

Annual Report 2000



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"Looking back, I can see

■ ■ ■ that I have fewer everyday worries"



The world is changing and so are we

A woman with dark hair tied back, wearing a dark blazer, is walking and talking on a mobile phone. She is smiling and looking down. The background is a blurred outdoor setting with a fence and trees. The entire image has a teal/cyan color cast.

*"I've found a bank that
understands my lifestyle"*





Financial Highlights of Komerční banka (in CZK million)

Unconsolidated data	IAS			CAS		
	2000	1999	1998	2000	1999	1998
FINANCIAL RESULTS						
Net Interest Income	12,287	11,947	14,939	12,344	11,915	15,099
Net Fees and Commissions	4,422	4,350	4,627	4,422	4,350	4,627
Total Net Income	21,500	20,390	23,297	20,893	20,190	24,723
Operating Costs	(10,383)	(10,291)	(10,424)	(11,296)	(11,039)	(11,315)
Net Profit/(Loss)	(19)	(9,782)	(9,546)	(149)	(9,242)	(9,805)
Market Price of Share on the Prague Stock Exchange as at 31 December (in CZK)	912	613	369	912	613	369
BALANCE SHEET						
Total Assets	402,205	390,122	422,084	476,842	439,110	487,319
Loans to Clients (Net)	126,943	181,754	214,018	133,968	183,644	218,025
Deposits of Clients	287,624	259,191	273,698	287,624	259,191	273,698
Bonds Issued	27,441	27,742	31,646	29,601	30,501	35,001
Total Shareholders' Equity	20,211	17,776	20,458	20,040	17,826	20,015
Share Capital	19,005	16,604	9,502	19,005	16,604	9,502
RATIOS						
Return on Average Assets (ROAA)	x	x	x	x	x	x
Return on Average Equity (ROAE)	x	x	x	x	x	x
Capital Adequacy	14.75%	10.26%	9.56%	14.38%	10.69%	10.45%
Net Interest Margin	3.62%	3.42%	3.97%	3.03%	2.93%	3.51%
Cost/Income Ratio	63.38%	62.63%	50.95%	61.16%	61.39%	51.12%
Net Fees and Commissions/Total Net Income	20.57%	21.33%	19.86%	21.16%	21.55%	18.72%
Loans under Special Review/Total Loans	33.70%	32.81%	28.65%	33.70%	32.81%	28.65%
Assets per Share (in CZK)	10,582	20,527	22,209	12,545	23,105	25,642
OTHER DATA						
Average Number of Employees	11,865	13,487	14,025	11,865	13,487	14,025
Number of Outlets	342	349	354	342	349	354
Number of ATMs	297	297	277	297	297	277
Number of EFT-POS	4,440	2,904	1,727	4,440	2,904	1,727

IAS - International Accounting Standards

CAS - Czech Accounting Standards

RATING	Short-term	Long-term
Moody's	Prime-2	Baa2
Standard & Poor's	B	BB
Fitch IBCA	F2	BBB

"We know what today's world is about and we are sure that our bank knows as well"





Company Profile

Komerční banka is one of the foremost banking institutions in the Czech Republic and Central Europe. Since 1992, when it was transformed from a state financial institution into a joint-stock company, it has become one of the pillars of the Czech banking system. The Bank is one of the principal providers of deposit, loan and payment products, it has pioneered investment banking, and is one of the main banking institutions in the field of international payments and foreign trade financing. Its attractive range of products and services is complemented and developed by the eleven companies that make up its financial group. This provides clients with the opportunity to obtain services from one place, including insurance services, leasing, building savings agreements or unit trusts.

Komerční banka holds a significant market share in the Czech banking sector. With its extensive business network of 334 branches and sub-branches, the Bank can offer comprehensive service to its more than 1,250,000 corporate and retail clients. The Bank's strong position on the deposits market (20 % share) is due primarily to its strong profile in demand deposits (25.4 % share) and corporate deposits (32.2 %). The gradual decline of the market share in loans to 13.5 % is due to the restructuring of the loan portfolio. The Bank, however, strengthened its position with regard to mortgage loans (22.9 %). Large and medium-sized companies remain the strongest client base for loan transactions, with the Bank providing 14.7 % of their financing.

The Bank's key philosophy is a personal approach and flexibility in responding to client needs. It has been quick to react to

the dynamic development of financial services and has introduced a wide range of direct banking services. More than 100,000 clients already use the Bank's telephone banking services (more than 40 % share), almost 27,000 clients conduct their banking transactions via the electronic banking system (42 % share) and pilot internet banking operations (*mojebanka*) have been launched. It is the only bank in the Czech Republic to issue the prestigious American Express payment card and was one of the first to issue the Eurocard/MasterCard credit cards.

The Bank is intent on increasing the quality, scope and comfort of its banking services. Equally important is an increase in operational efficiency and a return to consistent profitability. The ambitious restructuring programme implemented by management in 2000 was aimed at turning around the downward slide in the Bank's results of the last few years and launching a process that would culminate in Komerční banka becoming one of the most profitable banks in Central Europe.

The privatisation of the Czech state's majority holding will give the Bank new opportunities, principally with regard to new technologies and the ability to link up ever more closely with the world banking community. The results will be clearly evident for clients.

The world is changing and so are we. Komerční banka is a modern and dynamic bank that is able to succeed not only on an ever more competitive Czech market but also on the markets of the European Union. Its success will be founded upon its comprehensive and tailor-made services to meet all of its clients' needs.

*"Life is full of changes and we want
them to be changes for the better"*





Introduction by the Chairman of the Board of Directors and Chief Executive

Dear Shareholders,

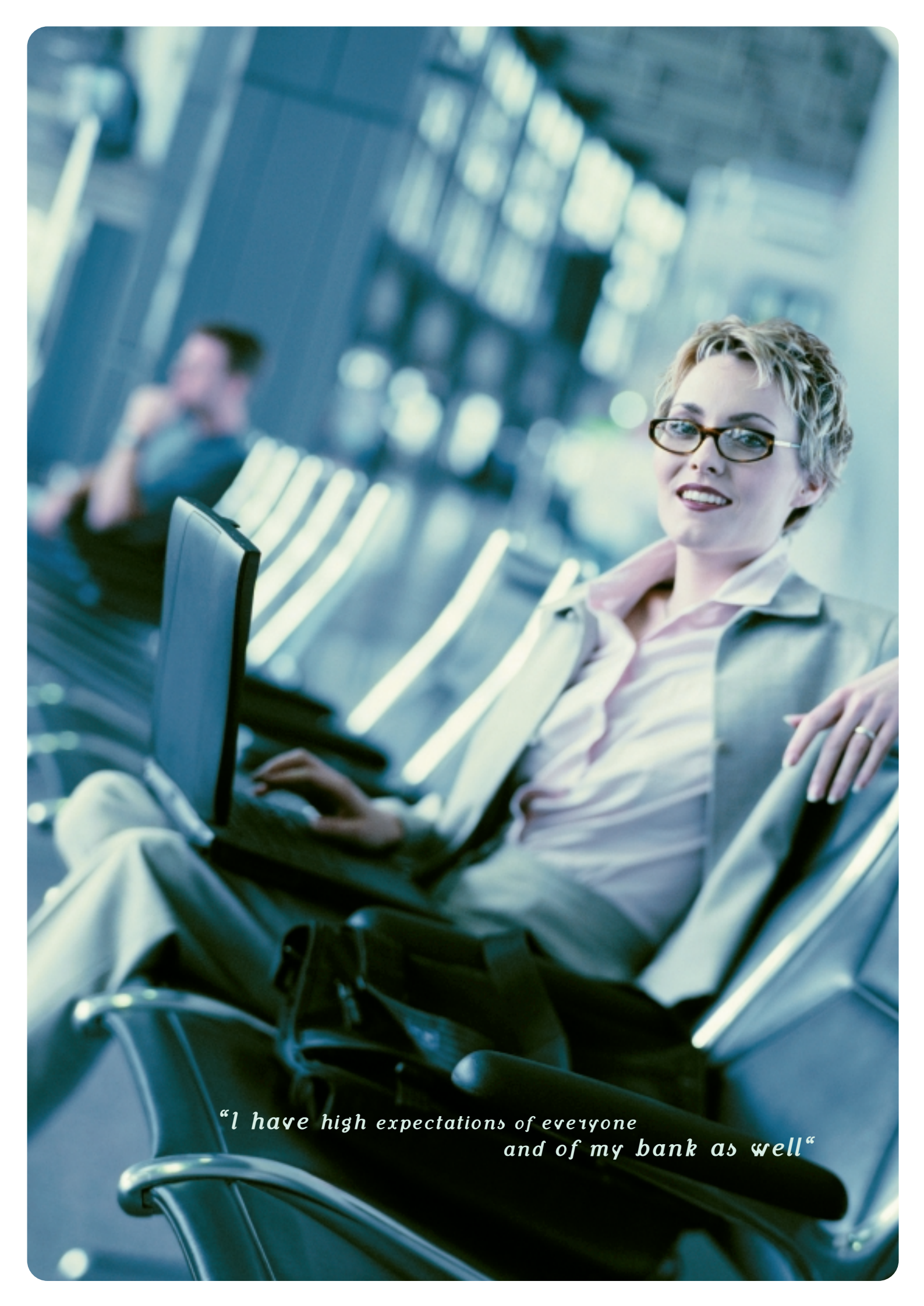
It is with a sense of pride and achievement that I present you with Komerční banka's Annual Report for the year 2000. The Report contains detailed information on the actual state of the Bank, provides the conclusive statistical background to our joint successes over the last period, describes the key initiatives taken by the new Board of Directors, and outlines all the major events of 2000, a year that proved a point of juncture not just for the Bank but for the Czech economy as a whole.

Firstly, the most important achievement: Komerční banka shares rose by 49 % over the year in question, producing an increase in shareholder value of more than CZK 11 billion. This success is further emphasised by the fact that over the same period the Czech capital market stagnated and the PX 50 index even recorded a two per cent fall.

This resounding success was built upon the ongoing and pivotal support of the government, together with the new Board's ambitious restructuring plan. You will find the constituent elements of both these factors described in detail on the pages of this Report. It also provides information on the innovative methods, difficult decisions and daring solutions that characterised the new Board's determination to fulfil its task for 2000.

The year ahead presents us with even greater challenges. To overcome these we will again employ a range of innovative instruments which may in certain respects differ from those used in the year 2000. However, there will be no change in what remains the guiding principle of all our activities – our determination to serve you, the shareholders. I am convinced that this principle, built as it is on our knowledge, skills and resolve, will once more result in high shareholder value for 2001 and satisfy your requirements as investors.

Radovan Vávra



*"I have high expectations of everyone
and of my bank as well"*



Report by the Board of Directors

A review of the major events in 2000



- State support of CZK 60 billion provided to the Bank as part of the preparation for privatisation – transfer of non-performing loans to KONPO, s. r. o., a subsidiary of Konsolidační banka, s. p. ú.
- Resignation of Jan Kollert, Chief Executive of the Bank, and other members of the Board of Directors
- Radovan Vávra elected Chairman of the Board of Directors; appointment of new members of the Board of Directors
- Restructuring of the Bank – Programme KB, extensive restructuring project with the aim of optimising management structures, increasing operational efficiency, achieving cost savings, and turning around negative trends in the Bank's performance in recent years
- Sale of the subsidiary Bankovní ochranná služba, a. s., to Group4 Securitas
- Emphasis on risk management – in-depth analysis of the loan portfolio and re-classification of receivables according to stricter criteria, classified portfolio moved to "Restructuring Bank", i. e. focusing on recovery of such receivables
- Continuation of the Bank's privatisation process – Information memorandum sent to potential investors in the state holding in Komerční banka, a. s.
- The Czech government decided to grant a state guarantee to Komerční banka to cover potential losses from the portfolio of selected non-performing loans as part of the Bank's preparation for privatisation

The privatisation process in Komerční banka, a. s.

- 19 November 1997** The Czech government approves the sale of state-owned shares in Komerční banka to a strategic investor.
- 28 July 1999** The Czech government decides to transfer non-performing loans with a nominal value of CZK 23.1 billion to Konsolidační banka Praha, s. p. ú. Restructuring of assets chosen as an alternative to an increase in share capital, which had been halted by the lawsuits of minority shareholders.
- 10 August 1999** The Czech government publishes advertisement inviting potential investors to express preliminary interest in the purchase of the state's holding in Komerční banka.
- 24 November 1999** The Czech/Slovak agreement on the division of federal assets resolves the Slovak National Property Fund's claim on part of those Komerční banka shares in the ownership of the Czech National Property Fund. The latter's current holding is acknowledged by the Slovak National Property Fund and not subject to any claims.
- 14 January 2000** Increase of CZK 9.5 billion in share capital, originally approved by the AGM in May 1999, successfully concluded. Czech National Property Fund's holding in Komerční banka's share capital thereby increased to 60 %.
- 16 February 2000** The Czech government decides on the fundamental restructuring of the Bank's assets. Komerční banka sets up and equips a subsidiary, Konpo, s. r. o., to which Komerční banka transfers non-performing assets with a nominal value of CZK 60 billion following its sale to Konsolidační banka in March 2000.
- 20 September 2000** The government advisor on Komerční banka's privatisation, Goldman Sachs International, distributes an Information Memorandum to potential investors, inviting them to make a preliminary bid.
- 27 November 2000** The Czech government discusses investors' bids and selects four companies to participate in the next stage of privatisation – the German HypoVereinsbank, Italian UniCredito and the French Société Générale and Crédit Agricole.
- 18 December 2000** The Czech government decides to issue Komerční banka with a guarantee up to CZK 20 billion. Through Konsolidační banka the state thus guarantees potential losses for the non-performing assets in Komerční banka's portfolio for a period of three years, i. e. up to 31 December 2003.
- April 2001** Completion of the active phase of investors' due diligence.

Macroeconomic developments and competition

The revival in economic growth, evident from the second half of 1999, gathered momentum in the year 2000. GDP rose by 3.1 %, which represented a far better result compared to expectations at the beginning of the year. Whereas in 1999 the recovery had been fuelled primarily by exports, in 2000 the main factors in the upturn were investments in fixed capital and private household consumption. The buoyant state of the economy in EU countries encouraged demand for Czech industrial exports and led, with a certain time-lag, to a rise in domestic investment.

The growth in investments (of 5.2 %) was mainly concentrated in engineering and technological equipment, a fact that was reflected in rapid growth in industrial production (of 5.1 %). The rise in industry and other sectors rested upon sounder macroeconomic and microeconomic bases in a fast-restructuring economy. Building investment also rose from the third quarter onwards and an upturn was also recorded in building production. The revival in building output was delayed above all by the fact that the overall economic recovery was led by foreign demand and direct foreign investment. The rise in building investment has so far been due to the performance of large construction companies. Residential building projects, which fall in the main under small-scale building production, are still to experience an upturn.

The Czech corporate sector underwent significant changes in 2000. Industrial and building productivity outstripped the growth of real wages by almost four times. This proved one of the main factors in Czech exporters being able to compete successfully in world markets, despite the strong Czech crown. It also protected the Czech economy from inflationary pressures on costs.

Economic growth also benefited from the rise in private household consumption of 1.4 %. Adequate growth in disposable real income (real wages rose by 2.6 %) was accompanied by a switch from savings to consumption. The range

of consumer loans was extended over the course of 2000 and it was their utilisation, together with a fall in the rate of savings and the rise in real income, that financed the growth of private household consumption.

Growing domestic demand also helped create new employment opportunities. The unemployment rate thus fell year on year by 0.6 of a percentage point to 8.8 % in December 2000.

Faster economic growth also led to a further increase in the openness of the Czech economy: the turnover of foreign trade currently exceeds the volume of GDP by almost 50 %. Greater openness obviously systematically increases the sensitivity of certain macroeconomic parameters to external factors. The rise in inflation (to 4 %) was not caused by the recovery in the domestic economy but primarily by the sharp rise in the price of oil.

Czech exporters benefited from the upsurge in foreign demand (exports rose by 23.3 %), although imports rose even more rapidly (by 28.2 %), mainly as a result of the unfavourable development in import prices. The trade balance deficit amounted to CZK 127 billion, an increase of CZK 56.9 billion against 1999. Seventy percent of the increase can be put down to the unfavourable exchange rate and the remaining 30 % to the growth in domestic demand. The current account deficit on the balance of payments amounted to 4.8 % of GDP. Although this figure is close to the limits sustainable in the medium-term, the deficit was more than covered by the massive inflow of direct foreign investments (USD 4.8 billion). The future development of the current account remains a cause for concern, however, primarily in connection with the development of public finances: the state budget deficit amounted to 2.4 % of GDP.

For the banking sector in the Czech Republic the year 2000 was relatively tempestuous, mainly as a result of the events surrounding Investiční a Poštovní banka (IPB). The imposition of forced administration,

together with the way the whole affair was handled, caused panic among the clients of the country's then second largest bank. Large sums were removed and deposited in other banking houses. The later purchase of IPB by Československá obchodní banka and subsequent decision on its full incorporation and de facto dissolution evoked less public reaction but represented a considerable shake-up in the banking sector. ČSOB immediately became the largest bank on the domestic market. The previous, extremely encouraging development of the already privatised bank, together with the government guarantees provided upon the sale of IPB, made ČSOB an important and powerful player in the Czech banking market.

Away from this extraordinary case, the banking sector remained relatively stable and developed in line with expectations. The growing importance of foreign banks should be noted in general, although the leading positions remain the preserve of banks from the former 'Big Four' – Komerční banka, Česká spořitelna and ČSOB. However, the full privatisation of Česká spořitelna at the beginning of 2000 through its sale to Erste Bank of Austria represented a major shift in the relative strength of these banks.

Komerční banka's market position was strongly affected over the course of the year by two main factors. The first was the major restructuring which took place in mid-year and resulted in the departure of almost the entire senior management of the Bank, a change in the organisational structure and a dramatic reduction in the number of employees. This was received very positively by the public, particularly as it seemed a logical outcome to measures taken after the Bank's

loss-making transactions with the Austrian company B.C.L. Trading. The second factor was the Bank's privatisation process. This had been announced in August 1999, and its delay, particularly in the first part of the year, was generally understood to have increased the uncertainty concerning the future of the Bank. On the other hand, the government implemented certain essential financial measures in order to strengthen the Bank prior to its privatisation. These reassured the public that the impact of the Bank's privatisation on the wider economy would be favourable and that the stable development of the national economy, which is closely linked to events in the banking sector, would thereby be maintained.

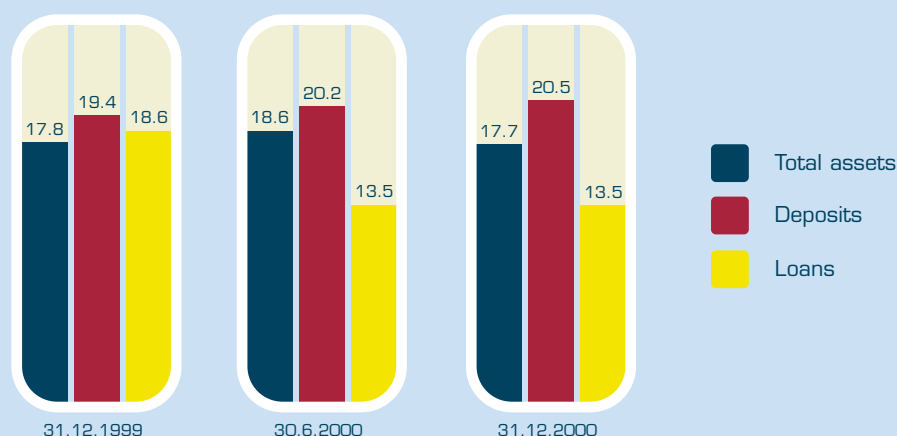
Komerční banka's position in the Czech banking sector is best illustrated in the graph below.

The Bank's market share with regard to total assets remained relatively stable at around 18 %. It is clear, however, that with the increased competition in the market Komerční banka is gradually giving up its former prominent position. This became indisputable fact upon the above-mentioned incorporation of IPB in Československá obchodní banka.

The Bank strengthened its position in the deposit market, increasing its share by 3.7 percentage points. The turnaround in what had previously long been a declining market share came about in the second quarter, when there was a sharp rise in demand and short-term term deposits.

The extensive restructuring of the loan portfolio in the first quarter, consisting of the sale of non-performing loans to the company Konpo, resulted in a major readjustment of the Bank's position on the loan market, where its share fell by more than 5 percentage points over the year as a whole.

KB's market share (in %)



Results of the restructuring process

Komerční banka is a leading banking franchise in the Czech Republic providing a wide range of integrated banking and financial services products to corporate and retail customers. The Bank suffered substantial losses in recent years primarily related to the consequences of economic recession in the Czech Republic and aggravated by large one-off losses uncovered within its trade finance division in late 1999.

Over the last 12 months the Bank has undergone major restructuring both in terms of its balance sheet structure and its operational management. The key components of this restructuring are summarised below:

- The Government of the Czech Republic has provided substantial support for the Bank over the last two years. The principal objectives of this support have been on restructuring and improving the quality of the Bank's assets and on strengthening its capital base in the period prior to its privatisation. The support has taken the form of the transfer of low quality credit assets with a gross nominal value of CZK 83.1 billion to Konsolidační banka (or its subsidiaries), a share issue of CZK 9.5 billion which doubled the Bank's capital base and the provision at the end of 2000 of a further guarantee of CZK 20 billion for losses that may be incurred on the Bank's remaining portfolio of lower quality assets. The combined impact of these measures on the Bank's capital position is approximately CZK 46 billion. Further details of these transactions are contained within the Bank's financial statements which are set out on pages 70 to 71 of this Annual Report.
- A new management team was appointed during the second quarter of 2000. On its appointment this team undertook a comprehensive review and assessment of the effectiveness of the Bank's organisational structure, procedures and activities and pursuant to this initiated Programme KB. The key components of this programme were as follows:
 - The definition and implementation of a new organisational structure including the separation of the 'Restructuring Bank' responsible for the restructuring, collection and liquidation of non-performing loans

- A clear focus on profitability and shareholder value through both revenue generation and cost reduction and substantial improvements in the Bank's business planning procedures (i.e. implementation of budgeting and controlling systems); and
- Sharp focus on risk management through system and organisational changes in the Bank.

Organisational structure

The primary objectives of the re-organisation were to implement a flatter and more flexible management structure, improved customer segment focus and stronger product and risk management control, mainly in relation to credit risk. The key changes are as follows:

- Strengthening the executive role and accountability of the Bank's top management by making each of the Bank's seven Board members directly responsible for the management of specific business, control or support functions in the Bank;
- Change of loan classification policy and consequent separation of the loan portfolio into a Restructuring and a Premium Bank;
- The separation of network and distribution management from product development and management; and
- The separation of credit risk management from credit origination through differentiated reporting lines and performance incentive schemes.

In parallel with this, and as part of the cost reduction programme, the Bank implemented a substantial redundancy programme reducing the Bank's headcount by 2,700 people or approximately 20 %. The majority of these reductions were effected within both the branch network and head office functions.

The separation of the Bank into a Premium Bank and a Restructuring Bank reflects the fact that these are two very distinct types of business, the first maximizing revenues, profit and productivity and the second minimizing losses resulting from restructuring, collection and liquidation of non-performing loans. They require differentiated management philosophies, skills, incentive systems and procedures. The management's turnaround initiatives are focused on the Premium Bank. Management has set a clear three year time horizon for the resolution of the Bank's inherited portfolio of lower quality assets.

Focus on profit and shareholder value

The new management team developed and implemented a series of turnaround initiatives designed to improve both the Bank's profitability and asset quality.

• Revenue generation

With effect from 1 July 2000 the Bank rebranded certain of its products and repriced selected interest rates and fee-based services. The Bank also began the implementation of a wide-ranging sales stimulation program and steps to improve the effectiveness of sales through revisions to existing incentive programs and targeted re-skilling. The immediate principal objective of these steps was to achieve top line revenue growth, especially due to its past erosion or stagnation. In late 2000 and early 2001 the Bank initiated a major re-assessment of its customer segmentation program and a re-design of its core products in order to boost further revenue growth in 2001 and beyond. The program has been supported by target-specific incentive schemes for branch based sales personnel;

• Cost reduction program

The Bank initiated immediate cost reductions through the implementation of a significant redundancy program and pruning of procurement and IT related costs. The Bank continues to actively manage its cost base and will continue to reduce it by focusing on operational efficiency. The Bank expects that these steps will require significant capital expenditure in the short and medium term; and

• Improved business planning procedures

The new management has introduced new strategic planning as well as improved operational planning and budgeting procedures which ensure the pro-active monitoring of results of business divisions and ability to control the operational costs of controlling and backup areas in KB. The Bank plans investments into systems and automatisation of the above mentioned planning and controlling mechanisms in the medium term.

Sharp focus on risk management

The Bank's new management conducted a comprehensive assessment and review of its risk management practices specifically identifying and addressing issues raised by past management failings and financial losses. The principal changes, based on internal as well as external recommendations, introduced in the second half of 2000 were as follows:

- The acknowledgement that primary responsibility for risk management lies with the Board of Directors and specifically with a designated member of the Board;
- The creation of an independent credit approval division reporting to the member of the Board of Directors responsible for risk. This division is entirely separate and distinct from sales and credit origination and is authorised to approve loan applications;
- The re-design of key components of the Bank's credit procedure in the second half of 2000 with the principal objective of improving the quality of decision making. Further refinements and improvements will continue to be made in 2001. The original measures and those that will be introduced during 2001 are designed to reinforce a risk conscious culture across the Bank; and
- The reduction in the proprietary trading activities of the Bank, particularly in foreign exchange and interest rate instruments.

The Bank's management has established a comprehensive framework for managing risk which is subject to ongoing review designed to be responsive to changes in the Bank's activities and operations and market developments. Primary and overall responsibility for risk management remains with the Board of Directors. Responsibility in individual risk areas has been delegated by the Board of Directors to the Asset and Liability Management Committee (ALCO). Two members of the Board of Directors sit on ALCO, which is chaired by the Chief Risk Officer.

Outlook

The changes undertaken during the year ended 31 December 2000 and in the first quarter of 2001 represent the initiation of a medium term continual improvement program across all the operations and activities of the Bank. Management's objective is to bring the Bank into line with established international banking practice so that when its privatisation is completed it will compare favourably with other international operations of its new owner.

Business Activities

WHO?

Komerční banka provides its products and services to five basic client segments categorised according to their needs and financial position.

- **The retail segment** covers a wide clientele which is served via the network of 92 branches and 242 sub-branches. The Bank offers an attractive range of product packages and intends to develop direct banking services, in particular telephone banking.
- **The affluent clients segment** comprises clients with high internal potential demand for products and services. They are served by personal bankers who offer them individual service and comprehensive solutions to their financial requirements. Komerční banka continues to expand its already wide range of the most modern private banking products, investment advisory service, asset management etc.
- **The small companies segment** is served within the extensive branch network. This gives the Bank a considerable competitive edge. The companies represent a strong potential client base for direct banking and customised product packages to satisfy their principal financial requirements.
- **The large and medium-sized companies segment** is served on an individual basis via regular meetings with bank employees on the client's premises. The basic aim is to offer an individual and comprehensive offer of financial products and services, with an emphasis on direct banking services.
- **The largest companies segment** is served using the highest degree of flexibility in the offer of products and services available from the Bank and its Financial Group. The segment comprises some of the largest companies in specific industrial sectors, state enterprises and companies owned by multinational companies. The competition to supply banking services in this segment is understandably intense.

Komerční banka's main strategic business goal for 2001 is to continue in its path of transforming itself from a passive bank into an active, modern and flexible bank which can offer its clients a diverse offer of banking products and services together with an individual approach.

WHAT?

Komerční banka's product offer is created around client needs and aims to be both extensive and straightforward. A host of innovations has been introduced, primarily with regard to product and service packages. In order to simplify product development and client service three divisions were created in the new organisational structure. These cover payment, loan and deposit and investment products.

Payment products

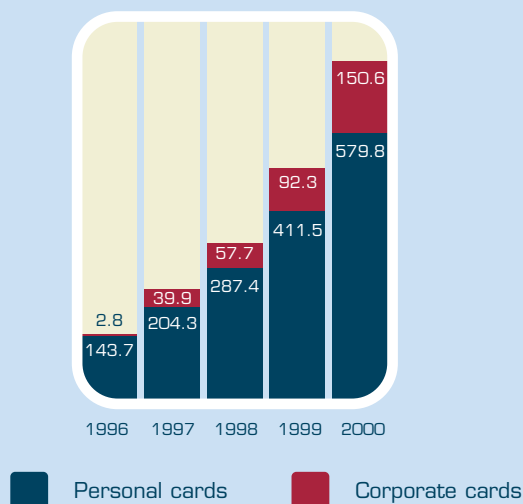
Komerční banka is one of the leading banks on the Czech market in the area of payment products. It has managed to retain its leading position by providing services to a high professional standard and with the minimum margin of error and by constantly reacting to client needs.

Through its issue of Eurocard/MasterCard, VISA and American Express the Bank offers a comprehensive range of payment cards for use both at home and abroad. In the year 2000 the Bank added the Prestige Card to its existing array of payment cards. This is mainly intended for clients in the small and medium-sized company segments. The Bank further expanded its services by accepting Diners Club payment cards. The number of payment cards issued rose year-on-year by 45 % to 730,000 cards.

Payments via the Internet are another form of non-cash payment undergoing rapid development. Komerční banka was the first on the market to offer its clients a multi-layered system of protection for EC/MC payments.

It is also one of the most important clearing banks on the market with regard to correspondent banking. Through vostro accounts in CZK it organises payments

Number of payment cards issued by KB (in thousand)



for more than 230 foreign banks. Client needs in the field of foreign payments are fully covered through 1,100 foreign correspondent banks and 46 nostro accounts.

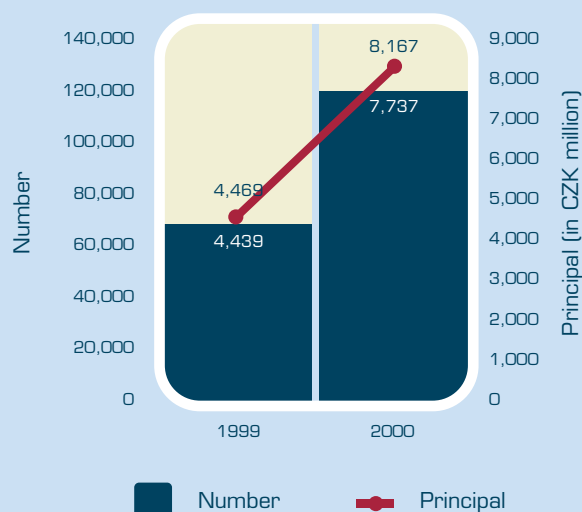
In 2001, Komerční banka will continue to optimise and expand its payment products and services, for example by extending the cards' validity to three years or introducing the possibility of recharging the pre-paid cards of mobile operators.

Loan Products

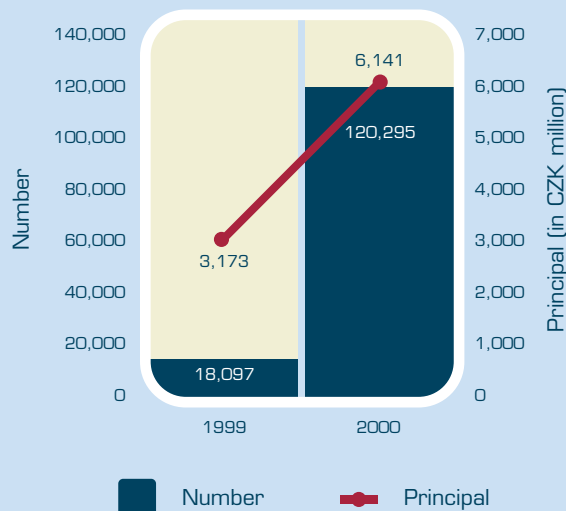
The Bank concentrated its efforts in 2000 on improving the existing loan portfolio. It conducted a strict review of the portfolio's quality and implemented new risk management methods. Changes were also made to procedures for the analysis and approval of business cases.

In the area of corporate loans the Bank focused on medium-large private companies and municipalities.

Mortgage loans



Consumer loans



A municipal loan and modified mortgage were developed specifically for municipal clients. Komerční banka was also a leading supplier of credit for the construction of municipally-owned apartment blocks and the reconstruction of the existing municipal housing fund.

The Bank also continues to support small and medium-sized businesses, for example through the introduction of overdrafts on current accounts within the target Optimum and Premium product packages. This type of loan makes it possible for many small firms to access the funds needed to finance their operational requirements.

Retail loans recorded their largest ever increase, the number of clients rising by more than 100,000. The rise in retail loans can also partially be ascribed to the credit card introduced in November 1999 and granted to almost 8,000 clients. Mortgage loans rose sharply. The Bank expanded its offer to include the express processing of mortgages within seven business days from submitting the application, including an evaluation of the property by bank employees in order to arrange the loan. With a 27 % share the Bank continues to occupy a powerful position on the mortgages market.

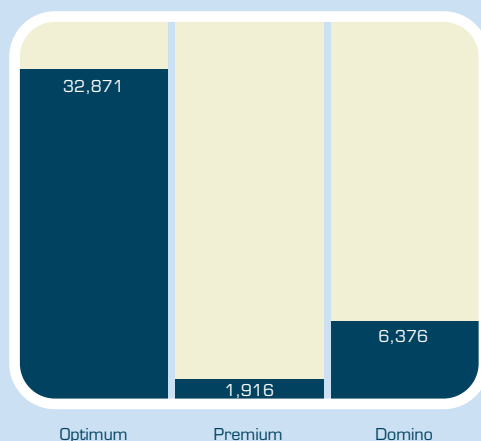
Deposit and Investment Products

In its drive to boost the volume of transactions the Bank set out to optimise the deposit and investment product offer, amended the business conditions for deposit products and targeted client groups with special product packages. It also adapted the strategy by which services are assessed in relation to the Bank's competitiveness.

