 13,111,592
Amount and type of reserves:	CZK 4,090,000 (obligatory reserve fund) CZK 1,231,000 (reserve against exchange rate losses)
Emitent's stake in %:	100
Income from the Bank's stake:	CZK 13,111,592

Company:	Živnobanka - 1. investiční fond, a.s.
Seat:	Na Příkopě 15, 110 00 Praha 1
Identification number:	45245665
Subject of business:	collective investment
Subscribed equity:	CZK 1,962,102,500
Profit after tax:	CZK 202,028,812
Amount and types of reserves:	CZK 10,101,441 (obligatory reserve fund)
Emitent's stake in %:	14,40
Income from the Bank's stake:	CZK 29,092,149

Company:	Český leasing, s.r.o.
Seat:	Charkovská 24, 101 00 Praha 10
Identification number:	62417541
Subject of business:	leasing
Subscribed equity:	CZK 148,000,000
Profit after tax:	CZK 22,020,000
Amount and type of reserves:	CZK 4,800,000 (obligatory reserve fund) CZK 100,000 (other reserves)
Bank's stake in %:	25
Income from the bank's stake:	5,505,000

4.5. Data about the Bank's stakes (not mentioned in 4.4.) over 10% of the equity capital

Company:	ŽB - Asset Management, a.s.
Seat:	Na Příkopě 15, 110 00 Praha 1
Identification number:	25684558
Bank's stake in %:	100
Company:	Zivnostenska Finance B.V.
Seat:	Diamantlaan 1-A, 2132 WV Hoofdoorp, The Netherlands
Identification number:	33290480 (register of Chamber of Commerce and Industry for Amsterdam)
Bank's stake in %:	100
Company:	BHF Zivnostenska Investment B.V.
Seat:	Haaksbergweg 27, 1101 BP Amsterdam, The Netherlands
Identification number:	90029797 (substitute)
Bank's stake in %:	16,67

5. Persons responsible for annual report

	Personal Identification Number	Address
Mr Josef Pitra	490116/080	Tyršova 935, 252 28 Černošice
Mr Aleš Barabas	590328/0482	U dubu 1371, Praha 4

Mr Josef Pitra, Vice-Chairman of the Board of Directors, and Mr Aleš Barabas, Member of the Board of Directors, are members of the statutory body of Živnostenská banka, a.s., Na Příkopě 858/20, P.O.Box 421, 113 80 Praha 1, Identification number 00001368.

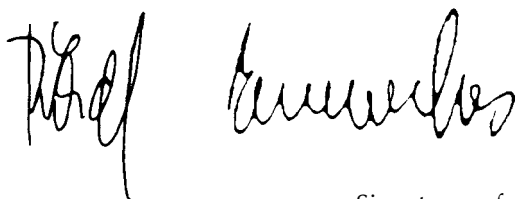
5.1.Data about auditor

Company: PricewaterhouseCoopers Audit, s.r.o.
Seat: Kateřinská 40/466, 120 00 Praha 2

6. Information about places where all materials and documents about the Bank can be consulted

All materials and documents about the Bank are available in the Bank's headquarters Na Příkopě 858/20, 113 80 Praha 1.

We declare that the information given in this Annual Report is correct and that no significant circumstances have been omitted that could affect a precise, accurate assessment of Živnostenská Banka, a.s. and its securities.



Signatures of persons responsible for Annual Report

Balance Sheet for the last three accounting periods

(according to the Czech Accounting Standards)