The deposit product offer was expanded to include target product packages - Expreskonto, Optimum, Premium and Domino - created around the needs of target clients. Each package has a current account, one of the direct banking products and a payment card. A further two combined product packages were created - Municipality, for towns and municipal corporations, and Akademium, for state universities.

Some of the standard products and services were substantially modified and improved so as to satisfy clients' requirements. The KB A-Konto package, for example, not only has revised price conditions but also includes Express Line services in the basic offer as well as mediation services when concluding an agreement on the conditions of purchase and repurchase of participation certificates from the Rodina fondů IKS KB, a. s., etc. The IKS group of unit

Number of product package clients as at 31. 12. 2000



trusts was expanded to include the World Index Fund and the Fund of Funds.

The main goal for 2001 remains the optimisation of products and services so as to satisfy a wide range of clients and maintain the Bank's competitive edge with respect to its products.

Important changes occurred in foreign trade financing. In the first phase, documentary payments as payment instruments were separated from trade financing. Subsequently, credit risk approval was separated from product risk at the business case approval stage. The Bank currently offers customary trade financing products such as export customer loans, forfaiting and receivables financing.

HOW?

Komerční banka provides its products and services through two basic channels – its network of branches and sub-branches and direct banking.

The branch network underwent a fundamental change in the year 2000. Staff numbers were reduced throughout the Bank and steps taken to optimise the sales network, stimulate sales and centralise certain support services. Following the restructuring process the number of employees in the Bank (branch network and Head Office) was reduced by 2,653. Optimisation of the network meant, in some cases, the merging of nearby branches or a change in the status of certain outlets in the branch hierarchy. At present, the Bank's sales network of 342 branches is broken down into eight regional business divisions and one division serving the Bank's largest clients. This major simplification of the organisational structure made communication within the Bank far quicker and more transparent.

The Bank's fundamental strategy for 2001 and beyond is to significantly improve its sales efficiency. This will be achieved by developing the abilities of individual sales persons and by providing systematic support for their sales efforts. To develop sales techniques the Bank is preparing training courses, incentive schemes and analyses of sales results achieved by the best sales people.

Direct banking plays an ever more important role in the sale of products and services. The KB Express Line (telephone banking) recorded a 240 % increase in the number of clients and thereby gained a 40 % share of the telephone banking market. The product's attractiveness was enhanced by the option of an unsecured overdraft as well as the chance to obtain a credit card or use the insurance services of Komerční pojišťovna, a. s.

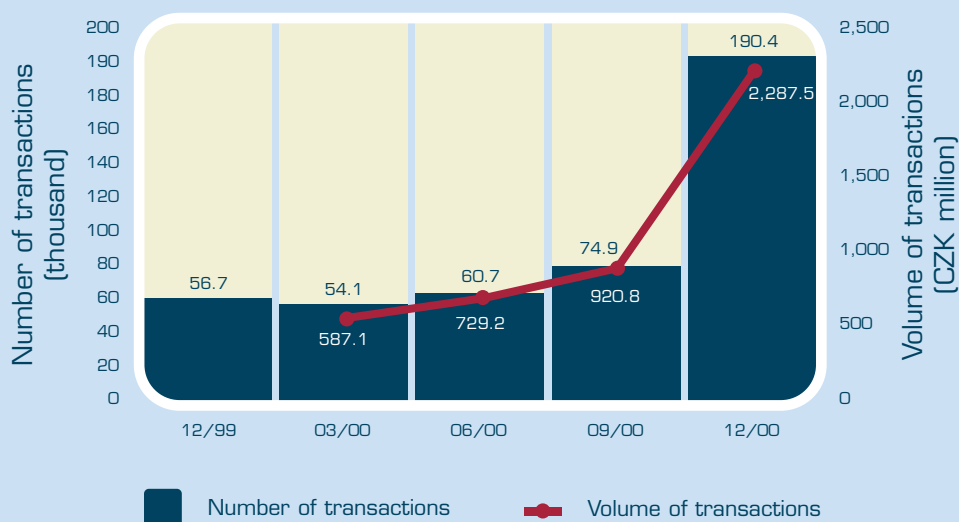
PC banking was another area of direct banking to experience dramatic growth. In April 2000 the Bank launched a new product - M-BEST, which is a modified form of the BEST KB system. The system was simplified and made accessible both financially and practically to many new clients from the small company sphere as well as private

individuals - entrepreneurs. Since its inception almost 12.5 thousand clients have begun to use the system.

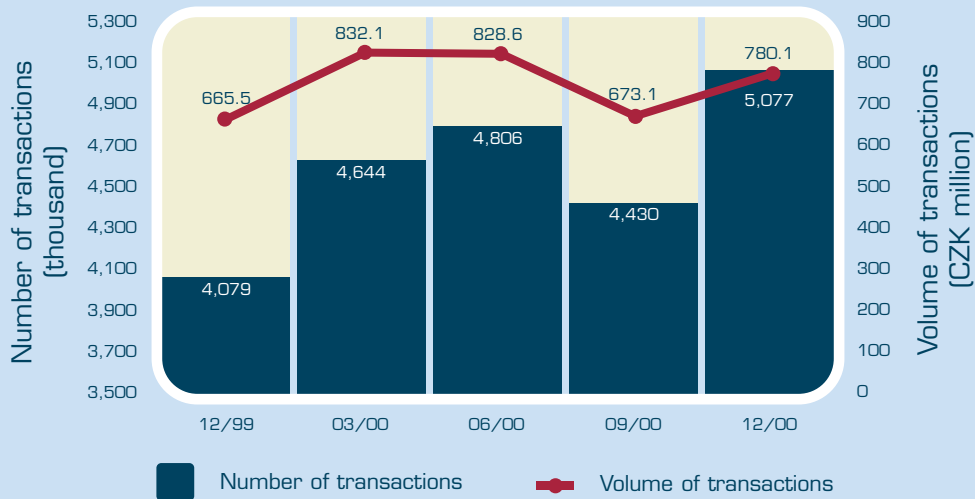
At the end of 2000 the Internet banking pilot operation was launched in record time (less than three months). The product is offered to clients under the name *mojebanka* (*mybank*) and provides them with comprehensive and easy-to-use banking services. It also serves as the basis for the further development of PC-banking and the integration of distribution channels into the common platform of the application server and the three-level information system architecture. Security for the entire system is provided using the PKI architecture (Public Key Infrastructure - a system of digital signatures) in accordance with newly adopted regulations.

The Bank's primary strategy for direct banking in 2001 is to expand it to include the corporate and retail markets. The development and support of Internet banking will be a priority, with the aim of making it accessible to the widest possible number of clients and integrating not only all of Komerční banka's products and services but also those of its subsidiaries.

Development of the number and volume of transactions – KB Express line



Development of the number and volume of transactions – PC banking



Investment Banking

In 2000, organisational changes were made to investment banking in order to rationalise its working procedures and establish better contact with clients. With effect from 1 July 2000 Investment Banking has become the concern of the Treasury, Asset Management, Corporate Finance and Financial Markets Divisions, each with its own clearly-defined powers and responsibilities.

Treasury

The Division is responsible for comprehensive assets and liability management, including koruna and foreign currency liquidity in order to:

- i) ensure the efficient management of market risks on the balance sheet,
- ii) limit activities on speculative positions of currency and interest rate risk,
- iii) ensure the efficient closing of positions from operations with clients, and
- iv) secure higher risk adjusted income on assets through the use of new financial instruments.

As at 31 December 2000, the Division managed assets of approximately CZK 175 billion. In line with the Bank's conservative approach to liquidity risk the larger part of this sum was placed in short-term, no-risk REPO loans to the CNB. A smaller sum went

into inter-bank deposits at leading foreign banks. The Treasury "balance sheet" also consisted of loans to Konsolidační banka as part of the transfer of part of the loan portfolio in 1999 and 2000.

The Bank made basic qualitative changes to its investment strategy with regard to securities. These included improving credit risk, territorial diversification and the use of modern capital market instruments. The result is a high degree of diversification on the bonds portfolio and a strong improvement in the credit risk profile to an average A rating for new investments.

During the last quarter of 2000 the Bank invested in a portfolio of USD denominated asset back securities (ABS), including collateralised bond obligations (CBO). The portfolio had a net book value of CZK 10.8 billion as at year-end. These securities have an average rating of A2 and bear a floating or fixed interest rate based on USD LIBOR.

Management considers that the income/risk profile of CBOs, however, is significantly better than that available in the Czech market. Since the assets underlying the CBOs are European and North American corporate credits their inclusion in the Bank's investment portfolio has led to its diversification.

Asset Management

The volume and number of managed portfolios rose significantly in the year 2000. The volume of managed assets stood at CZK 9.7 billion as at 31 December 2000. This represents an inter-year rise of 44.5 %. The number of managed portfolios increased by 62 % to 68.

The volume of assets managed by Komerční banka for new clients amounted to CZK 1.905 billion in the year 2000, while the volume of existing clients' assets rose by CZK 708 million. Absolute income came to CZK 380 million, which corresponds to converted relative income of 5.19 % p. a. The total income yield less assets from the Penzijní fond KB amounted to 7.14 % p. a.

An important milestone was the successful implementation of Shortfall Return Management methods. This approach makes it possible to manage each client portfolio on an individual basis while taking into account the specific needs and demands of the client.

Corporate Finance

The Corporate Finance Division provides a comprehensive offer of high-quality products and consultancy in the sphere of investment banking. The year 2000 was highly successful, with a record increase of 248.8 % being recorded in income from mergers and acquisitions.

The Division's business role was strengthened and its function as a service point for the Bank's internal needs reduced. It is planned that at least 90 % of the Division's activities will consist of transactions on behalf of clients. Steps were also taken for the efficient transfer of know-how to the branch network. This will enable the Bank to offer investment banking products to a wide range of large and medium-sized companies.

Main activities in 2000

Primary issues

- subscription of new KB shares in total volume of CZK 9.5 billion
- issue of KB mortgage bonds amounting to CZK 1.1 billion
- placing an issue of Praha Finance BV bonds amounting to CZK 2.0 billion (Komerční banka as joint lead manager placed CZK 1.1 billion)

Volume of assets under the control
of the Asset Management Division
(in CZK billion)



- arranging the issue of koruna eurobonds for Scottish Power PLC. (Great Britain) amounting to CZK 1.5 billion
- arranging the issue of koruna eurobonds for the French Banque PSA Finance amounting to CZK 1.5 billion

Syndicated loans

- loan of CZK 600 million to the company Preciosa Gulf
- loan of CZK 2 billion for Parex Bank
- loan transactions for the companies Vodafone and PowerGen
- arranged a syndicated loan for České drahy, s. r. o., with a state guarantee of CZK 2.5 billion

Mergers and acquisitions

- coordinating the privatisation of the 51.1 % share holding in Český Telecom
- consultant in the sale of the 66 % holding in the company Pražské vodovody a kanalizace
- completion of consultancy mandate organising the sale of a 56.3 % holding in IPS
- completion of consultancy mandate organising the sale of a 49.9 % holding in Český len

Financial Markets

In line with its strategy to develop trading activities the Bank placed greater emphasis on client trades at the expense of trades on own account. The product offer focused on the comprehensive management of companies' cash flow. The development of client operations is also linked to the building of a sound trading book structure, placing emphasis on derivatives and securities transactions.

Income from client operations rose by almost 82 % to CZK 299 million. The majority of products are with higher added value, such as interest swaps, quanto swaps, FX options, caps, collars etc.

The Bank retained its leading position as market maker on the secondary bond market. It currently quotes approximately 37 domestic bond titles not only for its own trading but also on behalf of clients. Bond trading recorded total income of CZK 117 million, which represents a rise of 31 % against 1999. The largest increase came in the third quarter of 2000 due to higher volatility on the bond market as well as greater activity in client trades.

Remedial Management (Restructuring bank)

The year 2000 saw the Bank divided into two parts: a premium part, containing the portfolio of standard and watched loans, and a restructuring part to which non-standard, doubtful and loss loans were transferred. The Remedial Management Division was given responsibility for the latter loans.

The restructuring bank was created in order to concentrate the Bank's bad loans in one place, thereby making their recovery more efficient and enabling the business divisions to concentrate their energies on mature and new loans.

Clients are divided into three categories according to their current situation. The Division's internal structure reflects this:

- Restructuring – clients where there is a high probability of recovery through business restructuring
- Collection – loans lower than CZK 10 million with high potential of return
- Liquidation – clients where bankruptcy and liquidation is the most suitable course

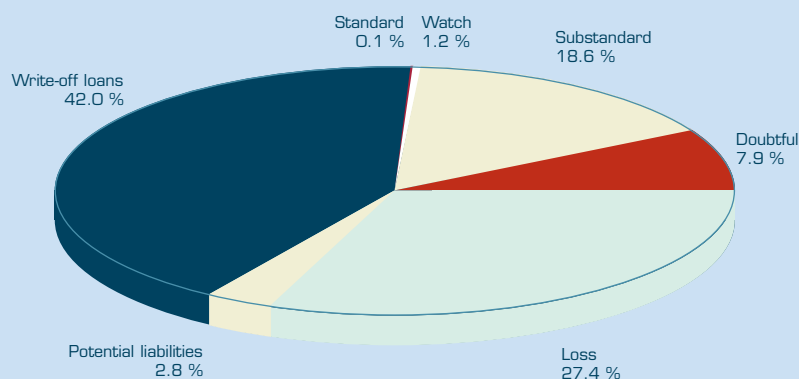
Another important system change was the introduction of the 'early warning' rules. In practice this means the prompt transfer of problem loans at an early stage from the branches to the Remedial Management Division.

The volume and quality of the loan portfolio transferred to the Division is largely influenced by the transaction with KONPO (a subsidiary of Konsolidační banka) from the first part of 2000. The transaction was approved by the Czech government with the aim of improving the Bank's position prior to privatisation and consisted of the transfer of non-performing assets of CZK 49.4 billion to KONPO at a sale price of CZK 25.9 billion.

As at 31 December 2000 the Division had in its care approximately 7,500 clients with a total portfolio volume of CZK 65.9 billion. Although small and medium-sized loans make up the larger part of the portfolio, the 100 largest loans currently form 27 % of the Division's total volume of assets.

During 2000 the Division succeeded in reducing the portfolio by CZK 9.4 billion, recovering CZK 3.4 billion of these receivables in the process.

Loan portfolio of the Remedial Management Division - by classification



Risk Management

Introduction

In the ordinary course of business the Bank manages a variety of risks with credit, market, regulatory and liquidity risks being the most significant. On its appointment, the new management of the Bank conducted a comprehensive assessment and review of its risk management practices specifically identifying and addressing issues raised by past management failings and financial losses. The principal changes introduced in the second half of 2000 were as follows:

- Primary responsibility for risk management lies with the Board of Directors and specifically with a designated member of the Board;
- The creation of Credit risk and Market risk management divisions and Credit control division reporting to the member of the Board of Directors responsible for risk. These divisions are entirely separate and distinct from sales and credit origination;
- The creation of the Compliance Department

responsible for adherence to external regulation and for communication with regulatory and supervisory bodies; and

- The reduction in the Bank's proprietary trading activities, particularly in foreign exchange and interest rate instruments.

The Bank's management has established a comprehensive framework for managing risk which is subject to ongoing review designed to be responsive to changes in the Bank's activities and operations and market developments. Primary and overall responsibility for risk management remains with the Board of Directors. Authorities in market and liquidity risk areas have been delegated by the Board of Directors to the Asset and Liability Management Committee (ALCO). Two members of the Board of Directors sit on ALCO which is chaired by the Chief Risk Officer. Similarly authority in credit risk field has been delegated to the Credit Risk Management Committee in which two Board members participate.

Credit risk management

The Bank's credit procedure was substantially re-designed in the second half of 2000 with the principal objective of improving the quality of decision making. Responsibility for the credit decisions was transferred from the business divisions responsible for sales and origination to the credit risk management function. Further refinements and improvements will continue to be made in 2001. The original measures and those that will be introduced during 2001 are designed to reinforce a risk conscious culture across the Bank.

On its appointment and as part of the comprehensive review of the organisational structure, operations and activities of the whole bank, management conducted a detailed review of credit processes, policies and procedures. This led to the introduction and implementation of significant organisational and procedural changes

in the Bank's credit function. The principal changes were as follows:

- The separation of the credit approval process from sales and business units by the establishment of a single and independent approval body within the Bank (Credit control division). This body approves all material credit proposals and checks the accuracy of the assessment of the client's financial situation;
- The responsibility for monitoring is with the Credit Risk Management division;
- The Bank has centralised the credit approval function and limited the number of individuals with approval authority;
- Following the completion of these steps the Bank undertook a systematic review and prepared for the re-design of all elements of the credit process focusing on underwriting, collateral appraisal, exposure monitoring, classification and provisioning and the restructuring function.

The objectives of the latter step were to bring greater clarity and transparency into the credit procedure through the clear allocation of responsibilities throughout the Bank and individual accountability through the introduction of monitoring and measurement procedures.

Loan evaluation and monitoring

The Bank substantially revised and extended the use of its credit scoring and rating systems, first introduced in 1998. The credit scoring system is based on an analysis of a client's financial situation and an assessment of its ability to take on and repay debt. Financial risk, or the degree of probability of non-repayment, is defined by a client's inclusion within one of five scoring bands. The scoring system was newly implemented for retail clients in 2000.

For larger clients the independent risk analysis department prepares a rating that, in addition to the scoring evaluation, also includes an analysis of qualitative information including assessments of market position, the quality of management and, where appropriate, group structure. On the basis of this analysis the client is placed in one of three categories representing differing degrees of business risk. The overall client rating is determined by the combination of the credit scoring and the qualitative evaluation. The result of the evaluation, together with a further detailed analysis of the client's financial position, provides the basis for the setting of an overall exposure limit to the client and how that composition or utilisation of the limit.

The Bank monitors all clients to which it has granted a loan in order to minimise its risk of loss through the prompt identification of commercial or financial difficulties. The Bank monitors loans on a quarterly basis and more frequently when the client shows evidence of default of either interest or principal. The Bank fully implemented an Early Warning System in the second quarter of 2001 which enables the Bank to measure client financial developments from its transaction record. The pilot phase proved the identification of future risky clients.

The Bank has also introduced an internal 'Responsibility System' focusing on the elimination

of mistakes, loan classification and efficiency, success and failure rates of business units responsible for approving loans. Monitoring results are submitted to the Credit Risk Management Committee. The objective is to isolate units and individuals responsible for poor lending decisions.

Other initiatives include the introduction of a client risk database which will provide loan officers and risk analysts with the capability to access details of the Bank's past negative experience with clients and related individuals and entities. This data will enable the Bank to filter clients at the start point of the credit process. The database also contains data from sources external to the Bank. The Bank continues to lobby actively for the establishment of comprehensive credit bureau facilities within the Czech Republic.

Loan classification and collateral

The classification of exposures forms an integral part of the credit monitoring and risk management process. In the second half of 2000 the Bank introduced a new and fully automated classification methodology which has a significantly more prudent basis than that which was previously in place. The classification methodology introduced is based on a points system (instead of the previous classification matrix technique) where each classification indicator (for example financial situation, information delay, number of days in default etc.) has a specific number of points. The client is included in a specific classification category on the basis of all criteria and total number of points. The Bank has applied stricter definitions and conditions to loan rollovers and the restructurings which have led to lower classifications of certain exposures.

In parallel with changes in classification the Bank has substantially altered its approach to the valuation of assets held as collateral. The Bank remains exposed to real estate collateral and in assessing the value of this collateral has made significant reductions to the discount co-efficients used, particularly where the real estate valuations are old or were prepared. Currently valuations of real estate collateral are prepared by reputable third party appraisers and partly by internal appraisers. This process is completely supervised and controlled by the Bank. The Bank also reduced significantly the values of other types of collateral. The value of collaterals related to all clients in bankruptcy was reduced to zero.

In addition to the above, provisions to the loans provided to the clients who went bankrupt are created in the full amount regardless of the quality of collateral. Following the introduction of the new collateral co-efficients in the last quarter of 2000 the discounted value of all types of collateral fell from 59 % to 34 % of its nominal value.

Both the changes in the classification methodology and the reduction in collateral co-efficients are reflected in the volume of loan loss provision charged to the profit and loss account for the year ended 31 December 2000.

Cross border outstandings

Whilst the Bank's operations are principally

conducted in the Czech Republic, it has material exposures in non-local currencies, primarily US dollar and Euro, placed with international financial institutions on the interbank market. These cross border outstandings are controlled through a system of individual counterparty and country risk limits which are reviewed frequently to avoid concentrations of economic or political risk.

Cross border outstandings are based on the country of domicile of the borrower or guarantor of ultimate risk and comprise loans and advances to customers and banks (including placements) and interest bearing investments as well as other monetary assets and on-balance sheet amounts arising from off balance sheet financial instruments denominated in currencies other than the borrower's local currency.

Market risk management

Market risk is the risk of loss arising from adverse movements in the level or volatility of market prices, which can occur in the interest rate, foreign exchange, equity and commodity markets. It is incurred as a result of both trading and asset and liability management activities.

It is the Bank's policy that exposure to market risk arising from trading activities is concentrated in the Investment Banking Division. The Bank's banking business is also subject to market risk, which arises in relation to non-trading positions, such as capital balances, demand deposits and customer originated transactions and flows.

Liquidity risk management

The management of liquidity is primarily designed to ensure that funding requirements can be met including, for example, the replacement of existing funds as they mature or are withdrawn, or to satisfy the demands of customers for additional borrowings. The distribution of sources and maturities of deposits is managed in order to ensure access to funds and to avoid a concentration of funding needs at any one time or from any one source. Important factors in assuring liquidity are competitive rates and the maintenance of depositors' confidence.

A substantial portion of the Bank's assets is funded with 'core deposits'. These important sources of liquidity are mainly current accounts and savings deposits. Although current accounts are repayable on demand and savings accounts are repayable at short notice, the spread by number and type of depositor helps to insure against unexpected fluctuations and such accounts form a stable deposit base for the Bank's operations and liquidity needs.

Liquidity management also involves control over asset maturities and the volume and quality of holdings of liquid assets and short-term funds. In addition, in evaluating the Bank's liquidity position, management takes into account undrawn lending commitments, the usage of overdraft facilities and the possible impact of certain outstanding contingent liabilities, such as stand-by letters of credit and guarantees.

The liquidity position of the Bank is reported to the Board of Directors on a weekly basis and is evaluated daily within routine treasury follow-up procedures. Liquidity is monitored separately for Czech koruna and foreign currency balances although the Bank uses its swap capacity to optimise the structure of its assets and liabilities and thus lower the cost of liquidity management. The Bank tests its liquidity using normal and stressed market parameters. Management require the Bank to adhere to both normal and stressed limits.

Trading activities

Trading includes both customer-oriented business and positions which are taken on the Bank's own account. For better efficiency, these two activities are managed together. In anticipation of future customer demand, the Bank maintains access to market liquidity by quoting bid and offer prices with other market makers and carries an inventory of capital markets and treasury instruments including cash, debt securities and derivatives. Trading positions and any offsetting hedges are established to accommodate customer or Bank requirements. The Bank also takes its own positions in the interest rate, foreign exchange and debt markets based on expectations of customer demand or a change in market conditions.

Derivatives entered into for trading purposes include swaps, forward rate agreements, options and combinations of these instruments.

Dealing profits

Income arises from the margins which are achieved through market-making and customer business, and from changes in market value caused by movements in interest and exchange rates, equity prices and other market variables. On and off balance sheet trading positions are valued on a mark-to-market basis. The resulting income is included in dealing profits along with interest and dividends arising from long and short positions.

Market risk

The Bank uses a 'Value at Risk' measure as the primary mechanism for controlling market risk. Value at Risk ('VaR') is an estimate, with a confidence level of 99%, of the potential annual loss which might arise if the current positions were to be held unchanged for one year. The general limit is sub-divided into limits for foreign exchange, interest rate and equity risk as well as volatility risk. The limits are then further sub-divided into limits for individual portfolios and traders. The VaR concept used is generally based on variance/co-variance calculations. The Bank back-tests the results on a monthly basis. However to overcome weaknesses in this approach for non-linear instruments, particularly options, the Bank uses Monte-Carlo and similar techniques.

As Value at Risk, based on the normal distribution of market prices, does not provide a direct indication of the potential size of losses that could arise in extreme conditions, the Bank uses a number of complementary techniques for controlling market risk.

Derivatives

The use of derivatives and their sale to customers as risk management products is an integral part of the Bank's trading activities. These instruments are also used to manage the Bank's own exposure to fluctuations in interest and exchange rates as part of its asset and liability management activities. Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Bank's net interest income, dealing profits, commissions received and other assets and liabilities. Notional amounts are not recorded on the balance sheet.

The Bank uses the following derivatives primarily:

Foreign exchange derivatives: The Bank's principal exchange rate related contracts are forward foreign exchange contracts and currency swaps. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of currency usually on a specified future date at an agreed rate. A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date.

Interest rate derivatives: The Bank's principal interest rate related contracts are interest rate swaps and forward rate agreements. An interest rate swap is an agreement between two parties to exchange fixed rate and floating rate interest by means of periodic payments based upon a notional principal amount and the interest rates defined in the contract. In a forward rate agreement, two parties agree a future settlement of the difference between an agreed rate and a future interest rate, applied to a notional principal amount. The settlement, which generally occurs at the start of the contract period, is the discounted present value of the payment that would otherwise be made at the end of that period.

The Bank has also entered into a credit derivative transaction as a seller of protection. Credit derivatives are financial instruments that enable banks to manage credit risk without changing their underlying loan portfolios. The effect of a credit derivative is to transfer credit risk from one party, the protection buyer, to another party, the protection seller, who receives a premium or

interest-related payments in return for contracting to make payments to the protection buyer. The payments are linked to the standing of a reference asset, which may be a security, a loan or an obligation on other derivative instruments. The term credit derivative may also be applied to cash instruments where repayment is linked to the credit standing of a reference asset.

Treasury – asset and liability management

Asset and liability management (Treasury) involves the management of liquidity, funding, interest risk and exchange risk arising on non-trading positions through the use of both on and off balance sheet instruments. The Bank's policy is to manage the earnings volatility arising from the effects of movements in interest rates and exchange rates on the non-trading positions inherent in the Bank's balance sheet. The policies for asset and liability management are set by ALCO.

Interest rate exposure

The interest rate risk arising from the Bank's operations is managed by the Treasury function within the Investment Banking Division. In managing the non-trading positions inherent in the Bank's balance sheet, consideration is given to the substantial liabilities represented by low interest bearing current account balances and other interest free or fixed rate liabilities. The positions arising from these balances are managed by the treasury department using a variety of risk

modelling techniques. All treasury transactions are conducted with the objective of reducing interest rate risk and protecting commercial margins.

Foreign exchange exposure

The Bank's corporate and retail operations incur foreign exchange risk in the course of providing services to customers. This risk is transferred to and managed by the Financial Markets Division.

Hedging

Risk management requires the use of interest rate swaps, currency swaps and other derivatives that are designated as hedges. The hedge transactions are originated by Treasury and their execution of these is performed by the Financial Markets Division which treats these transactions as part of its normal trading activities. With effect from 1 January 2001 the Bank has complied with the hedge identification and measurement requirements of IAS 39.

Regulatory risk

Komerční banka's activities in the Czech Republic are regulated and supervised by the Czech National Bank which acts as a supervisory body. In addition, dealer's and depository activities are supervised by the Czech Securities Commission (regulations are issued by the Ministry of Finance). In addition, activities on the stock market are supervised by the Stock Exchange itself.

The Bank's subsidiaries and affiliate companies are primarily regulated by the Czech National Bank (for example Všeobecná stavební spořitelna KB), by the National Bank of Slovakia (for example KB Bratislava), by the Czech Securities Commission (for example IKS), by the Ministry of Finance (for example Komerční pojišťovna) or together by the Czech Securities Commission and the Ministry of Finance (for example Penzijní fond KB).

Activities of all commercial banks acting in the Czech republic are regulated according to similar principles as are in place in the European Union i. e. capital adequacy, credit exposure or restrictions in ownership of non-bank and non-finance companies. Asset quality and creation of provisions are strictly regulated by the Czech National Bank and the Ministry of Finance. Stronger supervision of the consolidated whole (especially with regard to capital adequacy,

including market risk and loan exposure, where the Bank currently only reports both indicators once yearly and capital adequacy does not cover market risk) is anticipated in the future.

The Bank is required to contribute 0.5 % of the volume of insured deposits to a deposit protection scheme. Non-anonymous deposits in CZK are insured up to 90 % although with a maximum limit of CZK 400 thousand. Substantially all of the deposits taken by the Bank are covered by this scheme and Komerční banka always states if the specific deposit product is insured.

The ordinary shares of the Bank are listed on the Prague Stock Exchange ('PSE'). As such the Bank must comply with the filing and reporting requirements of the PSE and of the Czech Securities Commission. The Global Depository Receipts of the Bank are listed on the London Stock Exchange and the Bank is required to comply with the foreign registrant filing and reporting requirements of that exchange.

Recognising increasing reputational risk of regulatory failure the Bank has established a compliance function independent of the risk management and finance divisions. The head of the compliance function reports directly to the Management Board.

Unconsolidated Financial Results of Komerční banka for the year ended 31 December 2000 in accordance with International Accounting Standards (IAS)

Komerční banka enjoyed much-improved results in 2000, recording a net loss of CZK 19 million compared with a loss of CZK 9.8 billion in 1999. This improvement was largely due to the continuing support of the state in the period prior to the Bank's privatisation, as well as the positive effects of the restructuring program launched mid-year by the new management team.

The Bank succeeded in its goal of increasing operating income, recording a rise of more than CZK 1 billion to CZK 21.5 billion. Operating costs excluding restructuring costs remained at a level similar to 1999.

The creation of CZK 7.9 billion in provisions for loan losses was influenced both by the positive effect of the March transfer of non-performing assets to Konpo and by the agreement with Konsolidační banka at the end of 2000 to guarantee losses that may be incurred on an agreed portfolio of lower quality assets. The significantly lower volume of provisions for loan losses meant that the loss before tax fell from CZK 9.8 billion in 1999 to CZK 2 million in 2000.

The Bank's effective rate of tax remained at or around zero in both 2000 and 1999.

Profit and Loss Account

Net interest income rose by 2.8 % to CZK 12.3 billion. The rise was caused by the fact that, despite a gradual reduction in the Bank's reference rate, interest paid fell at a faster rate than interest received (difference of almost 8 percentage points). The positive development of net interest income reflects the inflow of new funds and their subsequent sound investment on the inter-bank market.

The net interest margin rose during 2000 by 0.19 percentage points to 3.62 %. The year on year growth reflects the improved quality of the Bank's asset base and the increase in the Bank's deposit base over the year.

Net fees and commissions rose strongly in the second half of 2000, rising by 1.7 % to CZK 4.4 billion. Aggregate net fees and commissions were adversely impacted by the payment of fees in connection with the early termination of a securitization transaction, which increased fees paid to clients by approximately CZK 500 million. Excluding this exceptional cost, net fees and commissions would have risen by 13.7 % over 1999.

Fees and commissions from clients rose by 7.6 % in 2000. The majority of this increase came in the second half of the year when the impact of the selective repricing of services was felt. Net fees and commissions were 15.3 % higher in the fourth quarter of 2000 than in the same period in 1999. As in 1999, the largest source of income from clients was fees for payment services, current and deposit account maintenance and loan origination and guarantee services.

Dealing profits amounted to CZK 3.1 billion, up 22.2 % on 1999. This amount includes CZK 1,600 million (1999: CZK 1,824 million) revenues relating to the processing of documentary and clean payments for the Bank's customers. Net gains on securities transactions amounted to CZK 1.3 billion (1999: CZK 90 million). This result reflects one-time gains on the sale of securities to Konpo in March 2000 (CZK 273 million) and the re-evaluation of the participation certificates the IKS Globální fund's (CZK 966 million). Similar gains are not anticipated in 2001.

Other income rose by 8.3 % to CZK 1.6 billion. More than 70 % of this amount arose from customer driven foreign exchange cash conversions which generated income of CZK 1,160 million (1999: CZK 1,358 million).

The Bank succeeded in increasing the proportion of non-interest income to overall income from 41.4 % at the beginning of the year to 42.9 % at its end.

Operating costs excluding restructuring costs were held at similar levels to 1999 and rose by 0.9 % to CZK 10.4 billion. Other operating costs rose by 0.4 %. Excluding the effect of inter-year inflation (4 %) other operating costs fell in real terms by 3.6 %.

Restructuring costs amounted to CZK 827 million, of which 320 million represented personnel costs relating to the headcount reduction implemented in mid 2000. The Bank made provision for the costs of vacating premises left empty as a result of the headcount reduction and expensed all consulting and other costs associated with the implementation of Programme KB.

The increase in operating costs including restructuring costs (rise of 6.7 %) caused a deterioration in the **cost/income ratio** to 63.4 %. Excluding restructuring costs, the cost/income ratio fell 3.1 percentage points to 59.5 %.

Provisions for loan losses fell 54.7 % to CZK 7.9 billion primarily due to the sale of non-performing loans to Konpo in March 2000 and the support of the State in the form of the guarantee agreement signed with Konsolidační banka at the end of the year. The charge for the year also reflects the changes in classification methodology and collateral discount co-efficients that are described in further detail under the heading Risk Management on pages 30 to 35.

Balance Sheet

Total assets rose by CZK 12.1 billion, or 3.1 % to CZK 402.2 billion as at 31 December 2000 compared with 31 December 1999. The structure of the Bank's assets reflected the completion of the transfer of assets to Konpo, a subsidiary of Konsolidacni banka, in March 2000. There was a significant increase in the volume of amounts due from financial institutions and a similar decrease in loans and advances to customers.

Assets

The balance of **cash and balances with the central bank**, which fell by 6.1 % to CZK 20.6 billion, fluctuates according to the Bank's operational needs and with the volume of mandatory minimum reserves. As at 31 December 2000, CZK 5.1 billion was deposited at the CNB in mandatory minimum reserves. These funds did not earn interest in 2000.

Due from financial institutions rose by 33 % to CZK 175.3 billion, principally as a result of the completion of the transfer of assets to Konpo and the inflow of client deposits and their subsequent investment on the inter-bank market. Amounts due from financial institutions include loans to the

CNB (CZK 70.9 billion) and receivables from Konsolidační banka totalling CZK 51.2 billion relating to the financing of the transfer of non-performing assets in August 1999 and March 2000.

Loans and advances to customers fell 30.2 % to CZK 126.9 billion. This resulted from the transfer of non-performing loans in the nominal value of CZK 47.9 billion from the balance sheet to Konpo in March 2000 as part of the Bank's preparation for privatisation. The net book value of the loans fell CZK 25.2 billion following the completion of this transaction.

Mortgage and consumer loans, however, both recorded increases, the former of 27.9 % to CZK 10.2 billion and the latter of 39.9 % to CZK 4.2 billion.

The proportion of loans under special review (i. e., sub-standard, doubtful and loss) rose by 0.9 of a percentage point to 33.7 % of total client loans following the implementation of stricter classification criteria in the third and fourth quarters of 2000. As at 31 December 2000, loss loans amounted to 12.7 % of total client loans, a fall of 8.9 percentage points when compared with the previous year-end. Receivables written off to memorandum off-balance sheet accounts amounted to approximately CZK 24 billion.

Structure of the loan portfolio according to classification in CZK million

(in nominal value)	As at 31 December 1999		As at 31 December 2000	
	Amount	Provisions	Amount	Provisions
Standard	103,859	-	68,127	-
Watch	36,721	200	29,782	396
Sub-standard	14,103	622	24,625	1,250
Doubtful	9,358	1,102	6,323	1,106
Loss	45,186	23,659	18,818	10,954
Total customer loans	209,227	25,583	147,675	13,706
General provisions		1,890		7,026
Total provisions		27,473		20,732

As at 31 December 2000, provisions for loan losses amounted to CZK 20.7 billion, of which CZK 7.0 billion was in the form of general provisions. When determining the value of the Bank's credit portfolio and the level of required provisions for loan losses as of 31 December 2000, the Bank has taken into account the guarantee agreement with Konsolidační banka under which Konsolidační banka will cover losses, up to a maximum amount of CZK 20 billion, which may be incurred over a three-year period beginning 31 December 2000 on a defined portfolio of classified exposures. Further details of this agreement are set out in the financial statements in pages 70 to 71 of this Annual Report.

As at 31 December 2000 the total volume of **dealing securities** amounted to CZK 3.1 billion. This represents a fall of 73.2 % against the end of 1999. This reflected movements from the dealing to the securities portfolio driven principally by regulatory requirements.

The **investment securities** portfolio amounted to CZK 41,465 million as at 31 December 2000 (1999: CZK 10,680 million). The increase reflects the diversification and investment of the Bank's liquid asset portfolio into higher yielding debt securities in the last quarter of 2000, specifically USD denominated rated asset backed securities and placements with international corporates.

The volume of **fixed asset investments** fell by 61.1 % or CZK 2.6 billion to CZK 1.6 billion. The primary causes for the fall were the sale of the 100 % fixed asset investment in Bankovní ochranná služba, a. s., and the transfer of the investment in Investiční privatizační fond KB transformed into Otevřený podílový fond Globální to investment securities. The Bank also increased the share capital of its subsidiary Factoring KB, a. s. by a subscription for additional capital of CZK 44 million.

Liabilities

Amounts owed to financial institutions fell by 32.6 % to CZK 39.4 billion.

As at 31 December 2000 the Bank managed **client deposits** of CZK 287.6 billion. Amounts owed to clients rose year on year by CZK 28.4 billion, or 11 %. The Bank was able to recover most of its deposit base lost because of the uncertainties at the time of the previous year-end following the exceptional trade finance losses incurred by the Bank at the time. Sector uncertainties following the forced administration of IPB also contributed to this inflow of funds particularly in the second quarter of 2000.

The volume of **certificated debts** fell by CZK 0.3 billion to CZK 27.4 billion. Bonds issued by the Bank comprised 75.9 % of this figure.

As at 31 December 2000 **shareholders' equity** balanced at CZK 20.2 billion, which represents an increase of 13.7 %. The increase was caused by the inclusion of the remaining part of the increase in share capital begun in December 1999 amounting to CZK 2.4 billion. CZK 7.1 billion of the total capital increase of CZK 9.5 billion was included within the Bank's capital as of 31 December 1999.

Own funds represented 5 % of total assets as at 31 December 2000.

Capital adequacy calculated in accordance with BIS came to 14.75 %, an increase of 4.49 percentage points. The indicator was positively affected by the transfer of selected non-performing loans to Konpo, s. r. o., a subsidiary of Konsolidační banka, in March 2000 and the increase in share capital completed in January 2000.

Strategic objectives

The current strategic objectives of the Bank's management derive from the major changes implemented since April 2000, when the two-stage restructuring programme was launched (Programme KB). The first phase, which went ahead in the second half of 2000, was dedicated to bringing the Bank back into profit. A new organisational structure was introduced, staff numbers radically reduced, the preconditions created to limit other costs, and a major sales drive instituted to increase the Bank's performance and market position. The second phase focused principally on improving services and enhancing the loan approval process and procedures.

The Bank is thus undergoing radical restructuring before the completion of privatisation, thereby enabling it to formulate its vision for the future with greater clarity. This involves turning itself into a highly profitable financial institution and becoming a professional, efficiently managed partner for important and demanding retail and corporate clients.

In the **corporate banking** sphere the Bank will strive to retain its leading position in the Czech market, to make significant improvements in the structure and volume of income and to exploit the potential of cross-selling using the products

available within the Financial Group. Specific measures are aimed at risk management, integrated services with emphasis on non-interest income and increasing the professionalism of employees in the business divisions. In the large companies segment served by banking advisors the Bank shall seek to make greater and more effective use of the potential of existing clients and to acquire other companies with sound prospects. The Bank will concentrate on reducing the administrative burden placed on clients from small and medium-sized companies. Special attention will be paid to premium medium-sized companies. Individual service via business representatives will be combined with access to direct distribution channels.

In **retail banking** the Bank aspires to win the leading position in the affluent clients segment and be a major force in the retail market. It will look to maximise cross-selling, including the use of products and services from the Financial Group, and will work to achieve a substantial increase in profitability. Affluent clients will be handled by personal bankers and will receive comprehensive financial services. The Bank will strive to retain the loyalty of such clients while acquiring new clients. As far as other clients are concerned, the Bank will seek to optimise the leverage of distribution channels while significantly reducing the administrative burden.

Expected development of the financial situation in 2001

In 2001 the Bank intends to continue the success it achieved in the second half of 2000. The changes already implemented should ensure that this is the case.

The Bank's results for 2001 will be positively influenced by the state guarantee provided to the Bank at the end of December 2000. The guarantee

of a maximum of CZK 20 billion covers potential portfolio losses amounting to CZK 61 billion.

To facilitate the recovery of these receivables the guaranteed portfolio was transferred to the Restructuring Bank, whose activities are independent from the rest of the Bank.



*“Relax, rest...
but I know that I won’t miss a thing”*



*“We seek high quality services
that allow us to achieve more”*



Shares and Shareholders

Shareholder structure

In the year 2000 share capital was increased by CZK 9,052,463,000 to CZK 19,004,926,000 through the subscription of new shares, whose number thereby rose to 38,009,852. The Bank's main shareholder, the Fond národního majetku ČR (FNM ČR, or National Property Fund) at the same time increased its share of the Bank's share capital to 60 %. Although the proportion of the Bank's share capital held by private individuals fell by 3.11 percentage points to a final figure of 6.49 % as at 31 December 2000, these continue to comprise over 99 % of all shareholders. At the end of 2000, the number of shareholders amounted to 68,653 corporate entities and private individuals.

The proportion of Komerční banka's shares owned by foreign investors fell by 3.49 percentage points against 1999 to 27.73 %. The Bank of New York administers shares amounting to 11.97 % of the Bank's share capital; these are in the form of Global Depository Receipts (GDRs) and are traded on the London Stock Exchange and in the PORTAL system (the market of the National Association of Securities Dealers, Inc) in the USA. The majority of the Bank's shares are still held by domestic shareholders, primarily corporate entities, whose proportion rose by 6.31 percentage points to 66.01 % as at 31 December 2000.

Shareholder structure of Komerční banka

Statement from Securities Register as at 31 December 2000		Proportion of total shareholders	Proportion of share capital
Number of shareholders	68,653	100.00 %	100.00 %
- of which: corporate entities	382	0.56 %	93.51 %
private individuals	68,271	99.44 %	6.49 %
Corporate entities	382	100.00 %	93.51 %
- of which: from the Czech Republic	277	72.51 %	66.01 %
from other countries	105	27.49 %	27.50 %
Private individuals	68,271	100.00 %	6.49 %
- of which: from the Czech Republic	62,231	91.15 %	6.26 %
from other countries	6,040	8.85 %	0.23 %

Major Shareholders of Komerční banka with over 1 % of Share Capital as at 31 December 2000

Shareholder	Proportion of share capital
Fond národního majetku ČR	60.00 %
The Bank of New York ADR Department 1)	11.97 %
Chase Ireland [Nominees] Limited	1.58 %
Chase Nominees Limited	1.55 %
Raiffeisen Zentral Bank Österreich AG	1.19 %
State Street Bank and Trust Company	1.14 %

1) With the permission of the Czech National Bank, The Bank of New York ADR Department is the holder of those shares for which Global Depository Receipts (GDRs) were issued and which are in the possession of a significant number of foreign investors.

KB share trading

Komerční banka shares again proved to be one of the most successful titles on the Prague stock exchange. The year 2000 saw their price rise by 48.8 %, which is all the more impressive when compared with the main market indicator Index PX 50, which fell by 2.0 % over the same period. The price and volume of shares reacted very sensitively during the year to the majority shareholder's steps in restructuring the loan portfolio and the results

of the privatisation process. The increase in share capital by means of a subscription of shares had little effect on the Bank's share price, however, as the majority of shares was subscribed by the National Property Fund, which, according to expectations did not realise the arbitration profit between the subscription price and the price on the Prague stock market. The market price of Global Depository Receipts rose by 51 % in 2000:

Major decisions and results of the Annual General Meeting for 2000

The Annual General Meeting of Komerční banka, a. s., was held on 31 May 2000. The shareholders approved the annual financial statements for 1999, when the Bank recorded a net loss of CZK 9,242 million according to the accounting methodology of the Czech banks. Shareholders passed a resolution that the loss should be covered from the reserve fund created from profit of CZK 1,345 million, reserves created from additional amounts from shareholders over the value of deposits amounting to CZK 500 million, reserves not stipulated by law of CZK 1,389 million, from other capital funds amounting to CZK 328 thousand and from the share premium fund in the amount of CZK 6,008 million. The meeting also approved an allocation to reserves not stipulated by law of CZK 469 million in retained earnings from previous periods.

The Annual General Meeting approved:

- a) a change in the Bank's statutes
- b) the Board of Directors' report on the Bank's business activity and the state of its assets for 1999
- c) the acquisition of the Bank's own ordinary shares under precisely defined conditions
- d) principles for emoluments for members of the Board of Directors and Supervisory Board
- e) a change in the rules of the KB share incentive scheme
- f) a limit on emoluments for members of the Board of Directors and Supervisory Board for 2000

The Annual General Meeting elected to the Supervisory Board Mr. Petr Dvořák, Mr. Filip Marco and Mr. Jiří Havel, who was appointed a replacement member of the Supervisory Board in March.

Statutory Bodies and Organisational Structure of Komerční banka, a. s.

Radovan VÁVRA

Chairman of the Board of Directors and Chief Executive

Born 1963, graduated from the University of Economics, Faculty of Economic Production, Department of Industrial Economy. From 1992 to 1993 he was engaged in postgraduate study at the University of South Carolina, College of Business Administration, Columbia, South Carolina in the USA. Between 1990 and 1992 he worked with DHL Intl Czechoslovakia, a. s., and during 1993 and 1994 in Creditanstalt Securities, a. s. From 1994 to 1996 he worked as manager responsible for analyses and trading in Creditanstalt Investiční Společnost, a. s., and from 1996 to 1997 he was a representative and General Director of Citicorp Securities (CR), s. r. o. From 1997 to 1998 he held the position of Chairman of the Board of Directors and Chief Executive at Citicorp Investiční společnost, a. s. From 1998 until his election as a member of the Board of Directors of Komerční banka, a. s., he was a member of the Board of Directors and Vice-President for Small and Medium-Sized Corporate Clients at Citibank, a. s. He has been a member of the Board of Directors since 19 April 2000 and on the same day became Chief Executive of Komerční banka.

Peter PALEČKA

Vice-Chairman of the Board of Directors and Senior Deputy Chief Executive

Born 1959, graduated from the University of Economics, Prague, majoring in foreign trade. After graduating he worked with the foreign trade organisations Petrimex and Technoexport. After 1990 he held the position of Director of the Multilateral Trade Policy Division at the Federal Ministry of Foreign Trade and between 1992 and

1998 he was a Permanent Representative of the Czech and Slovak Federal Republic, and the Czech Republic, to the General Agreement on Tariffs and Trade (GATT), and the World Trade Organisation (WTO) in Geneva. He has been employed at KB since August 1998 firstly as Head of the Group Strategy and Privatisation Department and then as Director of the Group Strategy and Privatization Division. Since 13 October 1999 he has been a member of the Board of Directors and Deputy Chief Executive of Komerční Banka. After the resignation of Mr. Jan Kollert, Chairman of the Board of Directors and Chief Executive (16 February 2000), he was entrusted with the management of the Bank with effect until the election of a new Chairman of the Board of Directors. On 16 May 2000 he was elected Vice-Chairman of the Board of Directors and Senior Deputy Chief Executive.

Responsible for strategy and privatisation.

Jiří HUML

Member of the Board of Directors and Deputy Chief Executive

Born 1964, graduated from the University of Agriculture, Prague, Faculty of Management and from New York State University/Central European University, majoring in economics. He was engaged in further studies at the Charles University, Prague in the Mathematics-Physics Faculty, majoring in theoretical cybernetics and in post-graduate studies at the University of Economics, Prague, majoring in finance and banking. Between 1989 and 1992 he worked in the Czech Institute of Agrarian Economy of the Ministry of Agriculture in Prague as a Deputy Director of the Agricultural Policy Department. At the beginning of 1992 he became Chief Financial Officer of the Federal Fund for Market Regulation in Agriculture at the Federal Ministry of the Economy. From October 1992 he worked as an Associate

in McKinsey & Company, Inc., in Frankfurt am Main, where he specialised in financial institutions. In 1995 he joined the Prague office of McKinsey. He later also worked in Moscow and Budapest and attained the position of Senior Engagement Manager. The Supervisory Board of Komerční banka elected him a member of the Board of Directors and Deputy Chief Executive with effect from 1 June 2000.

Responsible for operations and support.

Radomír LAŠÁK

Member of the Board of Directors and Deputy Chief Executive

Born 1965, graduated from the University of Economics, Prague, majoring in industrial economics and from the Prague International Business School – MBA program. After graduating from the University of Economics he worked shortly in Spolchemie (Chemical and Metallurgical Corporation, a. s.) in Ústí nad Labem. After finishing compulsory military service he worked in Komerční banka, where in his last year he held the position of assistant to the Director of the Division Branch Office in Ústí nad Labem. In 1995 he joined KB Central Office as Head of the Custody and Settlement Department. In February 1999 he was appointed Director of the Financial Markets Division. Since 1 March 2000 he has been a member of the Board of Directors and Deputy Chief Executive.

Responsible for sales.

Tomas SPURNÝ

Member of the Board of Directors and Deputy Chief Executive

Born 1965, graduated from the Stern School of Business, New York University and Columbia Business School, Columbia University. From 1985 to 1989 he worked as a Treasury Analyst in London Star Limited, New York and from 1989 to 1990 as a Credit trainee in Manufactures Hannover trust. Between 1990 and 1992 he was employed as a Treasury Analyst in European American Bank, and from 1994 to 1999 he worked firstly in McKinsey & Company, Inc., New York, USA and from 1995 in the Czech office of the same company. From 1999 he held the position of Chief Executive and member of the Board of Directors of CCS Česká společnost pro platební karty, a. s. Prague. He has been a member of the Board of Directors of

Komerční banka and Deputy Chief Executive since 16 May 2000.

Responsible for finance and risk management.

David SVOJITKA

Member of the Board of Directors and Deputy Chief Executive

Born 1961, graduated from the Julius-Maximilians-Universität, in Würzburg, Germany, having studied in the Department of Monetary Policy and Finance. From 1987 to 1989 he was employed in Hornblower Fischer AG, Frankfurt. Between 1989 and 1991 he worked in Vereinsbank AG, Munich, where he was a founder member of DTB introducing electronic trading in financial derivatives on the German financial market. From 1991 until his election to the Board of Directors of Komerční banka, a. s., he was employed in Vereinsbank (CZ), (from January 1999 HypoVereinsbank (CZ), a. s.), of which he was a founder member and where from October 1996 he was a member of the Board of Directors responsible for Treasury/Financial Markets and Internal Administration. The Supervisory Board of Komerční banka elected him a member of the Board of Directors and Deputy Chief Executive with effect from 1 June 2000.

Responsible for product and segment management.

Michal VĚTROVSKÝ

Member of the Board of Directors and Deputy Chief Executive

Born 1962, completed his studies at the University of Economics, Prague, Faculty of Foreign Trade. From 1984 to 1991 he worked in Československá obchodní banka, a. s. Between 1991 and 1993 he was Vice-Chairman of the Board of Directors of Creditanstalt Securities, a. s., and from 1993 to 1996 Vice-Chairman of the Board of Directors of Creditanstalt Investiční společnost, a. s., Prague. From June 1996 he was Deputy Chief Executive and member of the Board of Directors of Česká pojišťovna, a. s., responsible for financial investments and assets and liabilities management. Between 1997 and 1999 he was also a member of the Board of Directors and later also a member of the Supervisory Board of Pragobanka, a. s. Between 1991 and 1998 he was also a member of the Stock Exchange Chamber of the Prague Stock Exchange. The Supervisory Board of Komerční banka elected him a member of the Board of Directors and Deputy Chief Executive with effect from 12 June 2000.

Responsible for investment banking.

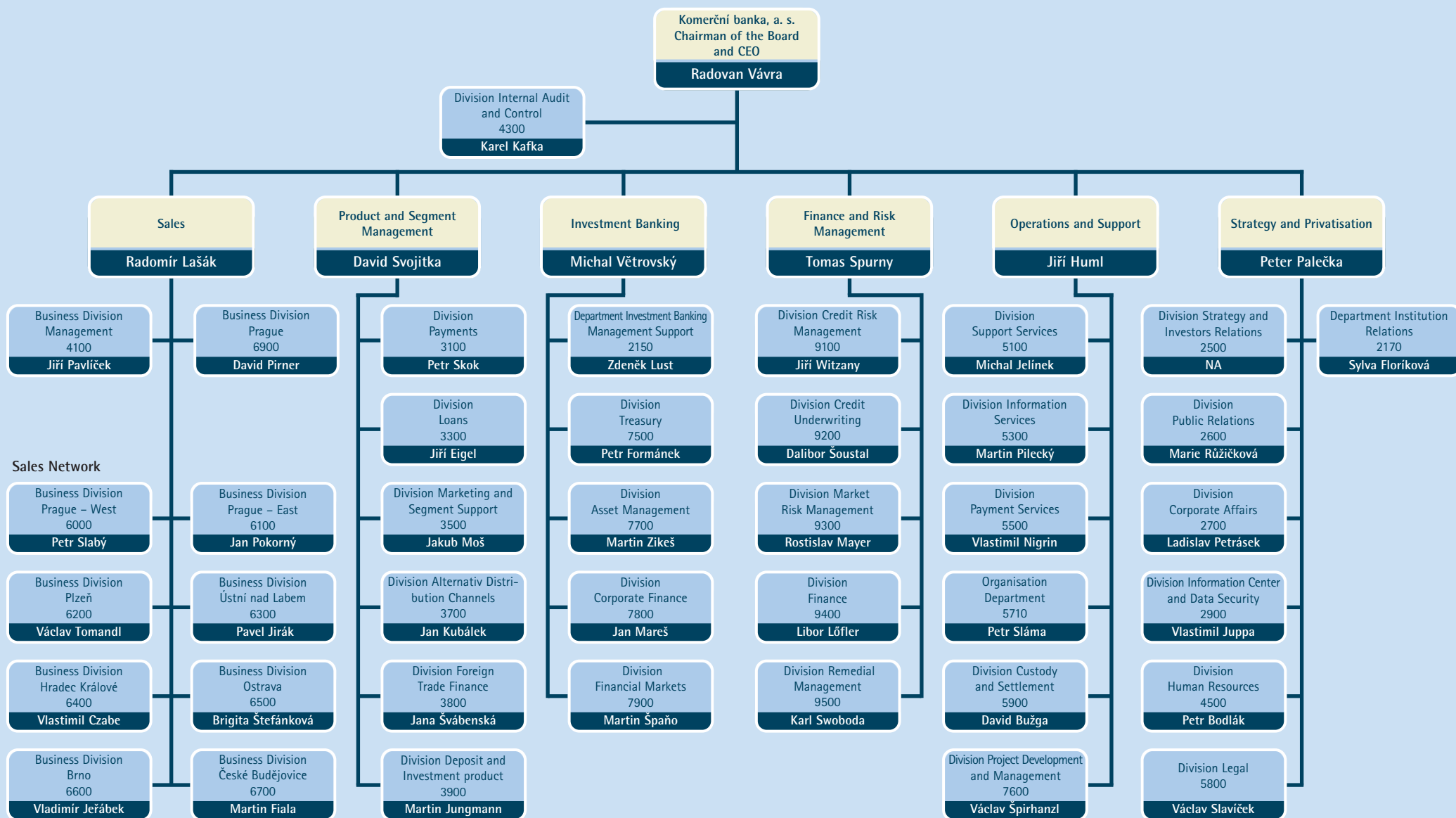
Jan KOLLERT	Chairman of the Board of Directors and Chief Executive (until 16 February 2000)
Tomáš DOLEŽAL	Member of the Board of Directors and Deputy Chief Executive (until 1 March 2000)
Ladislav VINICKÝ	Vice-Chairman of the Board of Directors and Senior Deputy Chief Executive (until 1 March 2000)
Petr BUDINSKÝ	Member of the Board of Directors and Deputy Chief Executive (until 16 May 2000)
Jaroslav MAREŠ	Member of the Board of Directors and Deputy Chief Executive (until 16 May 2000)

Supervisory Board

Karel KOPP	Chairman of the Supervisory Board
Jiří HAVEL	Vice-Chairman of the Supervisory Board (since 8 June 2000)
Board,	(since 1 March 2000 replacement member of the Supervisory Board, since 31 May 2000 Member of the Supervisory Board)
Petr DVOŘÁK	Member of the Supervisory Board (since 31 May 2000)
Martin FASSMANN	Member of the Supervisory Board (since 31 May 1999)
Jarmila HANÁKOVÁ*)	Member of the Supervisory Board
Jan HANOUSEK	Member of the Supervisory Board
Jan JUCHELKA	Member of the Supervisory Board (since 31 May 1999)
Marie KLUCOVÁ*)	Member of the Supervisory Board
Antonín KOLÁČEK*)	Member of the Supervisory Board
Filip MARCO	Member of the Supervisory Board (since 31 May 2000)
Pavel PAFKO,*)	Member of the Supervisory Board
Radek POKORNÝ	Member of the Supervisory Board
<hr/>	
Jan STIESS	Vice-Chairman of the Supervisory Board (until 31 May 2000)
Miloslav FIEDLER	Member of the Supervisory Board (until 1 March 2000)
Karel MALÝ	Member of the Supervisory Board (until 31 May 2000)

*) elected by the employees of Komerční banka, a. s.

Organisational Chart of Komerční banka (as at 31 December 2000)





*"I don't have to take care of a lot of things anymore,
my bank takes care of them"*



Report by the Supervisory Board

Throughout 2000 the Supervisory Board carried out its tasks as defined by law and the Statutes of the joint-stock company. It performed its supervisory functions with regard to the Bank's activities on an ongoing basis and passed its opinions to the Board of Directors.

Having checked the Bank's financial statements for the period from 1 January to 31 December 2000, and on the basis of the report of the external auditor and the Internal Audit and Control Department, the Supervisory Board reports that the accounts were maintained in accordance with legal requirements on banks and with the Bank's own Statutes and present a full and accurate picture of the Bank's financial situation.

Deloitte & Touche performed an audit of the Bank's financial statements:

- under current Czech Accounting Standards which declared that assets and liabilities and the financial result as at 31 December 2000 were fairly and correctly stated. The report was unqualified.
- under International Accounting Standards, which also issued an unqualified report.

The Auditor issued an unqualified report. In the report the auditor drew attention to the assistance given by the Czech Republic to the Bank in 1999 and 2000 with the aim of improving its financial situation in the period before privatisation. This assistance had an important effect on the net creation of provisions for the loan portfolio.

The Supervisory Board recommends the Annual General Meeting to approve the assets, liabilities, share capital and financial result for the year 2000.

Prague, Czech Republic
27 March 2001

On behalf of the Supervisory Board of Komerční banka:

Karel Kopp
Chairman

*"Others may rely on me,
I rely on my bank"*



Auditor's Statement on the Annual Report

Deloitte & Touche, spol. s r. o.
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Czech Republic

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Fax: +420 (2) 248 95 555
www.deloitteCE.com

**Deloitte
& Touche**

AUDITOR'S REPORT FOR SHAREHOLDERS OF KOMERČNÍ BANKA, a. s.

We have audited the below listed financial statements of Komerční banka, a. s. for the year ended 31 December 2000:

- Unconsolidated financial statements prepared in accordance with Accounting Act No. 563/1991 Coll., and applicable Czech regulations, which are included in this annual report on pages 54 to 89;
- Consolidated financial statements prepared in accordance with International Accounting Standards which are included in this annual report on pages 114 to 158;
- Unconsolidated financial statements prepared in accordance with International Accounting Standards, from which the summarised financial statements included in this annual report on pages 90 to 93, were derived;
- Consolidated financial statements prepared in accordance with Accounting Act No. 563/1991 Coll., and applicable Czech regulations, from which the summarised financial statements included in this annual report on pages 111 to 113, were derived.

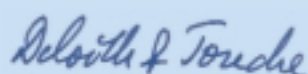
The summarised financial statements included in this annual report were derived from the audited unconsolidated and consolidated financial statements, on which we issued unqualified audit opinions dated 23 March 2001 and 17 April 2001, respectively. In our opinion, these summarised financial statements are consistent, in all material respects, with the audited financial statements. For a better understanding of the financial position of Komerční banka, a. s. and the results of its operations for the period and of the scope of our audit, the summarised financial statements should be read in conjunction with the unconsolidated and consolidated financial statements from which the summarised financial statements were derived and our audit reports thereon.

Our audit reports included the following emphasis of matter paragraph:

Without qualifying our opinion we draw attention to explanatory notes included in the financial statements. In order to support the Bank's financial position prior to its privatisation the Bank received support from the Government of the Czech Republic in 1999 and 2000. This support had a material impact on net movements of the loan loss provision as further described in the notes to the financial statements.

We have also read other financial information included in this annual report for consistency with the audited financial statements. In our opinion, this information is consistent, in all material respects, with the audited financial statements.

Prague, 30 April 2001



Audit firm:
Deloitte & Touche spol. s r. o.
Certificate no. 79



Statutory auditor:
Michal Petrman
Certificate no. 1105

**Deloitte
Touche
Tohmatsu**

Unconsolidated Financial Statements of Komerční banka

Unconsolidated Financial Statements in accordance with Czech Accounting Standards (CAS) as at 31 December 2000

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Auditor's Report to Shareholders of Komerční banka, a. s.

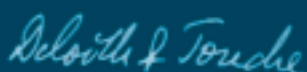
We have audited the accompanying financial statements of Komerční banka, a. s., for the year ended 31 December 2000. The Board of Directors is responsible for the preparation of the financial statements and for maintaining accounting records in accordance with relevant laws and regulations. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with Act No. 254/2000 Coll. on Auditors and the Chamber of Auditors of the Czech Republic, and the auditing standards issued by the Chamber of Auditors. Those standards require that we plan and conduct the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, the accounting records and other evidence supporting the amounts in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Company in the preparation of the financial statements, as well as evaluation of the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the assets, liabilities and equity of Komerční banka, a. s., as of 31 December 2000, and the financial results for the year then ended in accordance with Act No. 563/1991 Coll. on Accounting and relevant accounting regulations.

Without qualifying our opinion we draw attention to Notes 1a) and 7 to the unconsolidated financial statements. The Bank received financial assistance from the Government of the Czech Republic in 1999 and 2000 in order to provide it with support in the period prior to privatisation. This assistance had a material impact on the net charge of provisions against the Bank's loan portfolio as detailed in the Notes to the unconsolidated financial statements.