CZK'000	2000 Net amount	1999 Net amount	1998 Net amount
ASSETS			
1 Cash in hand, balances with central banks and post office accounts	1,421,725	944,944	1,911,085
2 State treasury bills and other bills eligible for refinancing with the ČNB	11,693,780	3,744,592	4,710,070
a) state treasury bills and similar securities issued by the state	541,780	2,364,592	290,359
b) other treasury bills	11,152,000	1,380,000	4,419,711
3 Receivables from banks	22,646,811	16,929,746	19,086,610
a) repayable on demand	190,309	278,373	197,365
b) other receivables including subordinated assets	22,456,502	16,651,373	18,889,245
	0	0	0
4 Receivables from customers	16,618,642	10,488,621	8,283,192
a) repayable on demand	4,269	2,828	15,811
b) other receivables including subordinated assets	16,614,373	10,485,793	8,267,381
	0	0	0
5 Bonds and other fixed income securities held for trading	11,560,329	325,317	736,790
a) issued by banks	1,525,508	20,337	339,363
including own bonds	0	0	0
b) issued by other entities	10,034,821	304,980	397,427
6 Shares and other variable income securities held for trading	29	882	228
7 Participation interests with substantial influence	35,285	103,721	78,725
a) in banks	0	0	0
b) in other entities	35,285	103,721	78,725
8 Participation interests with controlling influence	16,477	15,862	6,692
a) in banks	0	0	0
b) in other entities	16,477	15,862	6,692
9 Other financial investments	3,327,797	4,465,670	5,846,255
10 Intangible fixed assets	123,711	132,222	142,621
a) establishment costs	0	0	0
b) goodwill	0	0	0
11 Tangible fixed assets	1,722,165	1,734,907	1,536,447
a) land and buildings for purpose of banking activities	1,285,974	1,306,391	1,213,608
b) other	436,191	428,516	322,839
12 Own shares	0	0	0
13 Other assets	343,293	240,188	161,590
14 Shareholder receivables from capital subscribed but not paid	0	0	0
15 Prepayments and accrued income	353,575	340,311	315,326
Total assets	69,863,619	39,466,983	42,815,631

CZK'000	2000	1999	1998
LIABILITIES			
1 Due to banks	30,776,319	8,527,153	13,589,129
a) repayable on demand	75,275	35,385	128,199
b) other payables	30,701,044	8,491,768	13,460,930
2 Due to customers	33,401,683	26,637,220	25,111,443
a) saving accounts	0	0	0
including repayable on demand	0	0	0
b) due to customers, other	33,401,683	26,637,220	25,111,443
including repayable on demand	8,925,693	7,588,890	7,168,776
3 Certificates of deposit and similar debentures	0	0	0
a) certificates of deposits	0	0	0
b) other	0	0	0
4 Deferred income and accrued expenses	350,809	219,376	353,816
5 Provisions	532,049	362,275	396,131
a) provisions for standard loans and guarantees	339,489	191,616	331,160
b) provisions for FX losses	0	0	0
c) provisions for other banking risks	120,750	152,460	52,601
d) other provisions	71,810	18,199	12,370
6 Subordinated liabilities	1,000,000	1,000,000	0
7 Other liabilities	1,314,953	464,370	818,451
8 Registered capital	1,360,410	1,360,410	1,360,410
including registered capital paid up	1,360,410	1,360,410	1,360,410
9 Share premium	0	0	0
10 Reserve funds	1,082,921	1,082,921	1,045,547
a) obligatory reserve funds	272,082	272,082	272,082
b) reserve fund to own shares	0	0	0
c) statutory reserve funds	0	0	0
d) other reserve funds	810,839	810,839	773,465
11 Capital funds and other funds from profit	0	0	0
a) capital funds	0	0	0
b) other funds from profit	0	0	0
12 Retained earnings or (losses) from previous periods	(186,741)	34,135	34,135
13 Profit or (loss) for the accounting period	231,216	(220,877)	106,569
Total liabilities	69,863,619	39,466,983	42,815,631

CZK'000	2000	1999	1998
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OFF-BALANCE SHEET

1	Potential future liabilities arising from commitments including:	1,683,047	581,127	426,499
	a) acceptances and endorsements	0	0	0
	b) payables resulting from guarantees	1,683,047	581,127	426,499
	c) payables resulting from collateral	0	0	0
2	Other irrevocable liabilities	16,649,796	5,260,922	3,462,128
3	Receivables from spot, term and option transaction	23,660,403	21,141,118	13,660,005
4	Liabilities from spot, term and option transaction	23,707,062	21,134,865	13,695,400

Profit and Loss Statement for the last three accounting periods

(according to the Czech Accounting Standards)