Prague, 23 March 2001



Audit firm:
Deloitte & Touche, spol. s r. o.
License No. 79



Statutory auditor:
Michal Petrman
License No. 1105

**Deloitte
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Unconsolidated Profit and Loss Account
of Komerční banka, a. s.,
for the Year Ending 31 December 2000 (CAS)

According to the Accounting Methodology of Czech Banks
(CZK thousand)

	Item	Note	Accounting period	
			Current year 1	Prior year 2
1.	Interest income and similar income		29,095,527	38,137,478
	of which: interest income from fixed income securities		1,608,048	2,174,624
2.	Interest expense and similar expenses		(16,751,661)	(26,222,742)
	of which: interest expense on fixed income securities		(2,081,195)	(2,973,584)
3.	Income from variable yield securities		453,120	35,478
	a) income from shares and other variable yield securities		2,496	12,978
	b) income from investments in associated undertaking		210,464	7,500
	c) income from investments in subsidiary undertaking		240,160	15,000
	d) income from investments		0	0
4.	Fee and commission income		5,426,949	5,043,127
5.	Fee and commission expense		(1,005,225)	(692,781)
6.	Profit (loss) from financial operations		3,216,010	3,569,476
7.	Other income	12, 20	37,527,832	19,058,388
8.	General operating costs	25	(11,295,596)	(11,038,576)
	a) staff costs		(5,290,049)	(5,140,034)
	aa) salaries and wages		(3,910,700)	(3,777,958)
	ab) social insurance		(1,036,069)	(1,023,878)
	ac) health insurance		(343,280)	(338,198)
	b) other operating costs		(6,005,547)	(5,898,542)
9.	Creation of reserves and provisions for tangible and intangible assets	16	(373,000)	(600)
	a) creation of reserves for tangible assets		0	(600)
	b) creation of provisions for tangible assets		(152,000)	0
	c) creation of provisions for intangible assets		(221,000)	0
10.	Use of reserves and provisions for tangible and intangible assets	16	1,200	0
	a) use of reserves for tangible assets		1,200	0
	b) use of provisions for tangible assets		0	0
	c) use of provisions for intangible assets		0	0
11.	Other costs	12, 20	(55,898,775)	(36,296,312)
12.	Creation of reserves and provisions for loans and guarantees	16	(19,153,999)	(27,551,370)
13.	Use of reserves and provisions for loans and guarantees	16	28,624,729	26,376,230
14.	Creation of reserves and provisions for fixed asset investments and other financial investments	16	(2,359,147)	(951,548)
15.	Use of reserves and provisions for fixed asset investments and other financial investments	16	1,920,923	817,616
16.	Creation of other provisions and reserves	16	(634,501)	(1,330,633)
17.	Use of other provisions and reserves	16	916,851	1,855,312
18.	Income tax from current activities	2	(17,408)	(23,926)
19.	Loss from ordinary activities after taxation	21	(306,171)	(9,215,383)
20.	Extraordinary income		218,176	227,521
21.	Extraordinary costs		(61,341)	(254,130)
22.	Income tax from extraordinary activities		0	0
23.	Profit or loss from extraordinary activities after tax		156,835	(26,609)
24.	Profit or loss for accounting period	21	(149,336)	(9,241,992)

Unconsolidated Balance Sheet of Komerční banka, a. s., as of 31 December 2000 (CAS)

According to the Accounting Methodology of Czech Banks

Assets (CZK thousand)

	Item	Note	Current year			Prior year
			Gross amount	Provision	Net amount	Net amount
1.	Cash in hand, deposits with central banks, post checking accounts	11	19,787,027	0	19,787,027	20,380,955
2.	Treasury bills and other bills	11	76,225,789	0	76,225,789	48,524,886
	a) treasury bills and similar bonds issued by the state		11,368,789	0	11,368,789	4,395,709
	b) other bills		64,857,000	0	64,857,000	44,129,177
3.	Amounts due from banks	7, 11, 16	176,433,020	13,088	176,419,932	133,344,434
	a) payable on demand		777,073	0	777,073	1,383,060
	b) other receivables		175,655,947	13,088	175,642,859	131,961,374
	of which: subordinated assets		0	0	0	0
4.	Amounts due from clients	7, 10, 16	147,675,177	13,706,760	133,968,417	183,643,947
	a) payable on demand		1,040,497	0	1,040,497	431,639
	b) other receivables		146,634,680	13,706,760	132,927,920	183,212,308
	of which: subordinated assets		0	0	0	0
5.	Bonds and other fixed income securities for trading	13, 14, 16	3,053,227	3,534	3,049,693	12,537,223
	a) issued by banks		895,676	431	895,245	3,396,790
	of which: own bonds		680,309	0	680,309	323,454
	b) issued by other subjects		2,157,551	3,103	2,154,448	9,140,433
6.	Shares and other variable yield securities for trading	13, 14, 16	180,171	7,198	172,973	537,083
7.	Fixed asset investments in associated undertakings	3, 4, 16	494,752	5,022	489,730	2,763,460
	a) in banks		280,000	0	280,000	280,000
	b) in other entities		214,752	5,022	209,730	2,483,460
8.	Fixed asset investments in subsidiary undertakings	3, 4, 16	1,664,003	528,814	1,135,189	1,714,115
	a) in banks		461,077	22,711	438,366	467,924
	b) in other entities		1,202,926	506,103	696,823	1,246,191
9.	Other financial investments	13, 14, 16	43,296,084	692,099	42,603,985	10,990,045
10.	Intangible assets	18	1,966,449	1,093,870	872,579	856,969
	a) expenses of foundation		0	0	0	0
	b) goodwill		0	0	0	0
11.	Tangible assets	18, 19	20,802,754	8,595,233	12,207,521	13,036,129
	a) land and buildings for banking activities		11,641,022	2,361,056	9,279,966	9,703,129
	b) other		9,161,732	6,234,177	2,927,555	3,333,000
12.	Own shares	13	5,265	0	5,265	10,404
13.	Other assets	16, 20	6,386,146	254,738	6,131,408	2,276,110
14.	Subscribed capital called-up and not paid		0	0	0	1,390,181
15.	Prepayments and accrued income	20	3,772,856	0	3,772,856	7,104,389
	TOTAL ASSETS		501,742,720	24,900,356	476,842,364	439,110,330

Unconsolidated Balance Sheet of Komerční banka, a. s., as of 31 December 2000 (CAS)

According to the Accounting Methodology of Czech Banks

Liabilities (CZK thousand)

	Item	Note	Accounting period	
			Current year	Prior year
1.	Amounts due to banks	8, 9, 11	104,255,177	102,582,919
	a) payable on demand		6,154,880	6,865,949
	b) other		98,100,297	95,716,970
2.	Amounts due to clients	8, 9, 11	287,623,691	259,191,282
	a) savings deposits		24,833,587	30,481,162
	of which: payable on demand		1,691,682	1,733,840
	b) other amounts due to clients		262,790,104	228,710,120
	of which: payable on demand		122,983,543	109,154,367
3.	Certificates of deposit and similar debentures	14	29,600,720	30,500,720
	a) certificates of deposit		720	720
	b) other		29,600,000	30,500,000
4.	Accruals and deferred income	20	2,530,932	4,927,079
5.	Reserves	16	9,201,697	7,020,342
	a) reserves for standard loans and guarantees		8,174,946	5,756,273
	b) reserves for foreign exchange rate losses		0	631,275
	c) reserves for other banking risks		0	136,994
	d) other reserves		1,026,751	495,800
6.	Subordinated liabilities	6	7,562,600	7,195,800
7.	Other liabilities	20	16,027,947	9,866,649
8.	Share capital	5	19,004,926	16,604,291
	of which: share capital paid-up		19,004,926	15,214,034
9.	Share premium fund	21	0	6,008,027
10.	Reserve funds	21	564,050	2,421,156
	a) obligatory reserve funds		558,050	1,902,992
	b) reserve funds for own shares		6,000	18,000
	c) other reserve funds		0	500,164
11.	Capital funds and other funds from profit	21	619,960	1,565,171
	a) capital funds		0	328
	b) other funds from profit		619,960	1,564,843
12.	Retained earnings and not compensated loss of previous periods	21	0	468,886
13.	Profit or loss for the accounting period	21	(149,336)	(9,241,992)
	TOTAL LIABILITIES		476,842,364	439,110,330

Off-Balance Sheet (CZK thousand)

	Item	Note	Accounting period	
			Current year	Prior year
1.	Total future potential liabilities	23	28,007,413	29,032,739
	of which:			
	a) received bills of exchange / acceptances and endorsements of bills of exchange		4,800	375,130
	b) commitments from guarantees		28,002,613	28,657,609
	c) commitments from collateral		0	0
2.	Other irrevocable commitments	23	34,794,505	15,695,354
3.	Receivables from spot, forward and option operations	23	273,516,162	250,827,048
4.	Liabilities from spot, forward and option operations	23	273,112,211	246,470,908

Notes to the Unconsolidated Financial Statements as of 31 December 2000

1) Introductory Information

Komerční banka, a. s., (henceforth the "Bank"), having its registered office address at Na Příkopě 33, 114 07, Prague 1, was incorporated on 5 March 1992 in Prague as the legal successor of Komerční banka, s. p. ú., in accordance with Banking Act no. 21/1992 Coll. The Bank was registered as a joint stock company pursuant the Commercial Code and was recorded in the Register of Companies held at the Prague District Court on 5 March 1992, in File B, Insert 1360.

1a) Specific events impacting the Bank's results for the year ended 31 December 2000

The Bank incurred significant losses in 1998 and 1999 related principally to the consequences of the economic recession in the Czech Republic which resulted in a deterioration in the financial condition of many of the Bank's clients impairing their ability to pay their debts. The recession and the restrictive legal framework also negatively impacted the value of loan collateral (primarily real estate). This position was aggravated by large unexpected losses of CZK 8,393 million uncovered in the Bank's trade finance area in autumn 1999.

During the past two years the Government of the Czech Republic has provided financial support to the Bank to ensure its financial stability in preparation for the planned privatisation of the State's ownership interest in the Bank. During 1999 and 2000 the Government sponsored transfers of non-performing loans totalling approximately CZK 83,100 million nominal value to Konsolidační banka Praha, s. p. ú., ("Konsolidacni banka") and its subsidiary Konpo, s. r. o. ("Konpo"). These transfers had a favourable impact on the profit and loss account for 1999 of approximately CZK 16,543 million. In addition, the National Property Fund of the Czech Republic (the largest shareholder of the Bank) participated in a CZK 9,502 million capital increase of the Bank together with other shareholders, which was completed in February 2000.

Pursuant to a Government resolution dated 18 December 2000, the Bank entered into an agreement with Konsolidacni banka under which Konsolidacni banka will cover losses, up to a maximum amount of CZK 20 billion, which may be incurred over a three year period which began on 31 December 2000 on a defined portfolio of classified exposures. This agreement has been taken into account when determining the value of the Bank's assets and the level of required provisions for loan losses reported in 2000. Further details of these arrangements can be found at Note 7d) to these financial statements.

In April 2000, the Bank's principal shareholder sponsored the appointment of a new Management Board by the end of May 2000. On its appointment, the new Management Board undertook a comprehensive assessment and review of the Bank's organisational structure, operations and activities. Pursuant to this review, the Bank began to implement a substantial restructuring program. Principal steps within this program have been as follows:

- A headcount reduction of approximately 2,700 employees or 20% of the workforce. This reduction was fully implemented by 31 December 2000; and
- The operational separation for management and reporting purposes of the Bank's classified loan portfolio into a Debt Recovery Division.

Privatisation of the Bank

During the second half of 2000 and in early 2001, substantial progress has been made towards the sale of the State's sixty-percent shareholding in the Bank. The Bank Privatisation Steering Committee (comprising representatives of the Ministry of Finance, the Czech National Bank and the National Property Fund) selected

four major international commercial banks to participate in the final round of bidding for the State's shareholding. The shortlisted banks are Credit Agricole s. a. (France), HypoVereinsbank (Germany), Societe Generale (France) and UniCredito (Italy). These investors began due diligence procedures in January 2001. Binding offers are expected in April 2001. The purchase agreement is expected to be executed in June 2001.

1b) Information about Methods Used for Valuation of Assets and Liabilities

The Bank values its assets in accordance with the Accounting Act (§ 25).

Cash in hand and cash values

Cash in hand and other cash values denominated in Czech crowns and foreign currencies are stated at nominal value.

Amounts due from banks and clients

Amounts due from banks and clients are stated at the net book value net of provisions.

Provisions are created against classified loans with reference to the financial position and debt service of the borrower, taking into account the value of discounted collateral. Effective 1 January 2000, provisions against loan receivables in foreign currencies have been recorded in foreign currencies.

Reserves are recorded to cover general risks inherent in the Bank's loan portfolio. Creation of provisions and reserves is charged to expenses.

The Bank writes off loss loans with the associated expense being offset against provisions for loan losses. Loans written off are maintained in separate off-balance sheet accounts. The Bank continues to recover a portion of the loans written off. Subsequent recoveries are credited to the profit and loss account if previously written off.

Discounted bills of exchange are carried at nominal value. The discount is retained on the balance sheet in "Prepayments and accrued income" and is amortised on a straight-line basis to income.

Reserves for guarantees

The Bank creates reserves for estimated losses from off-balance sheet instruments (such as guarantees, letters of credit, avals, undrawn loan commitments etc).

Default interest

Default interest is included in income when received and is not reflected in the on-balance sheet receivable balance. Default interest is maintained in separate off-balance sheet accounts.

Trading securities

Trading securities include securities held by the Bank with the intention of reselling them, thereby generating profits on price fluctuations in the near term, typically defined as one year. Trading securities are stated at amortised cost plus coupon.

Average cost is used for calculating gains or losses on disposals.

Provisions against trading securities are established on a daily basis to absorb the excess of cost over market value.

Investment securities

Securities have been classified as investment due to the Bank's positive intent and ability to hold such securities to maturity. The investment portfolio also includes fixed assets investments in subsidiary and associate undertakings. Long-term financial investments are stated at amortised cost plus coupon.

Average cost is used for calculating gains or losses on disposals.

Provisions against investment securities are created as of the balance sheet date. Investment securities are carried at the lower of cost and market value on an item-by-item basis as of 31 December 2000. The Bank has decided not to use calculation on a portfolio basis due to expected changes in provisioning rules as of 1 January 2001).

Provisions against securities

Provisions against trading and investment securities are recognised in accordance with the Regulation of the Czech National Bank No. 5 dated 30 December 1999 concerning principles for covering losses from impairment of securities and investments in subsidiary and associated undertakings by provisioning.

Reserve for investment securities

During 2000, management of the Bank have decided to create a reserve of CZK 322 million for a debt security issued by a Czech industrial corporation despite the interest coupons being repaid by the issuer. As the debt security is not actively traded there is a certain degree of risk of default.

Treasury bills

Treasury bills and other bills are stated at amortised cost. The FIFO method (first in, first out) is used for calculating gains or losses on disposals.

Repurchase and reverse repurchase transactions

During 2000, the Bank entered into repurchase and reverse repurchase transactions with treasury bills issued by the Czech National Bank and with mortgage bonds. Treasury bills acquired under repurchase transactions are stated at nominal value. Other debt securities are marked to market at the trade date. Interest on securities acquired under reverse repurchase transactions is accrued against payables from these securities.

Issued bonds

Securities issued by the Bank are stated at nominal value. The Bank recognises on its balance sheet the issue of its own bonds with coupons, the issue of long-term mortgage bonds with coupons and the issue of its own Zero Coupon Bonds, where the price at issue is discounted. The discount is amortised to the profit and loss account over the term of the bond. Mortgage bonds are issued with share premium, which is amortised to the profit and loss account over the term of the mortgage bond.

Financial derivatives

There have been significant changes to the recognition and measurement of financial derivatives during the year ended 31 December 2000. (Prior to 2000, emphasis was placed on recognising the nominal value of derivatives in the off-balance sheet records. The Bank's balance sheet reflected only cash flows, or, alternatively, fixed expenses and income under derivative transactions were recognised on an accruals basis). Effective 1 January 2000, derivatives have been fair valued on the balance sheet. The Bank only enters into over-the-counter derivative transactions. Fair values are estimated using generally accepted pricing models. Fair value is calculated using mathematical pricing models. Positive and negative fair values are recorded as "Other assets" or "Other liabilities". Changes in fair value are charged to the profit and loss account, the only exception being hedging interest rate derivatives, which are remeasured to fair value on the balance sheet with the appropriate gains/losses from derivatives being taken to the profit and loss account pursuant to the hedging intent. The Bank continues to recognise the aggregate nominal value of derivative transactions over their term in the off-balance sheet records. The nominal values of derivative transactions are restated to reflect fluctuations of foreign exchange rates.

Foreign currency translation

Assets and liabilities denominated in foreign currency are translated into Czech crowns in accordance with S. 24(2) of the Accounting Act, using the foreign exchange rate issued by the Czech National Bank for the currencies which are not included in the European Monetary Union (henceforth "OUT") and the CNB conversion rate for the currencies which are included in the European Monetary Union (henceforth "IN"). The financial statements for the year ended 31 December 2000 use for the currencies "OUT" the foreign exchange rate announced by the Czech National Bank as of 31 December 2000 and for the currencies "IN" the CNB conversion rate prevailing as of 31 December 2000.

Gains and losses arising from conversion transactions in foreign currencies are recognised in Czech Crowns as translated by the exchange rate of the Czech National Bank prevailing as of the date of the transaction.

Leases

The Bank enters into finance lease agreements. Assets held under finance leases are not recognised on the balance sheet over the lease term. These assets are recorded in the off-balance sheet records. Amounts related to fixed assets acquired under finance leases are amortised and expensed over the lease term. Future lease payments of the Bank are made by reference to the payment schedule agreed upon with the relevant leasing company.

Accruals and deferrals

The Bank recognises balances and amounts on an accruals basis pursuant to Accounting Act No. 563/1991 Coll., as amended. Accruals and deferrals are recorded on a daily or monthly basis during the year.

Banking products are recognised on an accrual basis daily. In exceptional circumstances where the requirement for daily recognition on an accruals basis is not supported by the automated accounting system (this involves complicated calculation, immaterial balances for one day etc), the banking products are recognised on an accruals basis monthly.

The Bank refers to general principles set out in its internal guideline for internal management purposes. This guideline stipulates that all costs and income with a material impact on the Bank's profit and loss account are to be accrued/deferred. These balances are accrued/deferred largely on a monthly basis. As a general rule, during

the year the Bank is obligated to defer prepayments when the cost of one transaction allocated to one calendar month exceeds CZK 30,000.

Pursuant to the Banking Chart of Accounts the Bank recognises accounts of Deferred expenses, Accrued expenses, Accrued income and Deferred income.

Deferred expenses are recognised over four years as a maximum, the only exception being rental payments and other cases where the associated expenses are deferred over the term of the contract. The category of deferred expenses principally consists of prepaid fees, rental, leases, costs of meals, subscription fees, long-term promotion and advertising costs, delivery costs, printing costs, reproduction, language training costs, insurance etc.

Accrued expenses principally comprise rental, interest paid in arrears etc.

The category of accrued income is primarily used for banking products. The Bank accrues for balances outstanding as of the balance sheet date that relate to the current year income and are not recognised directly in accounts receivable. Accrued income includes interest income, fees income, fees commissions, income from leases of non-residential areas etc.

Deferred income recognised by the Bank principally consists of rental or service fees received in advance etc.

1c) Information about Depreciation of Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets are stated at cost. Pursuant to the revised Income Tax Act the cost is defined as follows:

- Acquisition cost (that is, purchase price plus expenses incurred in connection with the acquisition);
- Replacement cost (that is, the price at which a particular assets could be acquired at the time that the assets is accounted for);
- Internal production costs (that is, direct and indirect expenses relating to the production of the appropriate asset);
- Pledged amount receivable outstanding collateralised by tangible movable assets that remain in the ownership of the original owner.

Tangible and intangible fixed assets are depreciated through the accumulated depreciation charge in accordance with the depreciation plan of the Bank. Depreciation is calculated on a straight-line basis monthly.

For the year ended 31 December 2000 the Bank has recognised provisions against tangible and intangible fixed assets to the value of CZK 373,000 thousand. These provisions indicate a temporary diminution in value of these assets.

The period for depreciation of tangible and intangible fixed assets is the same as that determined by Income Taxes Act No. 586/1992 Coll., as amended, as follows:

Depreciation group	Depreciation period
1. Machinery and equipment, computers, vehicles	4 years
2. Fixtures, fittings and equipment	6 years
3. Energy machinery and equipment	12 years
4. Switches	20 years
5. Buildings and structures	30 years

The following assets are not depreciated:

- a) Land;
- b) Works of art that are treated as tangible fixed assets but are not included in buildings and structures, assets having cultural value;
- c) Movable cultural antiquities and sets of movable cultural antiquities;
- d) Stocktake surplus of tangible and intangible fixed assets identified during the inventory count procedures;
- e) Tangible movable assets acquired by the creditor as a collateral over the collateral term and assuming that these assets will be depreciated by the original owner if a borrowing agreement is entered into.

1d) Information about Accounting Procedures

For accounting purposes the Bank uses the most recent Chart of Accounts and the relevant accounting procedures for banks, effective for the year ended 31 December 2000. In 2000, the Bank continued to review its methodology relating to accounting policies for existing products and prepared accounting policies for new products. Principal changes in the accounting procedures have related to the accounting recognition of financial derivatives at fair value.

2) Income Tax, Deferred Tax Liability or Asset

Non-tax deductible expenses are added to, and non-taxable income is deducted from, the profit for the period to arrive at the taxable income or loss to which the current tax rate is applied. Current income tax is calculated at the end of the current reporting period in accordance with the Income Taxes Act No. 586/1992 Coll., as amended. The income tax rate effective for the year ended 31 December 2000 is 31%. Income tax recorded in the profit and loss account is CZK 17,408 thousand. This amount consists of tax calculated according to the regular tax return of CZK 10,547 thousand, and from tax calculated according to additional tax returns of CZK (51) thousand and from an increase in the deferred tax liability of CZK 6,912 thousand. The main adjustments when computing the tax base from accounting results relate to tax exempt income and income subject to lower tax rate.

A deferred tax asset arising from temporary differences is recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised. The deferred tax asset has not been recognised since the management of the Bank has substantial doubt as to the timing of the realisation of temporary differences.

Table No. 2.1 Calculation of tax payable from income (CZK thousand)

	2000	1999
Loss for the accounting period	(149,336)	(9,241,992)
Tax according to regular and additional tax returns	10,496	(1,485)
Increase/decrease of deferred tax liability	6,912	25,411
Loss before tax	(131,928)	(9,218,066)
Items decreasing/increasing tax base, total	141,269	9,227,166
Reduced tax base	9,341	9,100
Tax at the current rate	2,895	3,185
Reduction in tax	2,895	3,185
Income tax	0	0
Tax on dividend income from abroad	10,547	98
Tax charge for 2000	10,547	98
Tax according to additional tax returns	(51)	(1,583)
Tax payable	10,496	(1,485)

Czech tax legislation and practice has changed significantly in recent years. As a result there may be uncertainty about the potential impacts should the interpretation of tax authorities differ from that applied by the Bank. The impact of this uncertainty cannot be currently determined with sufficient accuracy.

3) Summary of Investments in Subsidiary and Associated Undertakings

During 2000 the Bank subscribed CZK 44,000 thousand for additional shares in its wholly owned subsidiary Factoring KB, a. s., making its shareholding in the company equal to CZK 84,000 thousand. In August 2000, Investiční privatizační fond KB, a. s., was converted to IKS Globální otevřený podílový fond. This investment was transferred to the investment securities portfolio. In December 2000, the Bank sold its 100 percent equity interest in Bankovní ochranná služba, a. s. During 2000 the Bank has significantly reduced the activities of the ALL IN Group. This group remains wholly owned by the Bank.

Management has written down the investment in this group of subsidiary and associate undertakings to its estimate of recoverable value

All subsidiary and associated undertakings, apart from A-TRADE, s. r. o., are joint stock companies.

Table No. 3.1 Investments in subsidiary and associated undertakings by issuer

	Resident at	Profit/(loss) in 1999 (CZK thousand)	Bank's ownership percentage
ALL IN, a. s.	Praha 1, Vodičkova 30	396	100.00
Investiční kapitálová společnost KB, a. s.	Praha 1, Dlouhá 34	35,517	100.00
Penzijní fond KB, a. s.	Praha 1, Na Příkopě 33	357,141	100.00
Komerční banka Bratislava, a. s.	Bratislava, Medená 6	(110,739)	100.00
Komerční pojišťovna, a. s.	Praha 1, Jindřišská 17	(98,856)	100.00
Komerční Finance, B. V.	Drentestraat 24, 1083 HK Amsterdam, Netherland	18,433	100.00
Factoring KB, a. s.	Praha 1, Na Poříčí 36	3,884	100.00
A-TRADE, s. r. o.	Praha 1, V Jámě 1	(9,596)	75.00
CAC LEASING, a. s.	Praha 5, Janáčkovo nábř. 55	88,738	50.00
MUZO, a. s.	Praha 10, V Olšínách 626/80	103,494	49.90
Všeobecná stavební spořitelna KB, a. s.	Praha 2, Bělehradská 128	211,493	40.00
Bankovní institut, a. s.	Praha 7, Ověnecká 380/7	(12,908)	13.73
Českomoravská záruční a rozvojová banka, a. s.	Praha 1, Jeruzalémská 4	296,445	12.99
CAC LEASING Slovakia, a. s.	Bratislava, Hurbanovo nám. 1	22,725	10.00
Burza cenných papírů Praha, a. s.	Praha 1, Rybná 14	10,946	7.90

4) Number and Nominal Value, Cost of Subscribed Shares or Shares of Registered Capital of Investments In Subsidiary and Associated undertakings

Table No. 4.1 Investments in subsidiary and associated undertakings by issuer (CZK thousand)

	Investment in share capital	Investment in equity funds	Investment cost	Provisions	Net book value	Nominal values of shares	Number of shares held by the Bank
ALL IN, a. s.	100,000	0	100,000	(15,750)	84,250	500	209
Investiční kapitálová společnost KB, a. s.	50,000	25,000	75,000	0	75,000	100	500
Penzijní fond KB, a. s.	200,000	30,000	230,000	0	230,000	100	2,000
Komerční banka Bratislava, a. s.	398,515	39,851	438,366	(22,711)	415,655	100 (SKK)	5,000
Komerční pojišťovna, a. s.	450,000	70,000	520,000	(306,589)	213,411	100 and 50	3,000 and 3,000
Komerční Finance, B. V.	637	0	637	0	637	1 (NLG)	40
Factoring KB, a. s.	84,000	6,000	90,000	0	90,000	100 a,10	400 and 4,400
A-TRADE, s. r. o.	210,000	0	210,000	(183,764)	26,236	–	–
Total subsidiary undertakings	1,493,152	170,851	1,664,003	(528,814)	1,135,189	–	–
CAC LEASING, a. s.	110,900	0	110,900	0	110,900	100 and 500	130 and 200
MUZO, a. s.	60,998	0	60,998	0	60,998	1	50,900
Všeobecná stavební spořitelna KB, a. s.	200,000	20,000	220,000	0	220,000	100	2,000
Other (equity interest below 20 %)	100,404	2,450	102,854	(5,022)	97,832	–	–
Total associated undertakings	472,302	22,450	494,752	(5,022)	489,730	–	–

Table No. 4.2 Summary of year-on-year movements of investments in subsidiary and associated undertakings by issuer (CZK thousand)

	Amount invested by the Bank – acquisition cost at 1 Jan 2000	Additions in 2000	Disposals in 2000	Cost at 31 Dec 2000
ALL IN, a. s.	100,000	0	0	100,000
Investiční kapitálová společnost KB, a. s.	75,000	0	0	75,000
Bankovní ochranná služba, a. s.	64,535	0	64,535	0
Penzijní fond KB, a. s.	230,000	0	0	230,000
Komerční banka Bratislava, a. s. *)	467,924	0	29,558	438,366
Komerční pojišťovna, a. s.	520,000	0	0	520,000
Komerční Finance, B. V. *)	656	0	19	637
Factoring KB, a. s.	46,000	44,000	0	90,000
A-TRADE, s. r. o.	210,000	0	0	210,000
Total subsidiary undertakings	1,714,115	44,000	94,112	1,664,003
CAC LEASING, a. s.	110,900	0	0	110,900
MUZO, a. s.	60,998	0	0	60,998
Všeobecná stavební spořitelna KB, a. s.	220,000	0	0	220,000
Investiční privatizační fond KB, a. s.	2,268,439	0	2,268,439	0
Other (equity interest below 20 %)*)	103,123	0	269	102,854
Total associated undertakings	2,763,460	0	2,268,708	494,752

*) Foreign currency translation differences

In compliance with the CNB Regulation the Bank restated its portfolio of investments in subsidiary and associated undertakings as of 31 December 2000. This restatement resulted in negative revaluation differences and the Bank recorded provisions of CZK 533,836 thousand against these investments in subsidiary and associated undertakings.

In August 2000, Investiční privatizační fond KB, a. s. was converted to IKS Globální otevřený podílový fond. This investment was transferred to the investment securities.

5) Shareholders of the Bank and Share Capital Increase

The Annual General Meeting held on 31 May 1999 approved an increase in the Bank's share capital by the issuance of new shares. Pursuant to this Annual General Meeting the Bank's share capital was to be increased by CZK 7,500 million with the possibility to increase it by up to CZK 9,502 million. The first issue of shares with a nominal value of CZK 7,361 million was completed between 20 December 1999 and 3 January 2000. The second issue, completed by the bidder selected at the Annual General Meeting, that is the National Property Fund, was for an amount of CZK 2,141 million. The process of the increase of share capital was concluded by its registration in the Register of Companies on 11 February 2000. As of that date, the National Property Fund held 60 percent of the issued share capital of the Bank and shareholdings maintained by other shareholders decreased. The Bank's share capital, legally registered in the Register of Companies on 11 February 2000, is CZK 19,004,926 thousand and consists of 38,009,852 ordinary shares with a nominal value of CZK 500 each (ISIN: CZ0008019106), registered in the Securities Centre on 23 March 2000.

Table No. 5.1 Shareholders of the Bank (limit 3% of share capital)

Enterprise	Resident at	Portion of registered share capital (%)
National Property Fund of the Czech Republic	Rašínovo nábřeží, 42, Praha, 2	60.001
The Bank of New York ADR Department	101 Barclay Street, New York	11.968

The number of shares held by shareholders with a shareholding greater than 3 percent is 27,356,705, that is, 71.969 percent of the share capital.

Table No. 5.2 Number of Bank shares owned by persons with a special relationship to the Bank (in terms of § 19. of the Banking Act No. 21/1992 Coll.)

	Number of shares
Management Board - management of the Bank*)	99
Supervisory Board members	1,479
Corporate entities exercising control over the Bank, their principal shareholders and management	22,806,227
Principal shareholders of the Bank and any other corporate entity under their control (greater than 10% of shares)**)	4,548,900
Total	27,356,705

*) The revised organisational chart of the Bank defined the Management Board as management of the Bank.

**) The number of shares held by the principal shareholder of the Bank, National Property Fund of the Czech Republic, is reported only under "Corporate entities exercising control over the Bank".

6) Commitments From Accepted Loans of a Special Nature

As of 31 December 2000, the Bank had commitments from long-term accepted loans of a special nature relating to a subordinated debt of CZK 7,562,600 thousand (USD 200,000 thousand). In 1998, Komerční Finance, B. V., (a wholly owned subsidiary of the Bank) issued guaranteed step-up callable notes due 15 May 2008, bearing interest at 9 % per annum to 15 May 2003 and then interest at a rate per annum equal to the sum of the six-month LIBOR for the relevant payment period plus 5 %. The notes constitute direct, unsecured, unconditional, subordinated obligations of Komerční Finance, B. V., which are irrevocably, fully and, subject to subordination, unconditionally guaranteed as to the principal, premium and interest by the Bank. The notes are redeemable at the option of Komerční Finance, B. V., in whole on any interest payment date on or after 15 May 2003. The nominal value of the subordinated debt is USD 200 million.

7) Loans to Banks and Non-banking Entities

7 a) Analysis of loans and collateral

The Bank's assets include loans to banks in the amount of CZK 124,936,851 thousand, of which a loan provided to the Czech National Bank in respect of repurchase transactions is CZK 70,854,000 thousand.

Loans to customers amounted to CZK 147,675,177 thousand, of which CZK 68,127,309 thousand are standard loans including loans to local authorities and CZK 79,547,868 thousand of classified loans (Table No. 7.2).

Receivables from customers include accrued interest of CZK 1,313,578 thousand (1999: CZK 6,131,412 thousand). Of this sum, CZK 746,615 thousand (1999: CZK 5,682,421 thousand) relates to defaulted interest and CZK 566,963 thousand (1999: CZK 448,991 thousand) relates to accrued interest, which is not overdue.

Table No. 7.1 Bank and client loan portfolio by classification (CZK thousand)

	Gross amount	Collateral	Net exposure	Provisions	Net book value
Loans to banks					
Standard	124,423,813	123,208,211	1,215,602	-	124,423,813
Watch	0	0	0	0	0
Sub-standard	185,903	147,247	38,656	7,731	178,172
Doubtful	130,132	125,017	5,115	2,556	127,576
Loss	197,003	194,202	2,801	2,801	194,202
Total loans to banks	124,936,851	123,674,677	1,262,174	13,088	124,923,763
Loans to clients					
Standard	68,127,309	31,942,398	36,184,911	-	68,127,309
Watch	29,781,645	21,867,289	7,914,356	395,718	29,385,927
Sub-standard	24,624,645	17,498,411	7,126,234	1,250,498	23,374,147
Doubtful	6,323,593	4,054,100	2,269,493	1,106,769	5,216,824
Loss	18,817,985	7,864,103	10,953,882	10,953,775	7,864,210
Total loans to clients	147,675,177	83,226,301	64,448,876	13,706,760	133,968,417
Total loans to banks and clients	272,612,028	206,900,978	65,711,050	13,719,848	258,892,180

The collateral relates to the total loan portfolio and is therefore greater than the total of collateral in Table 7.4. Collateral for the aggregate loan portfolio at nominal value. Collateral is always based upon its discounted value. Real estate collateral is discounted in accordance with the CNB requirements for real estate collateral and replaced by provisions. The balance of provisions created in this respect as of 31 December 2000 was CZK 1,100,000 thousand.

Table No. 7.2 Gross loans according to remaining maturity (CZK thousand)

	On demand	Less than 3 month	Less than 1 year	From 1 to 2 years	From 2 to 4 years
Loans to banks	0	72,768,444	250,845	5,558,125	10,359,067
Loans to customers	1,040,497	25,246,014	42,725,242	13,684,318	23,627,029
- standard	1,040,497	6,421,839	18,368,961	8,885,251	13,721,471
- classified	0	18,824,175	24,356,281	4,799,067	9,905,558

Table No. 7.2 Gross loans according to remaining maturity – continued (CZK thousand)

	From 4 to 5 years	Over 5 years	Total 2000	Total 1999
Loans to banks	36,000,370	0	124,936,851	68,894,010
Loans to customers	10,473,330	30,878,747	147,675,177	209,226,638
- standard	5,183,813	14,505,477	68,127,309	103,858,476
- classified	5,289,517	16,373,270	79,547,868	105,368,162

Table No. 7.3 Gross loans according to remaining maturity (CZK thousand)

	On demand	Less than 3 month	Less than 1 year	From 1 to 2 years	From 2 to 4 years
Agriculture	41,965	1,413,475	2,281,736	1,017,141	2,444,961
Processing industry	148,429	11,638,804	19,247,142	3,343,570	7,959,687
Distribution, production of energy	1,103	483,615	163,446	319,074	2,485,692
Construction	45,968	1,125,306	2,196,113	390,223	666,287
Trade, catering, transport and telecommunication	319,231	4,983,710	14,601,442	2,510,097	3,936,703
Insurance, banking	14,636	1,314,028	2,471,454	5,091,610	2,243,546
Administration and other parties	469,165	4,287,076	1,763,909	1,012,603	3,890,153
Total loans to clients	1,040,497	25,246,014	42,725,242	13,684,318	23,627,029

Table No. 7.3 Gross loans according to remaining maturity – continued (CZK thousand)

	From 4 to 5 years	Over 5 years	Total 2000	Total 1999
Agriculture	683,760	1,640,330	9,523,368	13,436,586
Processing industry	3,049,035	5,964,706	51,351,373	80,150,072
Distribution, production of energy	1,285,762	3,033,937	7,772,629	8,820,855
Construction	79,872	440,761	4,944,530	8,095,627
Trade, catering, transport and telecommunication	2,717,781	2,955,359	32,024,323	54,413,372
Insurance, banking	70,565	147,734	11,353,573	12,619,199
Administration and other parties	2,586,555	16,695,920	30,705,381	31,690,927
Total loans to clients	10,473,330	30,878,747	147,675,177	209,226,638

Table No. 7.4 Collateral for the aggregate loan portfolio at nominal value (CZK thousand)

	Total bank loan collateral	Of which: bank short-term loan collateral	Total client loan collateral	Of which: client short-term loan collateral
Guarantees of state and governmental institutions	52,015,158	0	8,498,193	189,314
Bank guarantees	2,256	0	2,773,817	813,583
Guaranteed deposits	1,673	0	1,496,346	752,959
Issued debentures in pledge	0	0	4,000	4,000
Pledge of real estate	0	0	177,920,335	44,733,345
Pledge of movable assets	0	0	6,498,491	1,520,692
Guarantee by corporate entity	0	0	19,738,960	6,759,267
Guarantee by individual (physical entity)	0	0	4,069,403	41,327
Pledge of receivable	0	0	6,580,620	2,792,508
Insurance of credit risk	1,809,802	0	6,616,379	382,634
Other	0	0	13,264,955	8,189,382
Total	53,828,889	0	247,461,499	66,179,011

Short-term loans to clients are collateralised by being insured with Exportní garanční a pojišťovací společnost, a. s., (Export guarantee and insurance company), to the value of CZK 261,868 thousand (included in row "Insurance of credit risk"). The above values are discounted to arrive at the provisioning levels.

7b) Reserve for risks and uncertainties

The Bank's portfolio contains exposures to a number of clients which are State owned or are regulated or funded by the State. In determining the level of provisioning required against such exposures the Bank has taken into account the expected continuing support of the State.

The Bank's portfolio is collateralised primarily by real estate. The legal framework relating to creditors rights restricts the Bank's ability to realise collateral values on non-performing loans. Recent modifications in legislation designed to strengthen the position of creditors may improve recovery of these loans. The Bank continues to use all legal remedies available to it.

As of 31 December 2000, the Bank maintains a general reserve of CZK 7,025,871 thousand to cover the risks referred to above which it considers may be present in the portfolio as of that date but which cannot be allocated to individual exposures. This reserve also covers an assessment of the Bank's participation in the aggregate losses incurred on the guaranteed risk portfolio covered by the State guarantee (see Note 7d).

The Bank has largely separated the management and reporting of exposures classified as standard and watch from those classified as sub-standard, doubtful and loss. The sub-standard, doubtful and loss exposures are managed within the Debt Recovery Division. This operational separation reflects the differences in service and management resource required for these two classes of assets.

The portfolio managed by the Debt Recovery Division largely approximates the portfolio that is covered by the guarantee agreement entered into by the Bank and Konsolidacni banka on 29 December 2000. Further details of this agreement are set out below. Management of the Bank has assessed under a series of scenarios the future outcome of the realisation of portfolio transferred to the Debt Recovery Division. These scenarios reflect the uncertainties arising from the absence of benchmark historic recovery rates when using systematic recovery efforts, the weaknesses in the existing legal framework regarding the enforcement of creditor's rights and the intention of management to realise substantially all of the portfolio over a three year time horizon. Based on

the facts presently available, management has made its best efforts to analyse and determine the range of expected recovery and associated losses arising from this process and allocated a portion of the general reserve to cover the best assessment of the Bank's participation in the aggregate losses incurred on the realisation of this portfolio. Actual recovery rates may differ from those taken into account in preparing the financial statements.

7 c) Transactions with Konsolidační banka

In 1999 and 2000 the Government of the Czech Republic resolved to provide financial support to the Bank in order to ensure its financial stability in the period prior to its privatisation. This financial support has been largely enacted through transactions between the Bank and Konsolidační banka and has involved transfers of non-performing assets at a total nominal value of approximately CZK 83,100 million. The principal terms and conditions of each of the transactions between the Bank and Konsolidační banka are set out below:

On 31 August 1999, the Bank transferred selected loss and written off receivables with a nominal value of CZK 23,100 million to Konsolidační banka. The receivables were transferred for a contractual price of CZK 13,600 million representing approximately 60% of their nominal value. The net positive effect of this transaction on the Bank's result for the year ended 31 December 1999 was approximately CZK 9,500 million.

On 25 March 2000, the Bank transferred selected loss and doubtful receivables and loans written off with a nominal value of CZK 60,000 million to Konpo, a subsidiary of Konsolidační banka, for a consideration equivalent to 60% of their nominal value. The receivables transferred included loans to customers classified as loss and doubtful of CZK 47,886 million, loans that were fully provisioned and written off of CZK 9,997 million and securities of CZK 2,116 million.

Management estimated that the net positive impact of this transaction was approximately CZK 7,000 million as of 31 December 1999. This net positive impact was taken fully into account when the assessment of the valuation of the credit portfolio and the amount of required loan loss provision was made as of 31 December 1999.

The above transactions with Konsolidační banka resulted in an aggregate favourable impact of CZK 16,543 million on the results for the year ended 31 December 1999 and impacted the net movements on provisions for loan losses (see Note 16).

Exchange of assets pursuant to the agreement dated 25 March 2000

On 29 January 2001, the Bank entered into an agreement with Konpo under which it agreed to take back certain assets transferred to Konpo under the agreement dated 25 March 2000. The Bank replaced these assets which did not comply with the parameters of the original agreement with other assets of the same quality that did so. The assets exchanged have a gross nominal value of CZK 2,970 million. The intention of both parties was that the financial impact of this exchange of assets be neutral. However, the Bank estimates that the transaction will have a negative impact on its tax position for the year ended 31 December 2001 in the amount of CZK 179 million.

7 d) State guarantee covering losses on the Bank's risk assets

On 29 December 2000, the Bank entered into an agreement with Konsolidační banka under which Konsolidační banka will cover losses, up to a maximum amount of CZK 20,000 million, which may be incurred over a three year period which began on 31 December 2000 on a defined portfolio of classified exposures. This agreement was signed on 29 December 2000 on the basis of the resolution of the Government of the Czech Republic dated

18 December 2000. The guarantee applies to the net book value (defined as principal less specific provision) of assets classified as substandard, doubtful and loss (in accordance with relevant CNB regulations) as of 31 December 2000. This defined portfolio corresponds largely with that portfolio held within the Bank's Debt Recovery Division. The payment under the guarantee agreement is effected through a mechanism whereby the Bank's participation increases as the aggregate loss incurred on the defined portfolio increases. The Bank will retain these assets on its balance sheet and continue to maximise recovery. The difference between the net book value as of 31 December 2000 and the actual amount recovered by December 2003 is covered by the guarantee up to a maximum amount of CZK 20,000 million. In accordance with the agreement this amount will be settled in either cash or Government securities by 30 June 2004. The table below sets out the basis of the Bank's participation in losses incurred on the guaranteed portfolio:

Final losses CZK billion	Guarantee paid by Konsolidacni banka	Bank's participation on final losses	Cumulative participation CZK billion
0 - 10	95%	5%	0.5
10 - 20	CZK 9.5 billion plus 85% of the amount over CZK 10 billion	CZK 0.5 billion plus 15% of the amount over CZK 10 billion	2.0
20 - 25	CZK 18 billion plus 40% of the amount over CZK 20 billion	CZK 2 billion plus 60% of the amount over CZK 20 billion	5.0
Over 25	CZK 20 billion	CZK 5 billion plus 100% of the amount over CZK 25 billion	-

The Bank is required to report regularly on the administration of the assets and the expected requirement for settlement from the guarantee.

The effectiveness of the guarantee agreement referred to above is subject to approval of the Competition Office.

The table below set out an overview of the assets covered by the guarantee according to classification of balance:

	Nominal value (CZK thousand)	Provisions and reserves (CZK thousand)	Net book value (CZK thousand)	Deductible collateral (CZK thousand)	Number of cases
Sub-standard assets	27,629,270	1,420,173	26,209,097	17,488,740	4,314
Doubtful assets	7,401,526	1,136,179	6,265,347	4,100,136	1,203
Loss assets	16,578,411	7,837,058	8,741,353	8,051,669	7,768
Total on balance sheet assets	51,609,207	10,393,410	41,215,797	29,640,545	13,285

Sub-standard assets	7,999,583	454,050	7,545,533	5,197,431	182
Doubtful assets	132,298	8,087	124,211	106,878	31
Loss assets	1,208,898	487,318	721,580	721,579	55
Total off balance sheet assets	9,340,779	949,455	8,391,324	6,025,888	268
TOTAL	60,949,986	11,342,865	49,607,121	35,666,433	13,553

The nominal value of on-balance sheet assets includes undrawn credit commitments of CZK 4,391,026 thousand. The total nominal value of classified assets includes export credit loans made to other banks in the amount of CZK 523 million.

7 e) Termination of loan portfolio guarantee transaction

In December 1998, the Bank entered into an agreement with an internationally recognised investment bank that under regulatory guidelines qualified as a guarantee of a portfolio of loans classified as loss. The guarantee replaced real estate collateral that would otherwise require additional provisioning for statutory accounting purposes. This agreement was terminated in March 2000 because a substantial portion of the loans collateralised by the agreement was transferred to Konsolidacni banka. The cost of the termination of the transaction has been charged to the profit and loss account for the year ended 31 December 2000.

7 f) Trade finance losses

During 1999, the Bank incurred losses of CZK 8,393 million relating to loans, letters of credit and guarantees provided to a foreign client of the Bank. In 2000 this loss decreased by CZK 214 million to CZK 8,179 million following the expiry of certain letters of credit. During 2000 further events occurred which management considers may further decrease the loss by CZK 115 million.

As of 31 December 2000, loans and advances to this client included an amount of CZK 3,120 million that was fully provided for. Included within the Bank's off balance sheet commitments and contingencies are exposures of CZK 541 million which are fully provided for. The provision is shown in Note 16) within "Reserves and provisions". The balance of written off receivables that are held in off-balance sheet memorandum accounts as of 31 December 2000 was CZK 4,634 million.

The Bank is continuing to take actions in all relevant jurisdictions to recover its funds.

8) Loans Accepted

No collateral was provided for accepted loans. Details of accepted loans according to remaining maturity can be seen from table No. 8.1.

Table No. 8.1 Loans accepted specified according to remaining maturity (CZK thousand)

	On demand	To 3 months	Less than 1 year	From 1 to 2 years	From 2 to 4 years
Loans from CNB	0	311,260	11,260	22,519	45,039
Loans from other banks	0	1,228,152	4,531,107	110,588	948,408
Loans from clients	0	15,105,440	19,632,017	89,853	89,925
Total	0	16,644,852	24,174,384	222,960	1,083,372

Table No. 8.1 Loans accepted specified according to remaining maturity – continued (CZK thousand)

	From 4 to 5 years	Over 5 years	Total 2000	Total 1999
Loans from CNB	22,520	56,294	468,892	197,093
Loans from other banks	0	5,954,298	12,772,553	23,840,655
Loans from clients	45,033	0	34,962,268	26,865,233
Total	67,553	6,010,592	48,203,713	50,902,981

Loans accepted from clients also include loans from Komerční Finance, B. V., totalling CZK 9,372,463 thousand with remaining maturity less than 2 years (1999: CZK 8,917,881 thousand).

9) Proportion of Granted Loans and Accepted Loans with Maturity within One Year

Loans with remaining maturity up to 1 year represent 52% of the total volume of granted loans. The proportion of accepted loans with remaining maturity up to 1 year represents 85% of the total volume of accepted loans.

10) Syndicated Loans Granted

During 2000, the Bank's loan portfolio includes the following syndicated loans as shown in Tables No. 10.1 – 10.2.

Table No. 10.1 Non-banking syndicated loans (CZK thousand)

	Participation	Interest rate (%)	Portion of risk (%)
Komerční banka, a. s.	1,078,953	6.76	50.00
Česká spořitelna, a. s.	1,078,953		50.00
Total to client 1*)	2,157,906		100.00
Komerční banka, a. s.	1,527,743	7.09	55.56
ČSOB, a. s.	814,741		29.63
Bank Austria Credit Anstalt	407,233		14.81
Total to client 2*)	2,749,717		100.00
Komerční banka, a. s.	119,508	8.31	28.19
HSBC, pobočka Praha	68,169		16.08
Konsolidační banka, s. p. ú.	136,296		32.15
BNP Dresdner Bank, pobočka Praha	77,242		18.22
CLBP, pobočka Praha	22,723		5.36
Total to client 3*)	423,938		100.00

*) The Bank does not indicate names of its clients as a result of banking secrecy restrictions.

Table No. 10.2 Loans provided as part of the CAEF (Czech American Enterprise Fund) (CZK thousand)

	Participation	Interest rate (%)	Portion of risk (%)
Komerční banka, a. s.	10,439	0	50.00
CAEF	10,439		50.00
Total to client 4*)	20,878		100.00
Komerční banka, a. s.	402	0	58.38
CAEF	287		41.62
Total to client 5*)	689		100.00

*) The Bank does not indicate names of its clients as a result of banking secrecy restrictions.

11) Other Receivables and Liabilities to Banks and Clients

The receivables from the Czech National Bank ("CNB") amounted to CZK 11,873,740 thousand, of which CZK 5,055,577 thousand represents obligatory minimum reserves, CZK 4,598,770 thousand represents deposits payable on demand and CZK 2,219,393 represents amounts due from transfers of cash. Obligatory minimum reserves did not bear interest for the year ended 31 December 2000.

The Bank has other commitments to the CNB to the value of CZK 75,903,366 thousand, of which CZK 70,905,355 thousand relates to treasury bills from reverse repurchase transactions. A listing of non-loan receivables and liabilities of other banks is provided in Table No. 11.1. With regard to other banks, the largest creditor is one of the major Czech banks; the commitments of the Bank to this institution are to the value of CZK 4,500,000 thousand.

Table No. 11.1 Other receivables and commitments to banks according to remaining maturity (CZK thousand)

	On demand	Less than 3 months	Less than 1 year	From 1 to 2 years	2000 total	1999 total
Bank deposits received	6,154,880	80,841,812	3,917,040	100,000	91,013,732	78,545,171
Bank deposits placed	777,073	40,812,544	9,906,552	0	51,496,169	64,550,655

Table No. 11.2 Commitments to customers according to remaining maturity (CZK thousand)

	On demand	Less than 3 months	Less than 1 year	From 1 to 2 years	From 2 to 4 years
Current accounts	109,961,663	0	0	0	0
Savings deposits	1,691,682	5,596,745	13,275,567	4,249,494	0
Time deposits	558,356	99,745,622	1,002,920	2,587,367	160,501
Deposits from budget	7,784,786	0	0	0	0
Off-budget deposits	4,678,738	484,266	688,754	0	0
Commitments to clients	124,675,225	105,826,633	14,967,241	6,836,861	160,501

Table No. 11.2 Commitments to customers according to remaining maturity - continued (CZK thousand)

	From 4 to 5 years	Over 5 years	2000 total	1999 total
Current accounts	0	0	109,961,663	94,548,330
Savings deposits	0	20,099	24,833,587	30,481,162
Time deposits	170,733	4,130	104,229,629	91,769,126
Deposits from budget	0	0	7,784,786	9,519,298
Off-budget deposits	0	0	5,851,758	6,008,134
Commitments to clients	170,733	24,229	252,661,423	232,326,050

12) Receivables Written-off

During 2000, the Bank wrote off receivables totalling CZK 5,207,224 thousand. Of this balance, CZK 5,137,790 thousand related to receivables from clients and CZK 69,434 thousand related to client current account overdrafts. The write-off of CZK 4,991,765 thousand and CZK 146,025 thousand was covered by the use of provisions and general reserves, respectively.

Income from written-off receivables from clients amounted to CZK 7,402,881 thousand. Recoveries from written off receivables from clients amounted to CZK 7,401,066 thousand and recoveries from client current account overdrafts amounted to CZK 1,815 thousand. Income from written off receivables from banks amounted to CZK 84,746 thousand. Income from written off receivables from clients also include recoveries of CZK 5,998,196 thousand from written off receivables transferred to Konpo.

Table No. 12.1 Costs and income from receivables written-off by industry (CZK thousand)

Industry	Costs of written-off loans to banks	Costs of written-off loans to clients	Income from written-off loans to banks	Income from written-off loans to clients	Of which: recoveries from loans sold to Konpo
Agriculture, fishing	0	98,650	0	417,140	364,770
Forestry and wood production	0	1,367	0	60	0
Mineral working	0	0	0	13,868	13,837
Processing industry	0	1,150,614	0	2,314,709	2,037,195
Production, energy distribution	0	36,115	0	85,619	59,834
Construction, building	0	157,904	0	262,197	244,695
Trade, catering	0	1,322,968	0	2,798,227	2,428,754
Transport, communications	0	83,938	0	110,688	98,052
Banking and insurance	0	1,217,801	0	401,423	224,593
Other activities	0	1,068,433	84,746	997,135	526,466
Total loans written-off	0	5,137,790	84,746	7,401,066	5,998,196
Written-off overdrafts on current accounts	0	69,434	0	1,815	0
Total	0	5,207,224	84,746	7,402,881	5,998,196

13) Information on Securities

13 a) Trading securities

As of 31 December 2000, provisions for bonds in the trading portfolio were created to the value of CZK 3,534 thousand and for shares in the trading portfolio to the value of CZK 7,198 thousand. The provisions are calculated as the difference between cost increased by accrued interest income and fair value. The difference between cost increased by accrued interest income and provisions is shown in column "Carrying value." The fair value is stated in the final column of tables 13.1 -13.2 is stated on the basis of prices quoted on financial markets as of the date of the financial statements.

Trading fixed income securities additionally include variable yield bonds. Trading variable yield securities include only equities (shares).

Table No. 13.1 Fixed income securities – trading portfolio (CZK thousand)

	Cost			Provision 2000	Carrying value 2000	Fair value (without accrued interest) 2000
	1999	Addition/ Disposal	2000			
State bonds	3,225,256	(2,764,329)	460,927	(77)	460,850	458,773
Municipal bonds	237,396	22,362	259,758	0	259,758	255,618
Banks	2,556,988	(2,341,622)	215,366	(431)	214,935	185,840
Own bonds	324,621	355,688	680,309	0	680,309	667,378
Other	5,113,896	(3,677,029)	1,436,867	(3,026)	1,433,841	1,388,320
Total	11,458,157	(8,404,930)	3,053,227	(3,534)	3,049,693	2,955,929

The above column "Addition/Disposal" includes accrued interest income for the year ended 31 December 2000. The total accrued interest income from trading bonds amounts to CZK 93,766 thousand.

Table No. 13.2 Variable yield securities – trading portfolio (CZK thousand)

	Cost			Provision 2000	Carrying value 2000	Fair value 2000
	1999	Addition/ Disposal	2000			
Investment funds	5	14,143	14,148	0	14,148	14,148
Banks and insurance	21,050	(16,411)	4,639	0	4,639	4,688
Production, energy distribution	11,889	(11,880)	9	(6)	3	3
Engineering and metallurgy	530,869	(530,868)	1	(1)	0	0
Other processing industry	252,297	(98,153)	154,144	(16)	154,128	154,128
Construction, building	560,865	(560,810)	55	(1)	54	54
Transport, communications	37,957	(37,956)	1	0	1	2
Other	6	7,168	7,174	(7,174)	0	0
Treasury shares	10,404	(5,139)	5,265	0	5,265	5,473
Total	1,425,342	(1,239,906)	185,436	(7,198)	178,238	178,496

Trading securities are listed on stock exchanges.

13 b) Investment securities

As of 31 December 2000, the Bank created provisions against debt and equity securities held in the investment portfolio to the value of CZK 109,383 thousand and CZK 582,716 thousand, respectively. The fair value stated in the final column of tables 13.3 – 13.4 is stated on the basis of prices quoted on financial markets as of the date of the financial statements.

Investment fixed income securities additionally includes variable yield bonds. Investment variable yield securities include only equities (shares) and share certificates.

Table No. 13.3 Investment fixed income securities and state treasury bills (CZK thousand)

	Cost			Provision 2000	Carrying value 2000	Fair value 2000
	1999	Addition/ Disposal	2000			
State bonds	5,292,334	2,378,691	7,671,025	0	7,671,025	7,685,909
Municipal bonds	233,228	967,076	1,200,304	0	1,200,304	1,200,304
Banks	2,977,807	3,046,917	6,024,724	0	6,024,724	6,024,724
Own bonds	0	1,551,693	1,551,693	0	1,551,693	1,551,693
Other	1,461,548	20,233,478	21,695,026	(109,383)	21,585,643	21,585,643
Total for trading	9,964,917	28,177,855	38,142,772	(109,383)	38,033,389	38,048,273

State bonds include state treasury bills held in the investment portfolio amounting to CZK 4,030,066 thousand. The above column "Addition/Disposal" includes accrued interest income for the year ended 31 December 2000. The total accrued interest income from investment bonds amounts to CZK 1,054,563 thousand.

Table No. 13.4 Variable yield securities – investment portfolio (CZK thousand)

	Cost			Provision 2000	Carrying value 2000	Fair value 2000
	1999	Addition/ Disposal	2000			
Investment funds	822,476	3,288,910	4,111,386	(208,282)	3,903,104	3,903,104
Banks and insurance	963,839	(272,721)	691,118	(114,978)	576,140	711,734
Engineering and metallurgy	0	133,130	133,130	(48,002)	85,128	93,501
Construction, building	0	211,454	211,454	(211,454)	0	0
Other	8,522	(2,298)	6,224	0	6,224	6,224
Total	1,794,837	3,358,475	5,153,312	(582,716)	4,570,596	4,714,563

As of 1 January 2000, the Bank transferred certain securities from the "Trading securities" portfolio to the "Investment securities" portfolio. The changes were made in response to the CNB requirement, effective as of that date, relating to the classification of securities. The transfers in debt securities comprised securities issued by government agencies (CZK 3,553 million), financial institutions (CZK 2,465 million) and debt securities issued by corporate entities (CZK 2,932 million).

As of 31 December 2000, investment securities are carried at cost of individual securities and provisioned in accordance with the Czech National Bank Regulation No. 5 dated 30 December 1999 concerning principles for covering losses from impairment of securities and investments in subsidiary and associated undertakings by provisioning.

As of 31 December 2000, the Bank held bonds issued by Komerční finance, B. V., with a fair value of CZK 130 million (1999: CZK 0 million) in its investment portfolio.

In the last quarter of 2000, the Bank acquired an unlisted portfolio of USD denominated collateralised bond obligations (CBO) or asset backed securities (ABS). The carrying value of this portfolio of securities was CZK 10,968 million as of 31 December 2000 (including accrued interest income). These securities have an average credit rating from recognised international rating agencies of A2 and primarily bear a floating interest rate based on USD LIBOR or a fixed interest rate.

Securities issued by banks include a credit linked note ("the note") with a nominal value of Euro 9.5 million which amortises to zero over the ten years to its maturity pursuant to the payment schedule. The note bears interest based on a margin over three month Euribor. This note forms part of a credit derivative instrument acquired by the Bank during 2000 under which it sold credit protection to an international financial institution. The maximum exposure of the Bank under this agreement is Euro 100 million. The aggregate exposure amortises over the ten year life of the instrument. Euro 90.5 million of this exposure is shown within payment guarantees within table 23.3 setting out financial commitments and contingencies as of 31 December 2000.

In the last quarter of 2000 the Bank acquired a portfolio of CZK denominated debt obligations issued by large international corporates through private placements. The carrying value of this portfolio was CZK 7,105 million (including accrued interest income). These securities are unlisted and are stated at cost as of 31 December 2000.

As of 31 December 2000, the Bank holds 49 percent of the issued participation certificates of Otevřený podílový fond Globální ("Globální"). Globální is managed by IKS, a.s., the Bank's asset management subsidiary. As of 31 December 2000, the Bank values its interest in Globální at CZK 3,903,104 thousand (1999: CZK 3,037,069 thousand)

following an execution of the sell and buyback transaction. This valuation represents a discount of ten percent to the published net asset value of Globální at the year end date. As of 31 December 2000, Globální's assets comprise principally Government and CNB bills. Management of the Bank intends to reduce its holding in Globální in the medium term and as market conditions allow.

As of 31 December 2000, the Bank holds 9.99 percent of the issued share capital of Česká pojišťovna, a. s, the largest insurance company in the Czech Republic (of which 6.78 percent represents readily marketable shares).

As of 31 December 2000, the Bank holds 30.4 percent of the issued share capital of Česká zbrojovka, a. s. The Bank also has a credit exposure to Česká zbrojovka, a. s. Management will consider options available to secure its position as a creditor and to realise the Bank's investment in the medium term.

As of 31 December 2000, the Bank holds 77 percent of the issued share capital of Vodní stavby, a. s, a large Czech construction company. The Bank acquired the majority of these shares in connection with the liquidation of the company and the recovery of a syndicated loan facility provided to Vodní stavby, a. s., in prior years. The Bank has attributed no value to this shareholding as of 31 December 2000.

Table No. 13.5 Investment securities listed on the Stock Exchanges (CZK thousand)

	Cost		Fair value 2000
	1999	2000	
Fixed income securities	9,686,518	13,934,268	13,934,268
Variable yield securities	1,564,081	813,467	447,407
Total	11,250,599	14,747,735	14,381,675

14) Proportion of Bonds and Securities with Fixed Income and Proportion of Issued Bonds with Maturity within One Year to the Total Value of These Assets and Liabilities

The proportion of bonds and securities with fixed income repayable within one year to the total value of these assets is 23 percent. Issued bonds with maturity within one year represent 0 percent of the total value of these liabilities.

15) Assets Pledged as Collateral for Own Liabilities or Liabilities of Third Parties

The Bank has neither assets pledged as collateral nor receivables from collateral.

16) RESERVES AND PROVISIONS

The Bank has created reserves and provisions against risks for loans, guarantees, securities and other receivables from borrowers. Provisions and reserves against losses on loans and guarantees are recorded in compliance with the Act No. 593/1992 Coll., on Reserves to Determine Income Tax Base, as amended (henceforth the "Reserves Act").

In 2000, the Bank created tax deductible provisions of 2% of the average of uncollectible loan receivables and additional non-tax deductible provisions.

Provisions for loans to borrowers in bankruptcy proceedings are recorded on special analytical accounts. In 2000, the Bank recorded tax deductible and non-tax deductible provisions in terms of the Reserves Act.

In 2000, the Bank created tax deductible reserves for standard loans equal to 1% of the average balance of these loans and reserves for issued guarantees equivalent to 2% of the average balance of these receivables. In addition, the Bank recorded non-tax deductible reserves for standard loans above the set limit.

The use of reserves and provisions is classified into two categories: the use and release into income.

Reserves and provisions are used when loans are sold or written off. Reserves and provisions are released into income when the loan classification is upgraded or when the loan is sold for a value greater than the net book value.

The balance of general reserves of CZK 8,387,171 thousand covers risks associated with the off-balance sheet assets, undrawn loans and overdraft facilities, expected performance under the State guarantee (Bank's participation), underlying reclassifications of clients and standard loan receivables.

The total amount of reserves and provisions against receivables from loans and guarantees is CZK 22,107,019 thousand.

Table 16.1 Development of provisions and reserves against the loan portfolio in 2000 (CZK thousand)

	Balance at 1 Jan 2000	Creation	Use	FX effect	Balance at 31 Dec 2000
Provisions for classified loans	17,627,868	12,051,309	17,386,874	(16,878)	12,275,425
of which: tax deductible	3,769,084	5,118,871	3,971,623	0	4,916,332
of which: non-tax deductible	13,858,784	6,932,438	13,415,251	(16,878)	7,359,093
Total provisions for debtors in bankruptcy	8,055,054	4,480,367	11,091,831	833	1,444,423
of which: tax deductible	7,234,850	3,288,047	9,167,352	833	1,356,378
of which: non-tax deductible	820,204	1,192,320	1,924,479	0	88,045
Total provisions	25,682,922	16,531,676	28,478,705	(16,045)	13,719,848
Total reserves	5,910,873	2,622,323	146,025	0	8,387,171
of which: tax deductible	5,756,273	2,564,698	146,025	0	8,174,946
of which: non-tax deductible	154,600	57,625	0	0	212,225
Total provisions and reserves	31,593,795	19,153,999	28,624,730	(16,045)	22,107,019

Reserves for issued guarantees, avals and letters of credit are included in Table 16.2. in the line entitled "For loans and guarantees.

Table No. 16.2 Summary of reserves (CZK thousand)

	Balance at 1 Jan 2000	Creation of reserves	Usage of reserves	Release to income	Balance at 31 Dec 2000
For loans and guarantees	5,910,873	2,622,323	146,025	0	8,387,171
Reserves for repairs of tangible fixed assets	1,200	0	1,200	0	0
Other reserves (see Table 16.3)	1,108,269	914,526	1,208,269	0	814,526
Total reserves	7,020,342	3,536,849	1,355,494	0	9,201,697

Table No. 16.3 Summary of other reserves (CZK thousand)

	Balance at 1 Jan 2000	Creation of reserves	Usage of reserves	Release to income	Balance at 31 Dec 2000
FX gains and losses	631,275	0	631,275	0	0
Interest rate swaps	136,994	0	136,994	0	0
Headcount reduction	0	100,000	100,000	0	0
Closure of foreign representative offices	0	21,200	0	0	21,200
Termination of lease agreements	0	100,000	0	0	100,000
Wages and remuneration	0	262,516	0	0	262,516
Financial advisory	0	55,810	0	0	55,810
Equity compensation program to the management and supervisory board	0	53,000	0	0	53,000
Securities*)	340,000	322,000	340,000	0	322,000
Total other reserves	1,108,269	914,526	1,208,269	0	814,526

*) The Bank has recorded a reserve for investment securities to cover possible impairment of certain securities.

Table No. 16.4 Summary of provisions for classified loans to customers and banks (CZK thousand)

	Balance at 1 Jan 2000	Creation of provisions	Usage of provisions	Reversal to income	FX effect	Underlying restatement	Balance at 31 Dec 2000
Provisions for classified loans	17,627,868	12,051,309	17,220,876	165,998	(16,878)	0	12,275,425
- watch	242,048	279,254	0	67,993	87	(57,678)	395,718
- sub-standard	645,619	630,172	39,076	16,095	(1,400)	39,009	1,258,229
- doubtful	1,101,719	2,679,031	2,697,815	0	7,739	18,652	1,109,326
- loss	15,638,482	8,462,852	14,483,985	81,910	(23,304)	17	9,512,152
For loans in bankruptcy and liquidation proceedings	8,055,054	4,480,367	7,440,473	3,651,358	833	0	1,444,423
Total provisions	25,682,922	16,531,676	24,661,349	3,817,356	(16,045)	0	13,719,848

Table No. 16.5 Summary of other provisions (CZK thousand)

	Balance at 1 Jan 2000	Creation of provisions	Usage of provisions	Reversal to income	FX effect	Balance at 31 Dec 2000
For securities	1,916,743	1,941,639	0	3,155,867	316	702,831
For fixed asset investments	0	533,836	0	0	0	533,836
For various borrowers	261,345	41,975	0	48,582	0	254,738
Total	2,178,088	2,517,450	0	3,204,449	316	1,491,405

17) Establishment costs

The Bank records no establishment costs.

18) Tangible and Intangible Fixed Assets

Table No. 18.1 Tangible fixed assets (CZK thousand)

	Balance at 1 Jan 2000 (cost)	Additions in 2000	Disposals in 2000	Balance at 31 Dec 2000 (cost)	Accumulated depreciation at 1 Jan 2000	Accumulated depreciation at 31 Dec 2000	Balance at 31 Dec 2000 (net book value)
Land	370,112	47	1,968	368,191	0	0	368,191
Buildings and structures	12,102,291	155,085	143,602	12,113,774	2,088,073	2,672,547	9,441,227
Machines and equipment	3,792,390	231,580	253,970	3,770,000	2,799,682	3,080,439	689,561
Energy machines and equipment	728,131	23,502	2,484	749,149	290,856	352,750	396,399
Fixtures, fittings, equipment	2,991,711	119,417	81,595	3,029,533	2,152,531	2,489,497	540,036
Assets not depreciated	48,349	529	102	48,776	0	0	48,776
Acquisition of assets	334,287	919,188	530,144	723,331	0	0	723,331
Total	20,367,271	1,449,348	1,013,865	20,802,754	7,331,142	8,595,233	12,207,521

As of 31 December 2000, the balance of tangible and intangible fixed assets includes assets with a net book value of CZK 335,505 thousand identified for sale as a result of the restructuring measures implemented by the Bank. These assets are carried at the management's estimate of recoverable value.

Furthermore, the balance of fixed assets includes assets with a net book value of CZK 459,909 thousand which were transferred from A-Trade, s. r. o., a subsidiary of the Bank. These assets have been appraised by an independent valuer.

The balance of accumulated depreciation for buildings as of 31 December 2000 includes a provision of CZK 152,000 thousand against the estimated losses from the sale of under-utilised tangible fixed assets. The Bank is planning to sell redundant tangible fixed assets during 2001. The provisioning level is consistent with the estimated selling prices of the assets.

Table No. 18.2 Intangible fixed assets (CZK thousand)

	Balance at 1 Jan 2000 (cost)	Additions in 2000	Disposals in 2000	Balance at 31 Dec 2000 (cost)	Accumulated depreciation at 1 Jan 2000	Accumulated depreciation at 31 Dec 2000	Balance at 31 Dec 2000 (net book value)
Software	1,254,986	317,788	50	1,572,724	519,216	847,827	724,897
Other intangible assets	23,095	53,296	0	76,391	13,497	25,043	51,348
Acquisition of assets	111,601	576,817	371,084	317,334	0	221,000	96,334
Total	1,389,682	947,901	371,134	1,966,449	532,713	1,093,870	872,579

The balance of accumulated depreciation for acquisition of assets as of 31 December 2000 includes a provision of CZK 221,000 thousand for restructuring projects. These projects have been implemented in connection with the restructuring of the Bank.