CZK'000	2000	1999	1998
1 Interest income and similar income	2,720,620	2,436,386	3,530,376
including interest income from fixed income securities	448,911	437,412	477,617
2 Interest expense and similar expense	1,896,088	1,656,099	2,588,309
including interest expense from fixed yield securities	23,303	5,905	559,732
Net interest income	824,532	780,287	942,067
3 Income from variable income securities including:	22,913	14,102	11,413
a) income from shares and other variable income securities	22,913	14,102	11,413
b) income from participation interests with significant influence	0	0	0
c) income from participation interests with controlling influence	0	0	0
d) income from participation interests in other associated entities	0	0	0
4 Commission and fee income	290,680	262,300	215,056
5 Commission and fee expense	37,973	20,738	13,833
6 Net profit (loss) from financial operations	328,152	161,972	200,393
7 Other income	142,319	15,062	29,886
8 General operating expenses including	1,154,784	1,209,557	1,038,005
a) employee expenses	365,615	403,696	334,624
aa) wages and salaries	275,992	331,261	266,626
ab) social insurance	66,654	55,113	52,061
ac) health insurance	22,969	17,322	15,937
b) other operating expenses	789,169	805,861	703,381
9 Creation of provision for tangible and intangible fixed assets	0	0	0
a) creation of specific provision for tangible fixed assets	0	0	0
b) creation of other provision for tangible fixed assets	0	0	0
c) creation of specific provision for intangible fixed assets	0	0	0
10 Utilization of provisions for tangible and intangible fixed assets	0	0	24,264
a) utilization of specific provisions for tangible fixed assets	0	0	24,264
b) utilization of other provisions for tangible fixed assets	0	0	0
c) utilization of specific provision for intangible fixed assets	0	0	0
11 Other expenses	160,964	342,947	19,061
Net operating income before adjustments and reserves for loans and investments	254,875	(339,519)	352,180
12 Creation of provisions for loans and guarantees	379,429	330,472	164,764
13 Utilization of provisions for loans and guarantees	186,362	389,428	214,270

CZK'000	2000	1999	1998
14 Creation of provisions for participation interests and other financial investments	344,671	645,279	435,417
15 Utilization of provisions for participation interests and other financial investments	630,036	643,323	166,412
16 Creation of other provisions	132,058	9,313	42,412
17 Utilization of other provisions	179	3,484	950
Profit on ordinary activities before tax	215,294	(288,348)	91,219
18 Income tax from ordinary activities	0	(40,733)	0
19 Profit or(loss) from ordinary activities after tax	215,294	(247,615)	91,219
20 Extraordinary income	16,490	27,367	15,804
21 Extraordinary expenses	568	629	454
Profit or (loss) from extraordinary activities	15,922	26,738	15,350
22 Income tax from extraordinary activities	0	0	0
23 Profit or (loss) from extraordinary activities after tax	15,922	26,738	15,350
24 Profit or (loss) for the accounting period	231,216	(220,877)	106,569





Managing Directors

Mr Pavel Chlumský - Corporate Banking

Mr Martin Kryl - Private and Personal Banking

Mr Peter Kenneth Medlock - Investment Banking

Directors

Mr Miloš Bádál - Mortgage Loans

Ms Ivana Burešová - Legal Division

Mr Vladimír Burian - Prague Branch

Mr Josef Ciglanský - Karlovy Vary Branch

Ms Anna Čápová - Private Banking

Mr Michael Dománek - Liberec Branch (since 1 November 2000)

Mr Dieter Fennel - Credits

Mr Milan Havelka - Ostrava Branch (until 31 August 2000)

Mr Vladimír Chudárek - Zlín Branch

Mr Vlastislav Klimeš - České Budějovice Branch

Mr Michal Lörincz - Representative Office Bratislava

Mr Miroslav Matoušek - Operations

Mr Miloslav Mencl - Corporate Banking

Mr Petr Merežko - Structured Finance

Mr Aleš Novák - Brno Branch

Mr Petr Novák - Support Division

Ms Jaroslava Pelechová - Internal Audit

Mr Martin Pilecký - Information Technology and Organisation (until 31 January 2000)

Mr Michal Provazník - Information Technology and Organisation (since 1 May 2000)