19) Tangible Fixed Assets Acquired under Lease Contracts

Table No. 19.1 Tangible Fixed Assets Acquired under Lease Contracts (CZK thousand)

	Amount (CZK thousand)
Sum of instalments for the whole term of expected lease	1,291,695
Instalments paid including lease advances	941,597
Specification of amounts of future lease payments	350,098
of which: payments in 2001	199,381
payments in 2002	78,505
payments in further years	72,212

20) Other Assets and Liabilities, Other Costs and Revenues

Table No. 20.1 Split of other assets and liabilities (CZK thousand)

	Assets 2000	Liabilities 2000	Assets 1999	Liabilities 1999
Amounts due from/to customers	411,128	1,239,181	203,216	334,860
Settlement of issued/received payments	17,675	840,867	108,476	231,775
Other amounts due from/to customers	479,685	446,879	9,022	238,240
Other debtors/creditors	105,555	1,571,877	94,510	1,272,881
Provided/accepted operating advances	237,271	41,452	457,824	40,374
Receivables/liabilities from securities trading	32,155	386,632	72,246	439,765
Liabilities from issued securities	0	71,705	0	76,504
Paid/received option premiums	0	0	150,664	194,664
Values for collection/with payment recorded after collection	487,819	401,323	411,954	345,392
Balances with employees	0	264,426	0	293,261
Balances related to the state budget	91,764	446,006	45,458	464,771
Contingencies gains/losses	35,597	144,289	39,602	140,380
Settlement accounts	154,764	258,102	683,138	788,636
of which: for transactions in foreign currency	32,541	42,067	223,443	174,475
Fair value of financial derivatives	4,077,995	2,905,321	0	0
Fair value of financial derivatives (interest rate swaps)	2,332,309	1,338,226	0	0
Fair value of financial derivatives (forward rate agreement)	58,606	50,064	0	0
Fair value of financial derivatives (forward)	143,158	169,829	0	0
Fair value of financial derivatives (currency swap)	1,171	158,959	0	0
Fair value of financial derivatives (swap)	1,451,126	1,111,709	0	0
Fair value of financial derivatives (option)	91,625	76,534	0	0
Payments presented to the Clearing Centre	0	6,557,268	0	4,941,881
Other technical and settlement accounts	0	452,619	0	63,265
Total	6,131,408	16,027,947	2,276,110	9,866,649

Table No 20.2 Other revenues and costs (CZK thousand)

	Other revenues 2000	Other costs 2000	Other revenues 1999	Other costs 1999
Other operational income/expense (including Emoluments of Board and Supervisory Board)	111,943	1,306,847	89,235	1,268,121
Revenue/cost of asset transfers	196,032	111,601	85,800	87,035
Income/expense from disposal of interest in group companies	150,140	64,635	144,931	0
Income/expense from written-off receivables	7,487,627	5,207,223	7,662,779	34,941,156
Income/expense from sale of receivables	29,582,090	49,208,469	11,075,643	0
Total	37,527,832	55,898,775	19,058,388	36,296,312

21) Use of Net profit/loss of Previous Accounting Period and Proposed Settlement of loss of Current Accounting Period

The General Meeting held on 31 May 2000 approved the settlement of the loss for the year ended 31 December 1999 as follows:

Table No. 21.1 Settlement of the 1999 loss (CZK thousand)

	Amount
Loss of 1999 to be covered	(9,241,992)
Sources of settlement : - statutory reserve funds	1,344,941
- other reserve funds	500,164
- other funds created from profit	1,388,532
- capital funds	328
- share premium fund	6,008,027
Total	9,241,992

Table No. 21.2 Changes to share premium, reserves and capital funds (CZK thousand)

Balance	2000	1999	Reason for change
Share premium	0	6,008,027	Settlement of the 1999 loss of CZK 6,008,027
Reserves	564,050	2,421,156	
Statutory reserve funds	558,050	1,902,992	Settlement of the 1999 loss of CZK 1,344,942
Reserve for treasury shares	6,000	18,000	
Other reserves	0	500,164	Settlement of the 1999 loss of CZK 500,164
Capital funds and other reserves created from profit	619,960	1,565,171	
Capital funds	0	328	Settlement of the 1999 loss of CZK 328
Other funds created from profit including social fund	619,960	1,564,843	Settlement of the 1999 loss of CZK 1,388,532; retained earnings charge of CZK 468,886; other movements during the year (including social fund) of CZK (37,237); transfer from the reserve for treasury shares of CZK 12,000
Retained earnings or accumulated losses of prior years	0	468,886	CZK 468,886 to other funds created from profit

The preliminary proposal for the coverage of the 2000 loss is as follows:

Table No. 21.3 Proposal for coverage of the 2000 loss (CZK thousand)

	Amount
Loss of 2000 to be settled	(149,336)
Source of coverage: - statutory reserve funds	0
- other reserve funds	0
- other funds created from profit	149,336
- capital funds	0
- share premium fund	0
Total	149,336

22) Total Amount of Assets and Liabilities in Foreign Exchange Translated to CZK

	Balance at 31 Dec 2000	Balance at 31 Dec 1999
Sum of foreign currency assets	76,984,974	78,569,578
Sum of foreign currency liabilities	62,769,879	69,078,828

23) Financial Derivative instruments

Table No. 23.1 Spot, option and term transactions – for hedging (CZK thousand)

Description	Financial instrument	Receivables	Commitments
Spot	interest	0	0
	currency	0	0
Forward	interest	0	0
	currency	0	0
Forward rate agreements	interest	10,200,000	10,200,000
	currency	0	0
IRS	interest	38,147,104	38,147,104
CCS	currency	1,785,250	1,890,650
Swap	interest	0	0
	currency	3,235,833	3,130,857
Options	interest	0	0
	currency	0	0
Total		53,368,187	53,368,611

Table No. 23.2 Spot, option and term transactions – for trading (CZK thousand)

Description	Financial instrument	Receivables	Commitments
Spot	interest	1,006,937	1,006,937
	currency	3,230,622	3,262,953
Forward	interest	21,571,559	21,571,559
	currency	7,687,982	7,612,511
IRS	interest	55,207,286	55,207,286
CCS	currency	638,111	694,080
Forward rate agreements	interest	59,218,780	59,218,780
	currency	0	0
Swap	interest	0	0
	currency	58,675,430	58,475,408
Options	interest	4,400,000	4,400,000
	currency	8,511,268	8,294,086
Total		220,147,975	219,743,600

Table No. 23.3 Option and term transactions – for hedging (CZK thousand) – Fair value

Description	Financial instrument	Receivables	Commitments
Forward	currency	0	0
FRA	interest	6,475	(1,048)
	currency	0	0
IRS	interest	759,301	(202,630)
CCS	currency	0	(91,824)
Swap	interest	0	0
	currency	131,339	(27,606)
Options	interest	0	0
	currency	0	0
Total		897,115	(323,108)

Table No. 23.4 Option and term transactions – for trading (CZK thousand) – Fair value

Description	Financial instrument	Receivables	Commitments
Forward	currency	143,158	(169,829)
IRS	interest	1,573,008	(1,135,596)
CCS	currency	1,171	(67,134)
FRA	interest	52,132	(49,016)
	currency	0	0
Swap	interest	0	0
	currency	1,319,786	(1,084,104)
Options	interest	59,964	(54,794)
	currency	31,661	(21,739)
Total		3,180,880	(2,582,212)

Table No. 23.5 Financial commitments and contingencies (CZK thousand)

	2000	1999
Guarantees	4,721,348	4,117,899
Payment guarantees	21,723,583	17,707,604
Bills of exchange accepted and endorsements	0	375,130
Letters of credit – uncovered	884,228	5,289,873
Letters of credit – covered	331,828	46,302
Stand by letters of credit	616,011	1,542,233
Total	28,276,998	29,079,041
Committed facilities	15,850,383	4,006,997
Undrawn credit commitments	18,914,718	11,616,634
Confirmed letters of credit	91,548	71,723
Unutilised overdrafts	17,666,859	15,466,484
Other revocable and irrevocable commitments	52,523,508	31,161,838
Total revocable and irrevocable commitments	80,800,506	60,240,879

The Bank provides a variety of credit facilities to its largest clients including Czech entities which are part of international groups and which are State owned. Of the Bank's committed facilities CZK 7,503 million are revocable. All other committed facilities, undrawn credit commitments and unutilised overdrafts are irrevocable and are not subject to further approvals by the Bank.

The risk associated with off balance sheet credit commitments and contingent liabilities are assessed similarly as for loans to clients taking into account the financial position and activities of the entity to which the Bank issued the guarantee and taking into account the collateral obtained.

As of 31 December 2000, the Bank created provisions for these risks amounting to CZK 1,361,300 thousand (1999: CZK 4,021,400 thousand) – see Note 16).

As of 31 December 2000, payment guarantees include guarantees provided to Komerční Finance, B. V., in the amount of CZK 17,015,850 thousand (1999: CZK 16,190,550 thousand).

As of 31 December 2000, payment guarantees include an amount of Euro 90.5 million relating to a credit derivative. Further details of this transaction are provided at Note 13b).

The level of contingent liabilities and other irrevocable commitments total CZK 80,258,136 thousand, of which CZK 17,015,850 thousand is a guarantee to the subsidiary Komerční Finance, B. V., as collateral for received loans, CZK 34,765,101 thousand relates to irrevocable commitments to extend loans and CZK 1,591,787 relates to letters of credit.

24) Assets Accepted by the Bank into Custody (CZK thousand)

Table No. 24.1 Assets Accepted by the Bank into Custody (CZK thousand)

	2000	1999
Values received from clients for administration and custody (materialised securities)	15,720,798	15,432,756
Asset reserve in evidence (materialised securities)	62,811	64,022
Total	15,783,609	15,496,778

25) General Operating Costs

General operating costs in the total amount of CZK 11,295,596 thousand include, in addition to wages and social expenses, purchased services and depreciation of tangible and intangible assets (other general operating costs as detailed in Table No. 25.1). Emoluments of statutory and supervisory bodies are shown in the profit and loss account in the line item Other expenses (Table 25.2).

Table No. 25.1 General operating costs (CZK thousand)

General operating costs	2000	1999
Staff costs	5,290,049	5,140,034
Wages and salaries	3,910,700	3,777,958
Social expenses and health insurance costs	1,379,349	1,362,076
Other general operating costs	6,005,547	5,898,542
Emoluments of statutory and supervisory bodies members	40,018	31,539

Table No. 25.2 Remuneration to members of statutory and supervisory bodies (CZK thousand)

Remuneration to statutory and supervisory body members	2000	1999
Remuneration to Management Board members*)	31,930	24,032
Remuneration to Supervisory Board members**)	8,088	7,507
Total	40,018	31,539

*) Remuneration to the Management Board members includes amounts paid during 2000 to the current and former directors of the Bank under mandate and management contracts as well as compensation costs.

**) Remuneration to the Supervisory Board members includes amounts paid to the current and former members of the Supervisory Board during 2000.

To achieve a greater year-on-year comparability of balances the remuneration to the Management Board members for the year ended 31 December 1999 includes other income (presented in General operating costs in 1999).

Table No. 25.3 Number of employees of the Bank

	2000	1999
Physical headcount at year end	10,703	13,356
Average number of employees	11,865	13,487
Of which: number of members of management*)	7	22
number of Management Board members	7	6
number of Supervisory Board members	12	12

*) Management is represented by the Management Board members pursuant to revised organisational chart of the Bank.

26) Equity Compensation Program

The equity compensation program ("the program") was approved by the Annual General Meeting of the Bank held on 31 May 2000. Under this program each of the members of the Management and Supervisory Boards of the Bank have a right to purchase a pre-determined number of ordinary shares of the Bank at CZK 500 per share ("call options"). The members of the Boards have a right, but not the obligation, to put these shares on the Bank at a price of CZK 1,000 per share after these shares have been held by Board members for a minimum period ("put options"). The cost of the exercise of these options is borne by the Bank.

The table below summarises the program in terms of the period for acquiring call options over a pre-determined number of shares*) and the call and put option exercise period*):

Period for call options over shares	Number of shares for call options		Option exercise period	
	Management Board	Supervisory Board	Call options	Put options
05/2000 - 05/2001	134,000	28,500	05/2001 - 05/2004	06/2001 - 05/2004
05/2001 - 05/2002	134,000	28,500	05/2002 - 05/2004	06/2002 - 05/2004
05/2002 - 05/2003	134,000	28,500	05/2003 - 05/2004	06/2003 - 05/2004
05/2003 - 05/2004	134,000	28,500	05/2004 - 05/2004	05/2004 - 06/2004
Celkem	536,000	114,000	-	-

*) Information relating to the description of the period has been simplified as a result of varied dates of entering into agreements under the program from 31 May 2000 to 12 June 2000 which underlie the start of the period for call options over shares and exercise of the call and put options.

In January 2001 the Bank purchased its ordinary shares in the open market following the exercise of the right to purchase the pre-determined number of shares by each of the members of the Management Board. The members of the Supervisory Board have also exercised their right as of the date of these financial statements. The total number of shares purchased for the Management and Supervisory Board members was 160,220 shares. The cost to the Bank of the exercise of these shares has been charged on an accrual basis to the accounting periods to which it relates. The aggregate charge to the profit and loss account for the year ended 31 December 2000 for all members of both Boards is CZK 53 million (1999: CZK 0 million).

27) Relationships to Persons with Special Relationships to the Bank

Table No. 27.1 Receivables from persons with special relationships to the Bank (CZK thousand)

Group of persons	Average contractual maturity	Interest rate spread	2000	1999
Members of Supervisory Board	-	-	0	0
Members of Management Board	13.7	4.0 - 7.2	16,145	244
Principal shareholders of Bank (over 1% of share capital)	-	-	674,691	1,480,162
Total			690,836	1,480,406

The change in the Bank's organisational chart has led to the narrowing of the category "Bank management members" to the category entitled Management Board. It is for this reason that the balance for the year ended 31 December 1999 was restated (originally CZK 1,489,779).

Table No. 27.2 Receivables from persons with special relationships to the Bank (CZK thousand)

	CZK thousand
Balance at 1 January 2000	1,480,406
Paid receivables	1,480,406
Loans newly granted	690,836
Balance at 31 December 2000	690,836

Intercompany receivables are disclosed in Note 28) to these financial statements.

No persons with a special relationship to the Bank have provided any guarantees to the Bank. The Bank has issued a guarantee of CZK 17,015,850 thousand for its subsidiary company Komerční Finance, B. V., to collateralise received loans.

28) Intercompany Receivables and Payables

As of 31 December 2000, the Bank had amounts due from subsidiary and associated undertakings to the value of CZK 2,418,838 thousand (1999: CZK 3,670,866 thousand). Of this balance, the value of loans with contractual maturity of less than one year is CZK 1,619,406 thousand, one to four years CZK 216,297 thousand and over four years CZK 583,135 thousand. The value of loans according to remaining maturity is CZK 1,748,552 thousand for loans with remaining maturity of less than one year, CZK 87,151 thousand for loans between one and four years and CZK 583,135 thousand for loans over 4 years. A total of CZK 84,915 thousand from these loans is classified. The largest loans were to the associated company CAC Leasing a. s. amounting to CZK 867,489 thousand.

Intercompany loans are as follows:

Company	CZK thousand
Komerční banka Bratislava, a. s.	131,382
CAC Leasing, a. s.	867,489
A - TRADE, s. r. o.	62,555
ALL IN Real Estate Leasing, s. r. o.	22,360
Factoring KB, a. s.	639,513
IKS KB, a. s.	112,404
MUZO, a. s.	583,135
Total	2,418,838

As of 31 December 2000, the Bank had amounts due to Komerční Finance, B. V., of CZK 16,935,063 thousand (1999: CZK 16,113,681 thousand), of which CZK 7,562,600 thousand (1999: CZK 7,195,800 thousand) relates to the subordinated debt and CZK 9,372,463 thousand (1999: CZK 8,917,881 thousand) is in the form of a loan taken. This latter loan is included in Note 8) "Loans accepted" in the line "Loans from clients". Komerční Finance, B. V. is a wholly owned subsidiary of the Bank, established for the purpose of raising funds by the issuance of debt securities by the Bank on international capital markets.

The Bank has also entered into certain finance lease agreements with an associated undertaking. Included in liabilities is an amount of CZK 401,424 thousand (1999: CZK 610,782 thousand), including interest, outstanding under these finance lease agreements. The Bank paid CZK 381,550 thousand (1999: CZK 413,023 thousand) to the associated undertaking during 2000 in relation to finance leases.

As of 31 December 2000, the Bank managed assets of Penzijní Fond Komerční banky, a. s. in the amount of CZK 5,073,972 thousand (1999: CZK 4,344,747 thousand).

29) Changes in Management

During the first half of 2000 substantial changes were made to the Management Board of the Bank.

The following directors resigned or were recalled from the Management Board of the Bank:

Name	Position	Reason for change	Effective from
Jan Kollert	chairman	resigned	16 February 2000
Tomáš Doležal	member	resigned	1 March 2000
Ladislav Vinický	member	recalled	1 March 2000
Jaroslav Mareš	member	resigned	16 May 2000
Petr Budinský	vice-chairman	resigned	16 May 2000

New members of the Management Board are as follows:

Name	Position	Reason for change	Effective from	Date of election
Radomír Lašák	member	elected	1 March 2000	1 March 2000
Radovan Vávra	chairman	elected	19 April 2000	19 April 2000
Peter Palečka	vice-chairman	changed position	16 May 2000	16 May 2000
Tomas Spurný	member	elected	16 May 2000	16 May 2000
David Svojitka	member	elected	1 June 2000	24 May 2000
Jiří Huml	member	elected	1 June 2000	31 May 2000
Michal Větrovský	member	elected	12 June 2000	31 May 2000

30) Post balance sheet events

No significant events occurred between the balance sheet date and the date when these financial statements were authorised for issue.

Unconsolidated Financial Statements in Accordance with International Accounting Standards (IAS)

Unconsolidated Profit and Loss Statement (IAS) Year Ended 31 December 2000

	2000 CZKm	1999 CZKm
Interest income	29,096	33,032
Interest expense	(16,809)	(21,085)
Net interest income	12,287	11,947
Net fees and commissions	4,422	4,350
Dealing profits	3,143	2,571
Other income	1,648	1,522
Operating income	21,500	20,390
Administrative expenses	(10,383)	(10,291)
Depreciation and other provisions	(2,416)	(2,479)
Restructuring costs	(827)	0
Profit before provision for loan losses and income taxes	7,874	7,620
Provision for loan losses	(7,876)	(17,378)
Loss before income taxes	(2)	(9,758)
Income taxes	(17)	(24)
Net loss for the year	(19)	(9,782)
Loss per share (in CZK)	(0.51)	(515)

Unconsolidated Balance Sheet (IAS)

As of 31 December 2000

	2000 CZKm	1999 CZKm
Assets		
Cash and balances with the central bank	20,607	21,948
Due from financial institutions	175,299	131,778
Treasury bills and other bills eligible for refinancing	11,670	4,397
Loans and advances to customers, net	126,943	181,754
Dealing securities	3,139	11,701
Prepayments, accrued income and other assets	8,102	9,381
Investment securities	41,465	10,680
Investments in subsidiaries and associates	1,625	4,176
Tangible and intangible fixed assets, net	13,355	14,307
Total assets	402,205	390,122
Liabilities		
Amounts owed to financial institutions	39,378	58,394
Amounts owed to customers	287,624	259,191
Certificated debts	27,441	27,742
Accruals, provisions and other liabilities	19,988	19,823
Subordinated debt	7,563	7,196
Total liabilities	381,994	372,346
Shareholders' equity		
Share capital	19,005	16,604
Share premium and reserves	1,206	1,172
Total shareholders' equity	20,211	17,776
Total liabilities and shareholders' equity	402,205	390,122


Unconsolidated Statement of Changes in Shareholders' Equity (IAS) Year Ended 31 December 2000

	Share capital CZKm	Share premium CZKm	Statutory legal reserve CZKm	Distributable profit and loss reserve/deficit CZKm	Compensation reserve CZKm	Nondistribu- table reserve CZKm	Total CZKm
Closing balance at 31 December 1998	9,502	6,008	2,408	2,016	0	524	20,458
Share capital increase	7,102	0	0	0	0	0	7,102
Transfers and other	0	0	13	40	0	(55)	(2)
Net loss for the year	0	0	0	(9,782)	0	0	(9,782)
Closing balance at 31 December 1999	16,604	6,008	2,421	(7,726)	0	469	17,776
Share capital increase	2,401	0	0	0	0	0	2,401
Settlement of prior year loss	0	(6,008)	(1,857)	8,334	0	(469)	0
Equity compensation program reserve	0	0	0	0	53	0	53
Net loss for the year	0	0	0	(19)	0	0	(19)
Closing balance at 31 December 2000	19,005	0	564	589	53	0	20,211

Unconsolidated Cash Flow Statement (IAS)

Year Ended 31 December 2000

	2000 CZKm	2000 CZKm	1999 CZKm	1999 CZKm
Cash flows from operating activities				
Interest and commission receipts	40,346		40,140	
Interest and commission payments	(20,272)		(24,052)	
Other income receipts	927		5,201	
Cash payments to employees and suppliers	(9,017)		(9,629)	
Operating cash flow before changes in operating assets and operating liabilities	11,984		11,660	
Due from financial institutions	(43,521)		(16,700)	
Loans and advances to customers	44,273		18,804	
Treasury bills and other bills eligible for discounting	(7,272)		(2,564)	
Shares and other variable yield securities	612		3,304	
Other assets	(5,167)		(2,882)	
(Increase)/Decrease in operating assets	(11,075)		(38)	
Amounts owed to financial institutions	(18,803)		(13,550)	
Amounts owed to customers	28,433		(14,506)	
Other liabilities	6,474		109	
Increase / (Decrease) in operating liabilities	16,104		(27,947)	
Net cash flow from operating activities before taxes	17,013		(16,325)	
Net cash from operating activities		17,013		(16,325)
Cash flows from investing activities				
Dividends received	451		23	
Net (purchase)/sale of investment securities	(19,337)		4,775	
Net purchase of tangible and intangible fixed assets	(1,463)		(1,509)	
Net purchase of shares in fixed asset investments	106		(216)	
Net cash from investing activities		(20,243)		3,073
Cash flows from financing activities				
Share capital	2,401		7,102	
Certificated debts	(300)		(3,904)	
Net cash from financing activities		2,101		3,198
Net decrease in cash and cash equivalents	(1,129)		(10,054)	
Cash and cash equivalents at beginning of year	20,578		30,632	
Cash and cash equivalents at end of year		19,449		20,578

A woman with long, curly brown hair is pointing at a laptop screen. An older man with white hair is looking at the screen with a focused expression. The scene is dimly lit, with a blueish tint. The woman is wearing a light-colored top, and the man is wearing a dark turtleneck.

*"Finally, I have time for those
who deserve it the most"*





Komerční banka Financial Group

Composition of the Komerční banka Financial Group and the Consolidated Whole

Komerční banka's good name and high standing on the Czech banking market are supported, particularly in the pre-privatisation period, by the companies of the Financial Group (the Group). The financial products and services offered by the subsidiary and associated companies represent important business and corporate possibilities not just for clients but also for investors and the future majority shareholder of the Bank.

In addition to banking products and services, the companies within the Group offer clients many other financial products and services, particularly pension insurance, building savings, life or non-life insurance, comprehensive services for investments in securities, including foreign and domestic investment consultancy, leasing and factoring as well as combined products and product packages for target client segments. It also contributes to the efficient and comprehensive provision of services for non-cash payment systems. The Bank's two foreign subsidiaries have also enabled it to expand its banking products and client service in the Slovak Republic (Komerční banka Bratislava, a. s.) and to organise foreign bond issues (Komerční Finance, B. V.).

The year 2000 was marked by changes to the composition of the Group leading to an overall fall in funds invested in companies in which the Bank has a participation. The most significant such change was the legally-required opening and subsequent removal from the Commercial Register of Investiční privatizační fond KB, a. s., which was transformed into IKS Globální otevřený podílový fond. At the end of 2000 the Bank sold off its 100 % participation in the company Bankovní ochranná služba, a. s.

In March 2000 the Bank sold its wholly-owned subsidiary Konpo, s. r. o. to Konsolidační banka. It had founded the company with an investment

of CZK 100,000 at the beginning of the year.

The Bank did, however, increase its investment in the company Factoring KB, raising the share capital by CZK 44 million to CZK 84 million.

As at 31 December 2000, there were 15 active members of the Group with the direct participation of Komerční banka. Of these, eight are subsidiaries, three associated companies and four capital investments, i. e. where the holding in the share capital is less than 20 %.

As at 31 December 2000 Komerční banka's total fixed asset investments in the companies that make up the Group amounted to CZK 2.2 billion, a fall of CZK 4.5 billion against 1999.

In 2001 the Bank concluded its activities in companies comprising the ALL IN Group. The business activities of the ALL IN Group Companies are therefore not included in the Annual Report.

Changes in the Group's structure were also reflected in the composition of the consolidated whole, which for the year 2000 does not include the companies Bankovní ochranná služba, a. s., and Investiční privatizační fond KB, a. s. Two companies were removed from the ALL IN group: ALLA PRIMA, s. r. o., which was in liquidation, and AIREL IMMO, s. r. o., where a declaration of bankruptcy was issued. All subsidiaries, including ALL IN REAL ESTATE LEASING, s. r. o., a subsidiary of ALL IN, were directly consolidated. As in previous years Penzijní fond KB was not included in the consolidated whole due to legal requirements concerning the distribution of the fund's profit and the incompatibility of the consolidated results compiled under international accounting standards. The financial results of the associated companies, including those of CAC LEASING, a. s., are also included in the consolidated results.

Participations of Komerční banka (as at 30 December 2000)

Company	Group	Share capital (CZK thousand)	KB participation in the share capital (CZK thousand)	KB holding in share capital %	KB stock in the share capital, or in funds, i. e. purchase cost (CZK thousand)	Nominal value of 1 share (CZK thousand)
Investiční kapitálová společnost KB, a. s.	A	50,000	50,000	100.00	75,000	100
ALL IN, a. s.	A	104,500	104,500	100.00	100,000	500
Penzijní fond Komerční banky, a. s.	A	200,000	200,000	100.00	230,000	100
Komerční banka Bratislava, a. s.	A	500,000 SKK thousand	398,515	100.00	438,366	100 SKK thousand
Komerční pojišťovna, a. s.	A	450,000	450,000	100.00	520,000	100 50
Komerční Finance, B. V.	A	40 NLG thousand	637	100.00	637	1 NLG thousand
Factoring KB, a. s.	A	84,000	84,000	100.00	90,000	100 10
A-TRADE, s. r. o.	A	280,000	210,000	75.00	210,000	-
CAC LEASING, a. s.	B	226,000	113,000	50.00	110,900	100 500
MUZO, a. s.	B	102,000	50,900	49.90	60,998	1
Všeobecná stavební spořitelna KB, a. s.	B	500,000	200,000	40.00	220,000	100
Bankovní institut, a. s.	C	43,700	6,000	13.73	8,400	100
Českomoravská záruční a rozvojová banka, a. s.	C	1,400,000	181,900	13.00	60,000	1,000 100
CAC LEASING Slovakia, a. s.	C	50,000 SKK thousand	3,985	10.00	3,985	100 SKK thousand
Burza cenných papírů Praha, a. s.	C	384,948	30,429	7.90	30,469	1
Total		x	2,083,866	x	2,158,755	x

Group A - fixed asset investment over 50% (subsidiaries)

Group B - fixed asset investment between 20% and 50% (associated companies)

Group C - fixed asset investment under 20% (capital investments)

Investiční kapitálová společnost KB, a. s.

With funds under management exceeding CZK 16 billion this wholly-owned subsidiary is one of the largest investment companies in the Czech Republic. The company manages assets in eight unit trusts, of which two were transformed in 2000 from privatized funds established under the Voucher Privatisation Scheme - IKS Balancovaný and IKS Globální, otevřený podílový fond Investiční kapitálová společnost KB, a. s.

In 2000, for the third year running, IKS received the maximum possible ratings from the Czech Rating Agency - a long-term Baa+/Acr and short-term Prime 2 rating.

The assets of the so-called 'Family of open-end unit trusts' were increased and two new share funds were added to the financial market, bond and mixed funds. The World Index Fund provides clients with a wide range of interesting investment possibilities by investing in securities reflecting the development of share indexes on foreign capital markets. The IKS Fund of Funds invests in a selection of open-end unit trusts of renowned investment companies from around the world.

The company plans further to increase the funds under its management and to focus in particular on retail clientele by means of a simple product for the client and through direct marketing in its offer to institutional investors.

Basic characteristics (in CZK million)

Investiční kapitálová společnost KB, a. s.	31 December 2000	31 December 1999
Share capital	50.0	50.0
Shareholders' funds	245.0	362.6
Total assets	375.0	502.9
Net profit/(loss)	85.9	35.5

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www.iks-kb.cz

Penzijní fond Komerční banky, a. s.

Penzijní fond Komerční banky, a. s., is a wholly-owned subsidiary of Komerční banka. Due to tax incentives there was heightened demand for pension insurance with state subsidy. Through its attractive combination of products Penzijní fond KB managed to acquire almost 63 thousand new clients, bringing the sum total to 242 thousand by the year's end. The company's results reflected its business success. The volume of pension insurance contributions rose by 38 % and the total volume of assets amounted to CZK 6.8 billion, which represents almost 16 % of the market and second position among pension funds. Despite the

continuing concentration of the market Penzijní fond KB reinforced its position among the most important pension funds in the Czech Republic.

In 2000 the company again received a high rating from the Czech Rating Agency, i. e. long-term Baa+/Acr and short-term Prime-2.

The fund's goals are to continue to strengthen its stability and reliability on the market by stabilising its insurance portfolio, maintaining its market share and ensuring profitability corresponding to the competitive appreciation of client contributions.

Basic characteristics (in CZK million)

Penzijní fond Komerční banky, a. s.	31 December 2000	31 December 1999
Share capital	200.0	200.0
Shareholders' funds	6,804.1	5,911.2
Total assets	5,364.6	4,424.5
Net profit/(loss)	292.2	357.1

Contact address:

Penzijní fond Komerční banky, a. s.
Lucemburská 7/1170
130 11 Praha 3

tel.: 02/7217 3111 72173173-5
fax: 02/7217 3176, 7217 3171
e-mail: pf-kb@pf-kb.cz
www.pfkb.cz

Komerční banka Bratislava, a. s.

This wholly-owned foreign subsidiary of the Bank continued to develop its business activities in the Slovak Republic through its network of three branches and one business centre. It also confirmed its strong position in executing payments between the Slovak and Czech Republics, in which it has a stable share of approximately 16 % of the total volume of foreign trade. It provided a wide range of banking and financial services to corporate subjects, particularly large and medium-sized

companies, private individuals and institutional clients. It will continue to try to attract affluent clients with an acceptable level of credit risk and to maintain the interest margin at a comparable level to that for 2000 against a background of narrower interest levels on the market.

The main strategic goal for 2001 is to stabilise the client base while emphasising trade relations between the Czech and Slovak Republics.

Basic characteristics (in CZK million)

Komerční banka Bratislava, a. s.	31 December 2000	31 December 1999
Share capital	500.0	500.0
Shareholders' funds	415.6	426.3
Total assets	6,011.9	7,098.5
Net profit/(loss)	16.7	(110.7)

Contact address:

Komerční banka Bratislava, a. s.
Medená 6, p. p. 137
811 02 Bratislava
Slovenská republika

tel.: +421 / 7 / 5293 2153-6
fax: +421 / 7 / 52 96 19 59
telex: KBBA 066/92719
e-mail: kbb@kb.cz
www.koba.sk

Komerční pojišťovna, a. s.

The company is a wholly-owned subsidiary of Komerční banka. The company's development in 2000 is evidenced by the indicator for gross insurance premiums, which amounts to CZK 1,923.4 million, a more than four-fold increase on 1999. This puts the company in seventh place out of the twenty-nine insurance companies registered by the Czech Association of Insurance Companies. The dominant product was third party car insurance, whose share of total premiums

came to almost 58 %. The increase in gross premiums was also positively effected by the development of life insurance.

The company's main aim for 2001 is to hold on to its seventh position on the market, to expand its life insurance services and to prepare the conditions by which it can become one of the top five insurance companies on the Czech market.

Basic characteristics (in CZK million)

Komerční pojišťovna, a. s.	31 December 2000	31 December 1999
Share capital	450.0	450.0
Shareholders' funds	279.2	285.8
Total assets	2,061.1	1,382.5
Net profit/(loss)	(6.6)	(98.9)

Contact address:

Komerční pojišťovna, a. s.
Jindřišská 17, p. p. 353
111 21 Praha 1

tel.: 02 / 2421 3881, 02 / 2423 0106
fax: 02/2423 6696
e-mail: centrala@kp-kb.cz
www.finance.cz/prezent/kp-kb

Komerčni Finance, B. V.

This wholly-owned subsidiary has the sole object of issuing certificated debt on foreign capital markets and providing loans to its shareholder.

During its existence it has provided three issues of certificated debt in DEM and USD.

Basic characteristics (in CZK million)

Komerčni Finance, B. V.	31 December 2000	31 December 1999
Share capital (in NGL thousand)	40	40
- CZK equivalent	0.6	0.7
Shareholders' funds	20.4	72.0
Total assets	17,523.6	16,759.7
Net profit/(loss)	19.8	18.4

Contact address:

Komerčni Finance, B. V.
Drentestraat 24
1083 HK Amsterdam
The Netherlands / Nizozemsko

tel.: (003120) 540 5800
fax: (003120) 644 7011

Factoring KB, a. s.

During 2000 this wholly-owned subsidiary provided services mainly in the sphere of domestic regress factoring, the turnover of which rose by approximately CZK 1 billion year on year. International factoring also recorded an increase following the creation of a product development plan. The company ended its cooperation with the IFG association and joined FCI, the largest international association of factoring companies. The company's information system thereby became linked to the FCI communication system. It also

entered into an agreement with the insurance company EGAP, a. s., which enabled it to provide a new product – export factoring with insurance. Import factoring was also offered for the first time, although in a limited extent.

With the support of the Bank the company will seek to acquire a dominant position on the domestic factoring market in 2001. It will be the first to introduce domestic factoring with insurance and will actively develop its international factoring products.