Mr Ladislav Řehák - Pardubice Branch

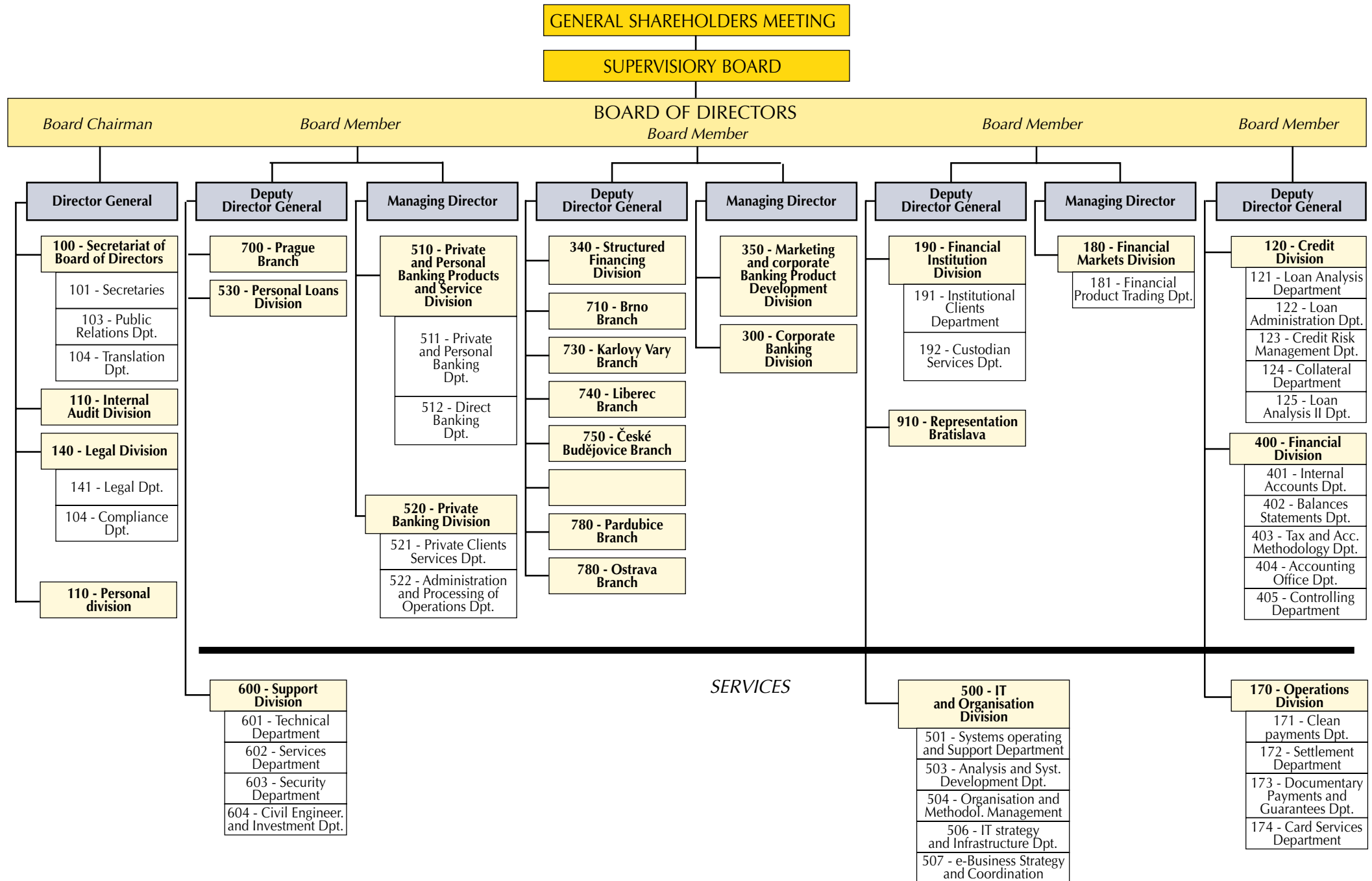
Mr Jaroslav Řezníček - Personnel Division

Ms Anna Smutná - Financial Division

Mr Libor Táborský - Liberec Branch (until 31 July 2000)

Mr Jan Uhlík - Financial Institutions

Organisational Chart of Živnostenská banka, a.s.





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