Basic characteristics (in CZK million)

Factoring KB, a. s.	31 December 2000	31 December 1999
Share capital	84.0	40.0
Shareholders' funds	99.2	47.9
Total assets	1,927.8	1,212.6
Net profit/(loss)	7.8	3.9

Contact address:

Factoring KB, a. s.
Na Poříčí 36, p. p. 59
110 02 Praha 1

tel.: 02/2282 5111
fax: 02/2481 4628
e-mail: factoring_kb@mbox.vol.cz
www.factoringkb.cz

CAC LEASING, a. s.

This is an associated company in which Komerční banka has a 50 % holding. The other shareholders are Bank Austria Creditanstalt Leasing, GmbH and HypoVereinsbank which, following the merger of the Bank Austria financial group with HypoVereinsbank, became the universal legal successor to the original shareholder Bank Austria Creditanstalt International, AG in February 2001.

CAC LEASING, a. s., has been active on the Czech market for ten years. In 2000, it far exceeded not only its business and financial targets but also its results for 1999, and in so doing confirmed its status as the largest universal leasing company. Car leasing transactions formed the largest part of its business activity, with more than 26 thousand new contracts being concluded. There were 1,142 new contracts for consumer durables and 619 new

contracts for machinery and equipment. The business network was expanded to include three new offices. One of the company's successes in 2000 was seventeenth place in a survey of the best Czech companies.

The company's main goal is to hold on to its position as a top leasing company, both as regards the volume of business and its universality.

As in 1999, the results for the consolidated whole also include those of CAC LEASING's own group. In addition to CAC LEASING this comprises its subsidiary Allrisk-CAC, s. r. o., and the associated companies CAC LEASING Slovakia, a. s., and Renault LEASING CZ, s. r. o., DLB LEASING, s. r. o. was excluded from the consolidated whole due to the fact that it conducted no operations.

Basic characteristics (in CZK million)

CAC LEASING, a. s.	31 December 2000	31 December 1999
Share capital	226.0	226.0
Shareholders' funds	567.2	512.6
Total assets	19,553.3	18,951.2
Net profit/(loss)	100.0	88.7

Contact address:

CAC LEASING, a. s.
Janáčkovo nábřeží 55/140, p. p. 1/2
150 05 Praha 5

tel.: 02 / 5709 1111
fax: 02 / 5732 8881
e-mail: leasinfo@cac.cz
www.cac.cz

MUZO, a. s.

Komerční banka's holding in this company is 49.9 %. The company provides and is expanding its comprehensive range of services for the operation of ATMs, payment terminals and payment and identity cards for both domestic and international payments. It succeeded in increasing the number of contractual partners to 765 by the year-end. A total of 599 ATMs from 18 banks were connected to the company's authorisation centre, which represents an increase of 6.6 % in the network, while the number of payment terminals linked to the authorisation centre rose more than 75 % to 11,039. The construction of a new authorisation centre building was completed in 2000.

The project included the creation of a robotised archive as well as the reorganisation of data communication and the modernisation of voice services. Certain innovations were introduced in the ATM network, while in the payment terminals network the data gateway was modernised and access capacity to the authorisation centre doubled. At the year-end work began on developing the IT application for the MONEYLINE mobile terminal.

The company's aim is to maintain its leading position as a provider of comprehensive services for non-cash payment systems.

Basic characteristics (in CZK million)

MUZO, a. s.	31 December 2000	31 December 1999
Share capital	102.0	102.0
Shareholders' funds	361.4	496.3
Total assets	1,190.4	872.3
Net profit/(loss)	164.3	103.5

Contact address:

MUZO, a. s.
V Olšínách 80/626
100 00 Praha 10

tel.: 02 / 6719 7111
fax: 02 / 6719 7590
e-mail: obo@muzo.com
www.muzo.com

Všeobecná stavební spořitelna KB, a. s.

Komerční banka owns 40 % of this company. The other shareholders are BHW Holding, GmbH, and Česká pojišťovna, a. s.

In 2000, the company concluded 187 thousand new contracts and the total target sum agreed for 2000 amounted to CZK 27.2 billion. As at the year-end it had almost 595 thousand valid contracts for building savings with a total target sum of CZK 101.7 billion. The company occupies third place on the building savings market with a 15.3 % share of contracts and 16.5 % of the total target sum. VSS KB is in second position behind Českomoravská

stavební spořitelna as regards loan transactions. In 2000 it arranged more than 18 thousand new bridging loans with a volume of CZK 3.5 billion. Building savings loans granted in 2000 amounted to CZK 3.3 billion. The business and financial results fully confirm the company's decision to carry out comprehensive restructuring and to expand its own sales network.

VSS KB will take further steps in the coming period to increase its market share and increase the number of valid building savings contracts, as well as the number of bridging loans.

Basic characteristics (in CZK million)

Všeobecná stavební spořitelna KB, a. s.	31 December 2000	31 December 1999
Share capital	500.0	500.0
Shareholders' funds	1,322.3	1,288.2
Total assets	24,655.4	20,784.3
Net profit/(loss)	225.5	211.5

Contact address:

Všeobecná stavební spořitelna KB, a. s.
Bělehradská 128
120 21 Praha 2

tel.: 02 / 2282 4111
fax: 02 / 2282 4113
e-mail: vsskb@ms.anet.cz
www.vsskb.cz

Capital Investments

As in 1999 the Bank has capital investments with participation lower than 20 % in four companies.

CAC LEASING Slovakia provides leasing services in Slovakia. The company is co-owned by the parent bank, Komerční banka Bratislava, a. s., and CAC LEASING, a. s. Its results are included in the consolidated whole.

The Bank's other capital investments are Českomoravská záruční a rozvojová banka, a. s., whose banking activity focuses on the support of small and medium-sized businesses, Burza cenných papírů Praha, a. s., which ensures the concentration and organisation of securities trading and Bankovní institut, a. s., which collates and disseminates information from the banking sector as well as training experts for the banking sector.

Consolidated Financial Results (CAS)

The consolidated financial statements for 2000 represent the annual results of the consolidated whole of the Group. In addition to the parent bank this includes the fully consolidated subsidiaries and their financial groups and associated companies consolidated through the equivalence method (including the consolidated results of the CAC LEASING Group). Penzijní fond Komerční banka, a. s., and those companies in which Komerční banka has investments of less than 20 % have not been included in the consolidated whole, with the exception of CAC LEASING Slovakia.

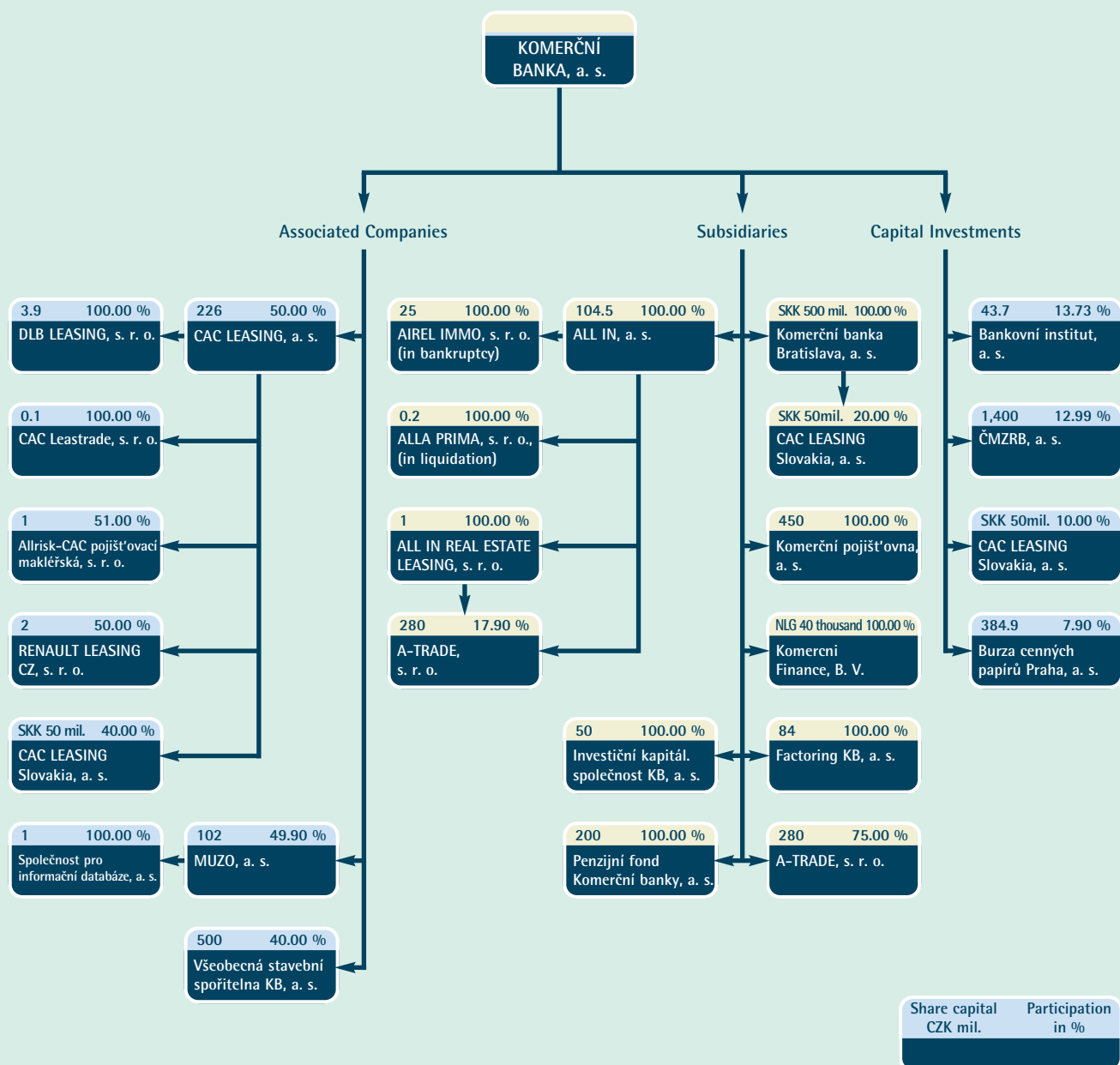
As in previous years the controlling subject of the consolidated whole remains the parent bank.

The loss recorded by the consolidated whole, in comparison with the loss recorded by Komerční

banka, was compounded by the exclusion of dividends received by the Bank in 2000 from subsidiary and associated companies and the clearing of a tax payment of CZK 535 million. The loss was also affected by the results of the fully consolidated subsidiaries (CZK 64 million). These factors were not sufficiently compensated for by positive aspects such as the dissolution of CZK 563 million of provisions created for fixed asset investments as well as the profit of CZK 133 million from the removal of companies from the consolidated whole during 2000.

The consolidated balance sheet illustrates the year on year increase in total assets amounting to CZK 485 billion as at 31 December 2000. The consolidated loss for 2000 was CZK 239 million and the proportion of profit in equivalence created by the Group of associated companies amounted to CZK 415 million.

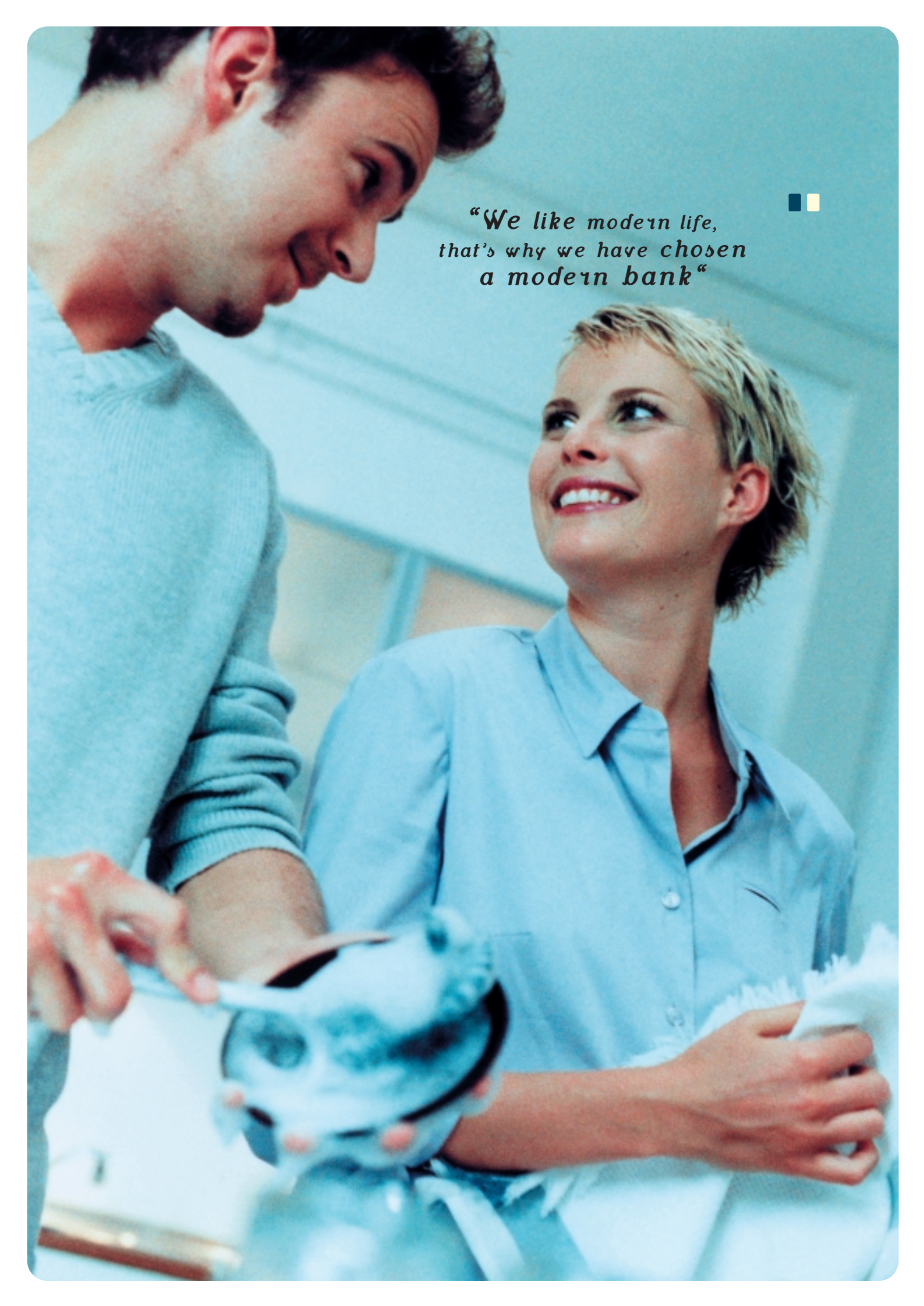
Organisational Chart of Komerční banka Financial Group As at 31 December 2000



■ ■ ■

*"I set the pace,
my bank gives me the services I need"*





*"We like modern life,
that's why we have chosen
a modern bank"*





Consolidated Financial Statements

Consolidated Financial Statements According to the Czech Accounting Methodology (CAS)

Consolidated Profit and Loss Account for the Year 2000 (CAS) (CZK million)

		2000	1999
1.	Interest income and similar income	29,861	38,339
	of which: interest income from fixed income securities	2,393	2,465
2.	Interest expense and similar expenses	(16,808)	(26,462)
	of which: interest expense on fixed income securities	(2,074)	(3,127)
3.	Income from variable yield securities	3	25
	a) income from shares and other variable yield securities	3	25
	b) income from investments in associated undertakings	0	0
	c) income from investments in subsidiary undertakings	0	0
	d) income from investments in associated entities	0	0
4.	Fees and commissions income	5,706	5,159
5.	Fees and commissions expense	(1,215)	(739)
6.	Profit (loss) from financial operations	2,626	3,621
7.	Other income	40,682	20,565
8.	General operating costs	(13,535)	(12,201)
	a) staff costs	(5,625)	(5,647)
	b) other operating costs	(7,910)	(6,554)
9.	Creation of reserves and provisions for tangible and intangible assets	(574)	(33)
	a) creation of reserves for tangible assets	(5)	(11)
	b) creation of provisions for tangible assets	(348)	(22)
	c) creation of provisions for intangible assets	(221)	0
10.	Use of reserves and provisions for tangible and intangible assets	11	240
	a) use of reserves for tangible assets	11	0
	b) use of provisions for tangible assets	0	240
	c) use of provisions for intangible assets	0	0
11.	Other costs	(55,758)	(36,915)
12.	Creation of provisions and reserves for loans and guarantees	(19,892)	(27,027)
13.	Use of provisions and reserves for loans and guarantees	28,669	26,466
14.	Creation of provisions and reserves for fixed asset investments and other financial investments	(1,871)	(1,016)
15.	Use of provisions and reserves for fixed asset investments and other financial investments	1,970	841
16.	Creation of other provisions and reserves	(1,993)	(1,677)
17.	Use of other provisions and reserves	1,652	1,950
18.	Extraordinary income	295	356
	of which: settlement of negative goodwill	72	113
19.	Extraordinary costs	(68)	(258)
	of which: settlement of positive goodwill	0	0
20.	Profit or loss for accounting period without minority stakes	(239)	(8,766)
21.	Stake in profit/ loss in equivalence	415	116
22.	Minority profit/ loss of the current period	0	0

Consolidated Balance Sheet as at 31 December 2000 (CAS)

ASSETS (CZK million)

		2000	1999
1.	Cash in hand, deposits with central banks, post checking accounts	21,047	20,697
2.	Treasury bills and other bills	78,018	48,982
	a) treasury bills and similar bonds issued by the state	11,825	4,821
	b) other bills	66,193	44,161
3.	Amounts due from banks	177,074	133,634
	a) payable on demand	847	1,476
	b) other receivables	176,227	132,158
	of which: subordinated assets	0	0
4.	Amounts due from clients	134,463	183,200
	a) payable on demand	1,041	453
	b) other receivables	133,422	182,747
	of which: subordinated assets	0	0
5.	Bonds and other fixed income securities for trading	3,751	13,833
	a) issued by banks	1,114	3,618
	of which: own bonds	680	323
	b) issued by other subjects	2,637	10,215
6.	Shares and other variable yield securities for trading	244	756
7.	Fixed asset investments in equivalence	1,036	3,589
8.	Fixed asset investments in entities not included in consolidation	324	329
9.	Positive goodwill	0	0
10.	Other financial investments	42,765	11,016
11.	Intangible assets	896	887
12.	Tangible assets	12,585	13,961
	a) land and buildings for banking activities	9,327	9,772
	b) other	3,258	4,189
13.	Treasury shares	0	0
14.	Other assets	8,361	5,357
15.	Subscribed capital called-up and not paid	0	1,390
16.	Prepayments and accrued income	4,198	7,393
	TOTAL ASSETS	484,762	445,024

Consolidated Balance Sheet as at 31 December 2000 (CAS)

LIABILITIES (CZK million)

		2000	1999
1.	Amounts due to banks	107,504	104,382
	a) payable on demand	6,119	6,854
	b) other liabilities	101,385	97,528
2.	Amounts due to clients	279,495	251,382
	a) savings deposits	24,854	30,437
	of which: payable on demand	1,692	1,708
	b) other amounts due to clients	254,641	220,945
	of which: payable on demand	123,449	109,653
3.	Certificates of deposit and similar debentures	38,254	38,815
	a) certificates of deposit	1	1
	b) other	38,253	38,814
4.	Accruals and deferred income	2,579	4,955
5.	Reserves	10,380	7,496
	a) reserves for standard loans and guarantees	8,184	5,769
	b) reserves for foreign exchange rate losses	2	633
	c) reserves for other banking risks	4	137
	d) other reserves	2,190	957
6.	Subordinated liabilities	7,563	7,194
7.	Other liabilities	17,992	12,114
8.	Share capital (without minority stakes)	19,005	16,604
	of which: share capital paid-up	19,005	15,214
9.	Capital funds (without minority stakes)	620	7,574
10.	Reserve funds and other funds from profit (without minority stakes)	470	2,399
	a) reserve funds	468	1,857
	b) other (without retained profit/ not compensated loss from previous periods)	2	542
11.	Retained earnings and not compensated loss of previous periods (without minority stakes)	343	251
12.	Consolidation reserve fund	381	282
13.	Negative goodwill	0	226
14.	Profit or loss for accounting period without minority stakes and stakes in profit/ loss in equivalence	(239)	(8,766)
15.	Share in the profit/ loss in equivalence	415	116
16.	Minority shareholder equity	0	0
	Total liabilities	484,762	445,024

OFF-BALANCE SHEET (CZK million)

		2000	1999
1.	Total future potential liabilities	28,084	29,224
	of which: a) received bills of exchange/acceptances and endorsements of bills of exchange	5	567
	b) commitments from guarantees	28,068	28,657
	c) commitments from collateral	11	0
2.	Other irrevocable commitments	34,795	15,695
3.	Receivables from spot, forward and option operations	275,161	252,117
4.	Liabilities from spot, forward and option operations	274,755	247,758

Consolidated Financial Statements According to International Accounting Standards (IAS)

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**Deloitte
& Touche**

Independent Auditors' Report to the Shareholders of Komerční banka, a. s.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2000, and the results of its operations and its cash flows for the year then ended in accordance with International Accounting Standards.

Without qualifying our opinion we draw attention to Notes 2, 13 and 20 to the consolidated financial statements. In order to support the financial position of Komerční banka, a. s. („the Bank") prior to its privatisation the Bank received support from the Government of the Czech Republic in 1999 and 2000 years. This support had a material impact on net movements of the loan loss provision as further described in the Notes.

April 17, 2001

Deloitte & Touche

Deloitte & Touche

**Deloitte
Touche
Tohmatsu**

Consolidated Profit and Loss Account as at 31 December 2000 (IAS)

	Notes	2000 CZKm	1999 CZKm
Interest income	4	29,919	33,207
Interest expense	4	(16,918)	(21,324)
Net interest income		13,001	11,883
Net fees and commissions	6	4,475	4,431
Net dealing profit	7	2,565	2,572
Other Income	8	4,012	3,209
Operating Income		24,053	22,095
Administrative expenses	9	(12,310)	(11,788)
Depreciation and other provisions	10	(3,333)	(2,757)
Restructuring costs	11	(827)	0
Profit/(loss) attributable to exclusion of companies from consolidation	12	471	0
Income from share of associated undertakings	12	415	116
Profit before provisions for loan losses and income taxes		8,469	7,666
Provision for loan losses	13	(8,569)	(16,877)
Loss before income taxes		(100)	(9,211)
Income taxes	14	(121)	(78)
Net loss for the year	15	(221)	(9,289)
Loss per share (in CZK)	16	(6)	(489)

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

Consolidated Balance Sheet as at 31 December 2000 (IAS)

	Notes	2000 CZKm	1999 CZKm
Assets			
Cash and balances with the central banks	17	20,887	22,302
Due from financial institutions	18	177,115	132,127
Treasury bills and other bills eligible for refinancing	19	12,024	4,754
Loans and advances to customers, net	20	127,391	181,299
Dealing securities	21	4,239	13,025
Prepayments, accrued income and other assets	22	10,754	12,543
Investment securities	23	41,566	10,990
Investments in associated undertakings and unconsolidated subsidiaries	24	1,358	3,917
Tangible and intangible fixed assets, net	25	13,756	15,262
Total assets		409,090	396,219
Liabilities			
Amounts owed to financial institutions	26	41,793	60,328
Amounts owed to customers	27	279,510	251,260
Certificated debts	28	36,099	36,017
Accruals, provisions and other liabilities	29	22,977	22,484
Subordinated debt	31	7,546	7,196
Total liabilities		387,925	377,285
Shareholders' equity			
Share capital	32	19,005	16,604
Share premium and reserves		2,160	2,330
Total shareholders' equity		21,165	18,934
Total liabilities and shareholders' equity		409,090	396,219

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

Consolidated statement of Changes in Shareholders' Equity as at 31 December 2000 (IAS)

	Share capital CZKm	Share premium CZKm	Statutory legal reserve CZKm	Other capital and reserve funds CZKm	Compensation reserve CZKm	Total CZKm
Balance at 31 December 1998	9,502	6,008	2,384	3,221	0	21,115
Share capital increase	7,102	0	0	0	0	7,102
FX gains from foreign investments	0	0	0	6	0	6
Transfers and other	0	0	(20)	20	0	0
Net loss for the year	0	0	0	(9,289)	0	(9,289)
Balance at 31 December 1999	16,604	6,008	2,364	(6,042)	0	18,934
Share capital increase	2,401	0	0	0	0	2,401
Settlement of prior year loss	0	(6,008)	(1,898)	7,906	0	0
Equity compensation program reserve	0	0	0	0	53	53
Transfers and other	0	0	0	(2)	0	(2)
Net loss for the year	0	0	0	(221)	0	(221)
Balance at 31 December 2000	19,005	0	466	1,641	53	21,165

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

Consolidated Cash Flow as at 31 December 2000 (IAS)

	2000 CZKm	2000 CZKm	1999 CZKm	1999 CZKm
Cash flows from operating activities				
Interest and commission receipts	41,188		40,445	
Interest and commission payments	(20,348)		(24,325)	
Other income receipts	3,810		5,978	
Cash payments to employees and suppliers	(10,553)		(10,839)	
Operating cash flow before changes in operating assets and operating liabilities	14,097		11,259	
Due from financial institutions	(44,988)		(14,893)	
Loans and advances to customers	45,339		18,282	
Treasury bills and other bills eligible for discounting	(7,270)		(2,921)	
Shares and other variable yield securities	789		2,170	
Other assets	(4,996)		(1,744)	
(Increase)/Decrease in operating assets	(11,126)		894	
Amounts owed to financial institutions	(16,463)		(16,106)	
Amounts owed to customers	28,250		(11,512)	
Other liabilities	3,985		(755)	
Increase /(Decrease) in operating liabilities	15,772		(28,373)	
Net cash flow from operating activities before taxes	18,743		(16,220)	
Net cash flows from operating activities		18,743		(16,220)
Cash flows from investing activities				
Dividends received	0		13	
Net (purchase)/sale of investment securities	(19,120)		5,741	
Net purchase of tangible and intangible fixed assets	(1,826)		(1,388)	
Net purchase of shares in fixed asset investments	377		(117)	
Net cash flows from investing activities		(20,569)		4,249
Cash flows from financing activities				
Share capital	2,401		7,102	
Certificated debts	82		(8,459)	
Net cash flows from financing activities		2,483		(1,357)
Net decrease in cash and cash equivalents	657		(13,328)	
Cash and cash equivalents at beginning of year	19,108		32,436	
Cash and cash equivalents at end of year (see Note 33)		19,765		19,108

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

Notes to the consolidated financial statements

As of 31 December 2000 (IAS)

1) Principal activities

The Financial Group of Komerční banka, a. s. (the "Group") consists of Komerční banka, a. s. (the "Bank") and 11 subsidiary and associated undertakings. The parent company is incorporated in the Czech Republic as a joint-stock company. The principal activities of the Bank are as follows:

- I. Providing loans, advances and guarantees in Czech Crowns and foreign currencies;
- II. Acceptance and placement of deposits in Czech Crowns and foreign currencies;
- III. Providing current and term deposit accounts in Czech Crowns and foreign currencies;
- IV. Providing retail banking services through an extensive branch network in the Czech Republic;
- V. Treasury operations in the interbank market;
- VI. Servicing foreign trade transactions; and
- VII. Investment banking.

The Bank generated a substantial proportion of income and represents substantially all of the assets and liabilities of the Group.

The registered office of the Bank is Na Příkopě 33, 114 07 Prague 1, Czech Republic. The Bank has 342 branches and sub-agencies in the Czech Republic. The Group has 11,415 employees at the year-end date. The Group has operations in 3 countries, of which the Bank has one subsidiary undertaking in Slovakia and one subsidiary in the Netherlands. The Bank's ordinary shares are listed on the Prague Stock Exchange.

The ultimate majority shareholder of the Bank is the Government of the Czech Republic via the National Property Fund of the Czech Republic (refer to Note 32).

The main activities of subsidiary companies of the Bank as of 31 December 2000:

Company name	Direct holding %	Group Holding %	Principal activity	Registered office
ALL IN, a. s.	100.0	100.0	Valuation services	Prague
Investiční kapitálová společnost KB, a. s.	100.0	100.0	Investment fund	Prague
Penzijní fond Komerční banky, a. s.	100.0	100.0	Pension fund	Prague
Komerční banka Bratislava, a. s.	100.0	100.0	Banking services	Bratislava
Komerční pojišťovna, a. s.	100.0	100.0	Insurance activities	Prague
Komerční Finance, B. V.	100.0	100.0	Finance	Amsterdam
Factoring KB, a. s.	100.0	100.0	Factoring	Prague
A - TRADE, s. r. o.	75.0	100.0	Intermediary in trade and investment	Prague

In 2000, the Bank sold its 100 percent equity interest in Bankovní ochranná služba, a. s.

The main activities of associated companies of the Bank as of 31 December 2000:

Company name	Direct holding %	Group Holding %	Principal activity	Registered office
CAC LEASING, a. s.	50.0	50.0	Leasing	Prague
MUZO, a. s.	49.9	49.9	Financial services	Prague
Všeobecná stavební spořitelna KB, a. s.	40.0	40.0	Building society	Prague
CAC LEASING Slovakia, a. s.	10.0	50.0	Leasing	Bratislava

In August 2000, Investiční privatizační fond KB, a. s. was transformed into IKS Globální otevřený podílový fond pursuant to applicable legislation.

The main activities of companies where the Bank does not hold significant influence as of 31 December 2000:

Company name	Direct holding %	Group Holding %	Principal activity	Registered office
Bankovní institut, a. s.	13.7	13.7	Educational activities	Prague
Českomoravská záruční a rozvojová banka, a. s.	13.0	13.0	Banking services	Prague
Burza cenných papírů Praha, a. s.	7.9	7.9	Stock exchange	Prague

2) Principal developments

The Group incurred significant losses in 1998 and 1999 related principally to the consequences of the economic recession in the Czech Republic which resulted in a deterioration in the financial condition of many of the Bank's clients impairing their ability to pay their debts. The recession and the restrictive legal framework also negatively impacted the value of loan collateral (primarily real estate). This position was aggravated by large unexpected losses of CZK 8,393 million uncovered in the Bank's trade finance area in autumn 1999.

During the past two years the Government of the Czech Republic has provided financial support to the Bank to ensure its financial stability in preparation for the planned privatisation of the State's ownership interest in the Bank. During 1999 and 2000 the Government sponsored transfers of non-performing loans totalling approximately CZK 83,100 million nominal value to Konsolidační banka Praha, s. p. ú. ("Konsolidační banka") and its subsidiary Konpo, s. r. o. ("Konpo"). These transfers had a favourable impact on the profit and loss account for 1999 of approximately CZK 16,543 million. In addition, the National Property Fund of the Czech Republic (the largest shareholder of the Bank) participated in a CZK 9,502 million capital increase of the Bank together with other shareholders which was completed in February 2000.

Pursuant to a Government resolution dated 18 December 2000, the Bank entered into an agreement with Konsolidační banka under which Konsolidační banka will cover losses, up to a maximum amount of CZK 20 billion, which may be incurred over a three year period which began on 31 December 2000 on a defined portfolio of classified exposures. This agreement has been taken into account when determining the value of the Bank's assets and the level of required provisions for loan losses reported in 2000. Further details of these arrangements can be found at Note 20) to these financial statements.

In April 2000, the Bank's principal shareholder sponsored the appointment of a new Management Board by the end of May 2000. On its appointment, the new Management Board undertook a comprehensive assessment and review of the Bank's organisational structure, operations and activities. Further details can be found at Note 11)

to these financial statements. Pursuant to this review, the Bank began to implement a substantial restructuring program. Principal steps within this program have been as follows:

- A headcount reduction of approximately 2,700 employees or 20% of the workforce. This reduction was fully implemented by 31 December 2000; and
- The operational separation for management and reporting purposes of the Bank's classified loan portfolio into a Debt Recovery Division.

Privatisation of the Bank

During the second half of 2000 and in early 2001, substantial progress has been made towards the sale of the State's sixty-percent shareholding in the Bank. The Bank Privatisation Steering Committee (comprising representatives of the Ministry of Finance, the Czech National Bank and the National Property Fund) selected four major international commercial banks to participate in the final round of bidding for the State's shareholding. The shortlisted banks are Credit Agricole s. a. (France), HypoVereinsbank (Germany), Societe Generale (France) and UniCredito (Italy). These investors began due diligence procedures in January 2001. Binding offers are expected in April 2001. The purchase agreement is expected to be executed in June 2001.

3) Principal accounting policies

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

a) Basis of accounting

The consolidated financial statements are prepared in accordance with and comply with International Accounting Standards ("IAS") effective for the year ended 31 December 2000. The consolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of certain trading assets and liabilities to fair value.

The Group maintains its books of account and prepares statements for regulatory purposes in accordance with Czech accounting principles and those of other jurisdictions in which the Group operates. The accompanying financial statements are based on the accounting records of the Group, together with appropriate adjustments and reclassifications necessary for fair presentation in accordance with IAS. A reconciliation of reserves and profit for the year reported under Czech accounting principles to reserves and profit for the year reported under IAS is shown in Note 37) to the financial statements.

The presentation of consolidated financial statements in conformity with IAS requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The reporting currency used in the consolidated financial statements is the Czech Koruna ("CZK").

b) Basis of consolidation

Subsidiary undertakings, which are those 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, have been fully consolidated. Subsidiaries are consolidated from the date on which effective control is transferred to

the Bank and are no longer consolidated from the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated.

Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Bank. Where appropriate, separate disclosure is made of minority interests.

Penzijní fond Komerční banky, a. s., which is a pension fund, is wholly owned by the Bank. It has been excluded from the consolidated financial statements because of clauses within the Pension Funds Act which restrict the remittance of profits to the parent company. The Bank's investment in this entity is included at cost in the consolidated balance sheet.

Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings in which the Group has between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Equity accounting involves recognising in the profit and loss statement the Group's share of the associates' profit or loss for the year. The Group interest in the associate is carried in the balance sheet at an amount that reflects its share of net assets of the associate and includes goodwill on acquisition.

c) Foreign currencies

Transactions denominated in foreign currencies are translated into CZK at official Czech National Bank exchange rates ruling as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All resulting gains and losses are included in the profit and loss account in "Dealing profits" in the period in which they arise.

d) Loans and advances and provision for loan losses

Loans and advances to customers and financial institutions including accrued interest are stated net of provisions for loan losses. Specific provisions are assessed with reference to the credit standing and performance of the borrower and take into account the value of any collateral or third party guarantees. Interest on non-performing loans is accrued on a case by case basis with appropriate provisions against these amounts being included in the specific provision. Penalty interest is accounted for on a cash basis.

A general provision for loan impairment is established to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been allocated to specific or individual exposures.

The Group writes off loans when clients are unable to fulfil their obligations to the Group in respect of these loans. The loan is written off against the related provision for loan losses. Subsequent recoveries are credited to the income statement if previously written off.

e) Dealing securities

Dealing securities purchased for trading purposes are accounted for and are stated at fair value based on prices quoted on recognised stock exchanges. In the event of holdings of illiquid securities, market value is estimated as the value based on market quotes net of a provision for the illiquidity of the securities. Securities in the trading portfolio are valued on a daily basis. All gains and losses realised and unrealised arising from trading in dealing securities are reported in "Dealing profits and losses". Interest earned whilst holding dealing securities is reported as interest income. Dividends received are included separately in dividend income which is shown within the profit and loss account line "Dealing profits and losses".

f) Investment securities

Investment securities include debt and equity securities which management intends to hold until maturity or over the longer term. Debt securities are stated at amortised cost. Equity securities are stated at cost less any impairment. The management performs an annual review of the carrying value of its investment securities portfolio and reflects changes in valuation, including those relating to potential default of debt securities, in the profit and loss account line "Dealing profits and losses". The interest earned on investment securities is reported as interest income. Dividends received are included separately in dividend income which are included within the profit and loss account line "Dealing profits and losses". A reduction in cost is not taken into account unless it is considered to be permanent

(g) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at historical cost less accumulated depreciation together with accumulated impairment losses. Tangible and intangible fixed assets are depreciated through the accumulated depreciation charge. Depreciation is calculated on a straight-line basis to write off the cost of each asset to their residual values over the estimated useful economic life. Land and assets under construction are not depreciated. The cost of assets acquired on the establishment of the Bank on 1 January 1990 was determined as the net book value attributed to the assets transferred from the former State Bank of Czechoslovakia. The estimated useful economic lives in years are set out below.

Office equipment, IT and vehicles	4
Fixtures and fittings	6
Buildings and structures	30

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are recognised in the profit and loss account in the year of disposal. Low value fixed assets and repairs in the nature of technical improvements costing less than CZK 40,000 in the case of tangible fixed assets and CZK 60,000 in the case of intangible fixed assets with an estimated useful life longer than one year are charged to the profit and loss statement when the expenditure is incurred. Technical improvements costing greater than CZK 40,000 in respect of tangible fixed assets and greater than CZK 60,000 in respect of intangible fixed assets increase the acquisition cost of the fixed asset. Acquisition costs of know-how greater than CZK 60,000 with an estimated useful life exceeding one year are recorded as intangible fixed assets.

Computer software development costs

Generally, costs associated with developing computer software programs are recognised as an expense as incurred. Costs associated with the maintenance of existing computer software programs and for modifications for the year are expensed as incurred.

h) Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised at their fair value and depreciated over the shorter of the lease terms and their useful lives. The capital element of each future lease obligation is recorded as a liability, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital payments outstanding.

Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment

required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

i) Provisions for guarantees and other credit related commitments

In the normal course of business, the Group enters into credit related commitments with off-balance sheet risk. Such commitments include guarantees, letters of credit, undrawn loan commitments etc. Provision is made for estimated losses on the same basis as set out at Note 3) d) above.

j) Certificated debts

Certificated debts issued by the Group are stated at their nominal value net of any unamortised premium or discount arising on issue. The premium or discount is amortised over the term to maturity with the amortisation being included within interest expense.

k) Income and expense

Interest income and expense are recognised in the income statement on an accrual basis. Default interest is included in income when received. The Group does not accrue interest income on a portion of loss loans (see Note 20). Such loans are carried at the Group's estimate of net recoverable value. Interest income includes coupons earned on debt and accrued discount on treasury bills. Fees and commissions are recognised as income when due. Contributions paid by the Group on behalf of employees to pension schemes are separately disclosed in Note 9). The Group does not operate and is not obligated to fund its own pension scheme for its employees.

l) Taxation

Taxation is calculated in accordance with provisions of the relevant legislation of the Czech Republic and other jurisdictions in which the Group operates, based on the profit or loss recognised in the income statement prepared pursuant to Czech accounting standards and accounting standards of other jurisdictions.

Deferred income tax is provided, using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax. The principal temporary differences arise from depreciation on property, plant and equipment, specific and general provisions for loans and tax losses carried forward. Deferred tax assets in respect of tax losses carried forward and other temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the tax assets can be utilised.

m) 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 Amounts owed to financial institutions or Amounts owed to customers as appropriate. Securities purchased under agreements to purchase and 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 repo agreement.

n) Derivative financial instruments

In the normal course of business the Group is a party to contracts for derivative financial instruments including interest rate swap agreements, currency options and forward exchange rate contracts. These instruments are currently used by the Group to hedge interest rate risk and currency exposures associated with its transactions in the financial markets. The Group also acts as an intermediary provider of these instruments to certain clients.

Derivatives associated with the Group's own trading activities (including those entered into with its corporate clients) are carried at fair value. Changes in fair value and related profit and loss are stated in "Dealing profits" in the profit and loss account and in "Other assets" and "Other liabilities" on the balance sheet.

Derivatives used to hedge the Group's positions on the financial markets, which do not meet the criteria for recognition as hedging transactions, are carried at fair value which is calculated as the discounted present value of future cash flows arising from these financial instruments. Changes of fair value are shown in the balance sheet in "Other assets" and "Other liabilities". Other derivatives, which meet the criteria for recognition as hedging transactions, are stated in the off-balance sheet records. The accrual of interest income and expense relating to these instruments is shown in the profit and loss account in "Net interest income". Profit and loss arising from exchange differences relating to the repricing of financial instruments is shown in the profit and loss account in "Dealing profit".

Fair values are obtained from qualified estimates using generally accepted pricing models as appropriate.

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

- a) The transaction must be reasonably expected to match or eliminate a significant portion of the risk inherent in the position being hedged; and
- b) There is adequate evidence of the intent to hedge at the outset of the transaction.

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

o) Regulatory requirements

The banks within the Group are subject to the regulatory requirements of respective national central banks. These regulations include those pertaining to minimum capital adequacy requirements, classification of loans and off-balance sheet commitments, credit risk, liquidity, interest rate and foreign currency position.

Similarly, Group companies are subject to regulatory requirements, specifically in relation to insurance and collective investment.

p) Reclassification

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year (refer also to Note 7, 8, 14 and 30).

q) Current accounting pronouncements

The Group has adopted IAS 39 Financial Instruments: Recognition and Measurement as of 1 January 2001. These financial statements do not include any adjustments arising from the adoption of this standard.

IAS 39 establishes standards for recognising, measuring, and disclosing information about an enterprise's financial assets and liabilities, including accounting for hedging transactions. The standard significantly increases the use of fair values in accounting for financial instruments. The principal impacts of the adoption of the standard as of 1 January 2001 relate to the presentation and valuation of the dealing and investment securities portfolios and the mark to market of certain derivative positions which were held in the Group's hedging portfolio as of 31 December 2000. As noted above, the Group did not apply IAS 39 as of 31 December 2000. The management has assessed the impact of adoption of IAS 39 on financial statements of the Group at approximately CZK 120 million as a one-off net gain from the fair values of interest rate derivatives as of 1 January 2001.

4) Net interest income

Net interest income comprises:

	2000 CZKm	1999 CZKm
Interest income		
- Treasury bills	203	107
- Loans and advances to financial institutions	12,534	9,774
- Loans and advances to customers	14,973	20,958
- Bonds and other fixed income securities	2,209	2,368
Total interest income	29,919	33,207
Interest expense		
- Amounts owed to financial institutions	(3,049)	(4,562)
- Amounts owed to customers	(10,416)	(12,364)
- Certificated debts	(3,453)	(4,398)
Total interest expense	(16,918)	(21,324)
Net interest income	13,001	11,883

Further details of uncollected interest income and interest on loans and advances to customers are provided at Note 20) to these financial statements.

5) Sources of profits and losses

Substantially all income included in operating income was generated from provision of banking and other financial services in the Czech Republic.

6) Net fees and commissions

Net fees and commission comprise:

	2000 CZKm	1999 CZKm
Fees and commission income	5,690	5,158
Fees and commission expense	(1,215)	(727)
Net fees and commissions	4,475	4,431

Fees and commission expense includes CZK 523 million (1999: CZK 291 million) relating to the operation and subsequent cancellation of the transaction qualifying as a specific guarantee of a portfolio of classified loans. Further details of this transaction are provided at Note 20) to these financial statements.

7) Dealing profits/(losses)

Dealing profits/(losses) comprise:

	2000 CZKm	1999 CZKm
Realised and unrealised gains/(losses) on securities and bonds	730	100
Realised and unrealised gains/(losses) on interest rate swaps	(8)	(66)
Realised and unrealised gains/(losses) on foreign exchange trading	1,841	2,525
Dividend income on marketable securities	2	13
Total dealing profits	2,565	2,572

Pursuant to the restructuring of the assets of the Bank approved by the Government of the Czech Republic, the Bank transferred in March 2000 to Konsolidační banka's subsidiary, Konpo, a portfolio of distressed corporate debt securities with a nominal value of CZK 2,116 million for a price equivalent to 60 percent of this nominal value. The net book value of the debt portfolio at the date of transfer was CZK 997 million and the positive impact on the Bank's profit and loss account was CZK 273 million. This impact is shown above in the line "Realised and unrealised gains/(losses) on securities and bonds".

Realised and unrealised gains/(losses) on foreign exchange trading includes CZK 1,641 million (1999: CZK 1,854 million) relating to the processing of documentary and clean payments for the Bank's customers. The basis of the Group's remuneration for such services is based on a foreign exchange spread and for this reason it is included within the line shown above.

8) Other income

Other income comprises:

	2000 CZKm	1999 CZKm
Net gain from foreign currency translation	1,223	1,415
Other income	2,789	1,794
Total other income	4,012	3,209

Net gain from foreign currency translation represents income arising from the exchange of foreign currencies.

For the year ended 31 December 2000, other income includes the receipt of underwritten insurance premiums of CZK 1,107 million (1999: CZK 334 million), income from the sale of real-estate of CZK 793 million (1999: CZK 15 million) and the fees collected in respect of mutual fund management of CZK 276 million (1999: CZK 282 million).

9) Administrative expenses

Administrative expenses comprise:

	2000	1999
	CZKm	CZKm
Wages and salaries	4,129	4,152
Social security costs	1,460	1,541
Employees' expenses	5,589	5,693
Other administrative expenses	6,721	6,095
Total administrative expenses	12,310	11,788
Number of employees at year-end	11,415	13,936
Average number of employees during the year	12,551	15,274
Average cost per one employee (CZK)	445,303	372,725

Social security costs include retirement pension insurance costs paid by the Group of CZK 45 million (1999: CZK 47 million).

Other administrative expenses comprise:

	2000	1999
	CZKm	CZKm
Deposit insurance	1,051	970
Property maintenance and rent	1,253	1,255
Consulting, information and technical support	998	940
Telecommunications and post	366	337
Marketing and representation	431	360
Costs of real-estate sold	685	4
Other	1,937	2,229
Total other administrative expenses	6,721	6,095

10) Depreciation and other provisions

Depreciation and other provisions comprise:

	2000	1999
	CZKm	CZKm
Depreciation of tangible and intangible fixed assets	2,485	2,529
Other net provisions	848	228
Total depreciation and other provisions	3,333	2,757

Other net provisions principally consist of technical insurance provisions recorded by Komerční pojišťovna, a. s., in the amount of CZK 640 million (1999: CZK 270 million), a provision against A-TRADE assets, s. r. o. in the amount of CZK 195 million (1999: nil) and released provisions against the assets of AIREL IMMO, s. r. o. in the amount of CZK nil in 2000 (1999: CZK 127 million).

11) Restructuring costs

Restructuring costs comprise:

	2000	1999
	CZKm	CZKm
Redundancy compensation costs	320	0
Estimated loss on sale of vacant properties and termination of leases	252	0
Other restructuring costs	255	0
Total restructuring costs	827	0

The management of the Bank approved a restructuring plan for the Bank in June 2000. The plan was announced in July 2000 and implemented by 31 December 2000. All incurred and estimated costs relating to this restructuring have been included within the charge for restructuring costs shown above.

12) Profit/(loss) attributable to exclusion of companies from consolidation

The Group has excluded AIREL IMMO, s. r. o., from the consolidated results for the year ended 31 December 2000 because the company was put into bankruptcy during the year. The accumulated losses of this company that were reflected in the consolidated accounts of the Group as of 31 December 1999 had an adverse impact on the prior year consolidated results of the Group. The deficit on net equity of AIREL IMMO, s. r. o., was CZK 877 million as of the date of its exclusion from the consolidated results of the Group. For the year ended 31 December 2000, the Group's consolidated financial statements reflect its share in the company's loss in the amount of CZK 20 million. Excluding this company from the consolidation had a positive impact on the current year profit figure of CZK 877 million. During 2000, the Group recorded a provision of CZK 543 million against the loan advanced to AIREL IMMO, s. r. o., which was released on consolidation in prior years because the losses of this company were previously consolidated. The aggregate impact of these adjustments on the consolidated profit and loss statement was CZK 314 million. The Group has provided fully in past years against its exposure to AIREL IMMO, s. r. o. and expects recoveries from the bankruptcy process to be limited.

As of 31 December 2000, the Group holds 48.5 percent of IKS Globální. Investiční privatizační fond KB, a. s. was converted to an open-ended mutual fund (IKS Globální) in August 2000. At that time the Group decided that it will reduce its holding in this fund in the medium term and as market conditions allow. The exclusion of this company led to a loss of CZK 447 million being reflected in the profit and loss statement. This loss was principally due to the company being excluded from the Group's consolidated results at a cost that was lower than the company's net equity as of the date of its exclusion from the consolidated results of the Group. For the year ended 31 December 2000, the Group's consolidated financial statements reflected its share in the net profit of IKS Globální in the amount of CZK 162 million. The aggregate impact of these adjustments on the profit and loss statement was negative and amounted to CZK 285 million.

In addition, ALLA PRIMA, s. r. o. was excluded from the consolidation following the Group's decision to liquidate the company. This had a negative impact of CZK 3 million.

During the year the Group also sold its equity interest in Bankovní ochranná služba, a. s., generating a profit of CZK 43 million that is reflected in the Group consolidated financial statements.

The aggregate impact of these transactions on the profit and loss statement of the Group for the year ended 31 December 2000 was CZK 69 million, of which profit attributable to exclusion of companies from consolidation amounts to CZK 471 million and other transactions amount to CZK 402 million.

Income from interests in associated undertakings reflects the share of the post tax profit or loss of these companies in the amount of CZK 415 million.

13) Provision for losses on loans and other credit commitments

The movement in the provision was as follows:

	2000 CZKm	1999 CZKm
Balance at 1 January	(30,985)	(30,327)
Impact of loans written off and transferred	17,362	16,221
Net provisioning against loan losses	(8,569)	(16,877)
Exchange rate differences attributable to provisions	20	(2)
Balance at 31 December	(22,172)	(30,985)

During 2000, the total balance of provisions, net of exchange rate differences, decreased by CZK 8,793 million (1999: CZK 656 million) principally as a result of the release of provisions against loans transferred to Konsolidační banka in the amount of CZK 22,698 million (1999: CZK 6,956 million).

The impact of loans written off and transferred (net of provisioning effect):

The impact of loans written off and transferred to Konsolidační banka:

	2000 CZKm	1999 CZKm
Gross loans transferred to Konsolidační banka	(47,886)	(11,059)
Proceeds from the transfer of loans to Konsolidační banka	28,732	7,562
Proceeds from transfer of written off loans to Konsolidační banka	5,998	6,008
Impact of loans written off and transferred	(13,156)	2,511

The impact of other loans sold and transferred:

	2000 CZKm	1999 CZKm
Gross other loans sold or transferred	(1,348)	(6,346)
Proceeds from sale of loans	860	3,514
Gross write off of loans	(5,211)	(17,687)
Income from other written off receivables	1,493	1,787
Impact of loans written off and transferred	(4,206)	(18,732)
Total impact of loans written off and transferred	(17,362)	(16,221)

On 31 August 1999, the Bank transferred loans with a nominal value of CZK 23,100 million (on-balance sheet element of CZK 11,059 million) to Konsolidační banka for a consideration of CZK 13,570 million. On 25 March 2000, the Bank transferred loans with a nominal value of CZK 57,883 million (on-balance sheet element of CZK 47,886 million) to Konpo, a subsidiary of Konsolidační banka, for a consideration of CZK 34,730 million. The transfer of loans as of 25 March 2000 resulted in an aggregate favourable impact of CZK 9,542 million (the transfer of loans as of 31 August 1999 had a favourable impact of CZK 9,506 million), that is the total of CZK 19,048 million, of which CZK 16,543 million was recognised in the income statement for the year ended 31 December 1999. The remaining portion of the favourable impact of CZK 2,505 million was recognised in the income statement for the year ended 31 December 2000 and was used to absorb the cost of provisioning against the portfolio transferred to Konpo as of 25 March 2000, specifically as a result of the application of the CNB regulation for loss loans collateralised by real estate.

The balance at 31 December comprises balances of:

	2000 CZKm	1999 CZKm
Provisions for loans to clients (see Note 20)	(20,796)	(26,861)
Provisions for loans to financial institutions (see Note 18)	(13)	(103)
Provisions for guarantees and other credit related commitments (see Note 29)	(1,363)	(4,021)
Balance at 31 December	(22,172)	(30,985)

14) Taxation

The major components of corporate income tax expense are as follows:

	2000 CZKm	1999 CZKm
Tax paid – current year	(114)	0
Tax paid – prior year	0	(50)
Deferred tax movement	(7)	(28)
Total tax expense	(121)	(78)

The corporate tax rate for the year 2000 was 31% (1999: 35%).

The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate of the Group as follows:

	2000 CZKm	1999 CZKm
Loss before tax (current tax rate)	(55)	(9,211)
Loss before tax (special tax rate)	70	0
Loss before tax	15	(9,211)
Theoretical tax credit calculated at a tax rate of 31% and 15%, respectively (1999: 35%)	(8)	(3,224)
Income not taxable, mainly interest	(7,336)	(1,825)
Expenses not deductible for tax purposes	8,322	5,563
- Provisions for loan losses	2,561	3,890
- Other non-deductible costs	5,761	1,673
Utilisation of tax losses carried forward	(863)	(500)
Other	(95)	36
Movement on deferred tax	7	28
Income tax expense	42	78
Other tax expense (15% foreign dividend tax)	10	0
Withholding tax (15 % local dividend tax)	69	0
Total income tax expense	121	78

In determining the tax liability in respect of the year ended 31 December 2000 the Group has taken into consideration its additional tax returns relating to past tax periods which increase the Bank's tax loss incurred in the prior years. This loss has not been assessed as of the balance sheet date. Management of the Bank anticipate that the loss will be assessed by the date for filing an ordinary tax return for the year ended 31 December 2000, that is, by 2 July 2001.

Further information about deferred tax is presented in Note 30).

15) Settlement of loss

The Group incurred a loss of CZK 221 million in the accounting period to 31 December 2000. The loss will be covered in accordance with a decision to be taken at the general meetings of the Group companies.

16) Loss per share

Loss per share is calculated by dividing the net loss of CZK 221 million (1999: CZK (9,289) million) attributable to shareholders by the weighted average number of ordinary shares in issue during the year ended 31 December 2000, that is, 37,392,693 (1999: 19,004,926).

17) Cash and balances with the central banks

Cash and balances with the central banks comprises:

	2000 CZKm	1999 CZKm
Cash in hand	8,003	8,727
Cash with central banks	11,992	12,148
Current accounts with other banks	893	1,427
Total cash and balances with central banks	20,887	22,302

Cash with the central banks includes:

	2000 CZKm	1999 CZKm
Obligatory minimum reserves	5,167	5,442
Deposits due on request	4,599	3,392
Receivable from transfer of cash	2,226	3,314
Total	11,992	12,148

Obligatory minimum reserves with the Czech National Bank did not bear interest for the year ended 31 December 2000. Obligatory minimum reserves with the Slovak National Bank bore interest at 1.5 percent per annum.

18) Due from financial institutions

Balances due from financial institutions comprises:

	2000 CZKm	1999 CZKm
Loans to banks	54,117	17,488
Advances due from central banks	71,837	49,701
Placements with other banks	51,174	65,041
Total	177,128	132,230
Specific provisions against balances due from financial institutions	(13)	(103)
Total due from financial institutions	177,115	132,127

Advances due from central banks are collateralised by treasury bills and other securities issued by national central banks and the Ministry of Finance of the Czech Republic.

Included within loans to banks are amounts totalling CZK 52,642 million due from Konsolidační banka. Loans of CZK 51,227 million were granted to finance the transfer of classified assets to Konsolidační banka in August 1999 and March 2000. The net book value of these loan accounts as of 31 December 2000 was CZK 49,568 million and interest accrued at that date was CZK 1,659 million. Other loans advanced to Konsolidační banka amount to CZK 660 million and placements with Konsolidační banka amount to CZK 755 million.

The following table sets out the principal terms and conditions of the loans advanced by the Bank to Konsolidační banka to refinance the transfers of assets in August 1999 and March 2000 as of 31 December 2000:

Term	Loan dated 31 August 1999	Loan dated 25 March 2000
Maturity	31 August 2004	24 March 2005
Total amount	CZK 13,864 million	CZK 37,363 million
- Czech crowns	CZK 13,864 million	CZK 37,062 million
- US dollars	CZK 0 million	CZK 118 million
- Euro	CZK 0 million	CZK 183 million
Interest rate	Market benchmark rate plus contractual margin	Market benchmark rate plus contractual margin
Interest repayment	Fixed interest rate – annual, Variable interest rate – semi-annual	Fixed interest rate – annual, Variable interest rate – quarterly
Principal repayment	Four annual instalments. First due 31 August 2001	13 quarterly instalments. First due 25 March 2002

19) Treasury bills

Treasury bills comprise

	2000 CZKm	1999 CZKm
Treasury bills and other bills eligible for refinancing	12,024	4,754
Total treasury bills and other bills eligible for refinancing	12,024	4,754

All treasury bills held by the Group as of 31 December 2000 and 1999 had a remaining maturity of less than one year.

20) Loans and advances to customers

Loans and advances to customers comprise:

	2000 CZKm	1999 CZKm
Loans and advances to customers	145,145	200,337
Bills of exchange	1,357	2,117
Forfaits	1,685	5,706
Total gross receivables	148,187	208,160
Less provisions for loan losses	(20,796)	(26,861)
Total loans and advances to customers, net	127,391	181,299

Of the forfeits of CZK 1,685 million (1999: CZK 5,706 million), forfeits issued by foreign debtors amount to CZK 13 million (1999: CZK 415 million).

Provisions and reserves for loans and advances to customers are determined and created based on the financial position and activities of the client taking into account the value of collateral as well as third party guarantees.

Loans and advances to customers include due interest of CZK 1,324 million (1999: CZK 6,140 million), of which CZK 754 million (1999: CZK 5,686 million) relates to overdue interest and CZK 570 million (1999: CZK 453 million) represents accrued interest that is not overdue.

The loan portfolio of the Group (only the Bank and Komerční banka Bratislava, a. s.) as of 31 December 2000 comprises the following breakdown by classification:

Classification	Gross receivable CZKm	Collateral applied CZKm	Net exposure CZKm	Provisions CZKm	Carrying value CZKm	Provisions %
Standard	68,258	32,629	35,629	(38)	68,220	-
Watch	29,993	22,035	7,958	(407)	29,586	5
Substandard	24,837	17,676	7,161	(1,286)	23,551	18
Doubtful	6,280	4,064	2,216	(1,084)	5,196	49
Loss	18,819	7,864	10,955	(10,955)	7,864	100
Total	148,187	84,268	63,919	(13,770)	134,417	
General provisions for loan losses				(7,026)		10.9
Total provisions				(20,796)	127,391	

Loans classified as loss in the above table include amounts of CZK 5,567 million (1999: CZK 32,515 million), on which interest is not being accrued.

Set out below is an analysis of types of collateral underlying loans to customers:

	Total clients loan collateral CZKm
Guarantees of state and governmental institutions	8,498
Bank guarantees	2,778
Guaranteed deposits	1,651
Issued debentures in pledge	100
Pledge of real estate	178,795
Pledge of movable assets	6,857
Guarantee by corporate entity	19,889
Guarantee by individual (physical entity)	4,069
Pledge of receivable	6,937
Insurance of credit risk	6,616
Other	13,884
Total nominal value of collateral	250,074
Total discounted collateral value	121,380
Total applied collateral value	84,268

Reserve for risks and uncertainties

The portfolio held by Group banks contains exposures to a number of clients which are State owned or are regulated or funded by the State. In determining the level of provisioning required against such exposures the Bank has taken into account the expected continuing support of the State.

The portfolio held by Group banks is collateralised primarily by real estate. The legal framework relating to creditors rights restricts the Group's ability to realise collateral values on non-performing loans. Recent modifications in legislation designed to strengthen the position of creditors may improve recovery of these loans. The Bank continues to use all legal remedies available to it.

As of 31 December 2000, the Group maintains a general reserve of CZK 7,026 million to cover the risks referred to above which may be present in the portfolio as of that date but which cannot be allocated to individual exposures. This reserve also covers an assessment of the Bank's participation in the aggregate losses incurred on the guaranteed risk portfolio covered by the State guarantee (see below).

The Bank has largely separated the management and reporting of exposures classified as standard and watch from those classified as sub-standard, doubtful and loss. The sub-standard, doubtful and loss exposures are managed within the Debt Recovery Division. This operational separation reflects the differences in service and management resource required for these two classes of assets.

The portfolio managed by the Debt Recovery Division largely approximates the portfolio that is covered by the guarantee agreement entered into by the Bank and Konsolidační banka on 29 December 2000. Further details of this agreement are set out below. Management of the Bank has assessed under a series of scenarios the future outcome of the realisation of portfolio transferred to the Debt Recovery Division. These scenarios reflect the uncertainties arising from the absence of benchmark historic recovery rates when using systematic recovery efforts, the weaknesses in the existing legal framework regarding the enforcement of creditor's rights and the intention of management to realise substantially all of the portfolio over a three year time horizon. Based on the facts presently available, management has made its best efforts to analyse and determine the range of expected recovery and associated losses arising from this process and allocated a portion of the general reserve to cover the best assessment of the Bank's participation in the aggregate losses incurred on the realisation of this portfolio. Actual recovery rates may differ from those taken into account in preparing the financial statements.

Transactions with Konsolidační banka

In 1999 and 2000 the Government of the Czech Republic resolved to provide financial support to the Bank in order to ensure its financial stability in the period prior to its privatisation. This financial support has been largely enacted through transactions between the Bank and Konsolidační banka and has involved transfers of non-performing assets at a total nominal value of approximately CZK 83,100 million. The principal terms and conditions of each of the transactions between the Bank and Konsolidační banka are set out below:

On 31 August 1999, the Bank transferred selected loss and written off receivables with a nominal value of CZK 23,100 million to Konsolidační banka. The receivables were transferred for a contractual price of CZK 13,600 million representing approximately 60% of their nominal value. The net positive effect of this transaction on the Bank's result for the year ended 31 December 1999 was approximately CZK 9,500 million.

On 25 March 2000, the Bank transferred selected loss and doubtful receivables and loans written off with a nominal value of CZK 60,000 million to Konpo, a subsidiary of Konsolidační banka, for a consideration equivalent to 60% of their nominal value. The receivables transferred included loans to customers classified as loss and doubtful of CZK 47,886 million, loans that were fully provisioned and written off of CZK 9,997 million

and securities of CZK 2,116 million. Management estimated that the net positive impact of this transaction was approximately CZK 7,000 million as of 31 December 1999. This net positive impact was taken fully into account when the assessment of the valuation of the credit portfolio and the amount of required loan loss provision was made as of 31 December 1999.

The above transactions with Konsolidační banka resulted in an aggregate favourable impact of CZK 16,543 million on the results for the year ended 31 December 1999 and impacted the net movements on provisions for loan losses (see Note 13).

Exchange of assets pursuant to the agreement dated 25 March 2000

On 29 January 2001, the Bank entered into an agreement with Konpo under which it agreed to take back certain assets transferred to Konpo under the agreement dated 25 March 2000. The Bank replaced these assets which did not comply with the parameters of the original agreement with other assets of the same quality that did so. The assets exchanged have a gross nominal value of CZK 2,970 million. The intention of both parties was that the financial impact of this exchange of assets be neutral. However, the Bank estimates that the transaction will have a negative impact on its tax position for the year ended 31 December 2001 in the amount of CZK 179 million.

State guarantee covering losses on the Bank's risk assets

On 29 December 2000, the Bank entered into an agreement with Konsolidační banka under which Konsolidační banka will cover losses, up to a maximum amount of CZK 20,000 million, which may be incurred over a three year period which began on 31 December 2000 on a defined portfolio of classified exposures. This agreement was signed on 29 December 2000 on the basis of the resolution of the Government of the Czech Republic dated 18 December 2000. The guarantee applies to the net book value (defined as principal less specific provision) of assets classified as substandard, doubtful and loss (in accordance with relevant CNB regulations) as of 31 December 2000. This defined portfolio corresponds largely with that portfolio held within the Bank's Debt Recovery Division. The payment under the guarantee agreement is effected through a mechanism whereby the Bank's participation increases as the aggregate loss incurred on the defined portfolio increases. The Bank will retain these assets on its balance sheet and continue to maximise recovery. The difference between the net book value as of 31 December 2000 and the actual amount recovered by December 2003 is covered by the guarantee up to a maximum amount of CZK 20,000 million. In accordance with the agreement this amount will be settled in either cash or Government securities by 30 June 2004.

The table below sets out the basis of the Bank's participation in losses incurred on the guaranteed portfolio:

Final losses CZK billion	Garantovaná úhrada Konsolidační banky	Podíl banky na úhradě konečné ztráty	Cumulative participation CZK billion
0 -10	95%	5%	0.5
10-20	CZK 9.5 billion plus 85% of the amount over CZK 10 billion	CZK 0.5 billion plus 15% of the amount over CZK 10 billion	2.0
20-25	CZK 18 billion plus 40% of the amount over CZK 20 billion	CZK 2 billion plus 60% of the amount over CZK 20 billion	5.0
Over 25	CZK 20 billion	CZK 5 billion plus 100% of the amount over CZK 25 billion	-

The Bank is required to report regularly on the administration of the assets and the expected requirement for settlement from the guarantee.

The effectiveness of the guarantee agreement referred to above is subject to approval of the Competition Office.

The table below sets out an overview of the assets covered by the guarantee according to type and classification:

Assets classified as:	Nominal value CZKm	Provisions CZKm	Net book value CZKm	Collateral CZKm	Number of cases
Substandard	27,629	1,420	26,209	17,489	4,314
Doubtful	7,402	1,136	6,266	4,100	1,203
Loss	16,578	7,837	8,741	8,051	7,768
Total on balance sheet	51,609	10,393	41,216	29,640	13,285
Substandard	8,000	455	7,545	5,197	182
Doubtful	132	8	124	107	31
Loss	1,209	487	722	722	55
Total off balance sheet	9,341	950	8,391	6,026	268
Total	60,950	11,343	49,607	35,666	13,553

The nominal value of on-balance sheet assets includes undrawn credit commitments of CZK 4,391 million. The total nominal value of classified assets includes export credit loans made to other banks in the amount of CZK 523 million.

Termination of loan portfolio guarantee transaction

In December 1998, the Bank entered into an agreement with an internationally recognised investment bank that under regulatory guidelines qualified as a guarantee of a portfolio of loans classified as loss. The guarantee replaced real estate collateral that would otherwise require additional provisioning for statutory accounting purposes. This agreement was terminated in March 2000 because a substantial portion of the loans collateralised by the agreement was transferred to Konsolidační banka. The cost of the termination of the transaction has been charged to the profit and loss account for the year ended 31 December 2000 (see Note 6).

Trade finance losses

During 1999, the Bank incurred losses of CZK 8,393 million relating to loans, letters of credit and guarantees provided to a foreign client of the Bank. In 2000 this loss decreased by CZK 214 million to CZK 8,179 million following the expiry of certain letters of credit. During 2000 further events occurred which management considers may further decrease the loss by CZK 115 million.

As of 31 December 2000, loans and advances to this client included an amount of CZK 3,120 million that was fully provided for. Included within the Bank's off balance sheet commitments and contingencies are exposures of CZK 541 million which are fully provided for. The provision is shown in within "Accruals, provisions, deferred tax and other liabilities" within the line "Provision for credit commitments". The balance of written off receivables that are held in off-balance sheet memorandum accounts as of 31 December 2000 was CZK 4,634 million.

The Bank is continuing to take actions in all relevant jurisdictions to recover its funds.

21) Dealing securities

Dealing securities comprise:

	2000 Fair value CZKm	2000 Cost CZKm	1999 Fair value CZKm	1999 Cost CZKm
Shares and other variable yield securities				
Shares	195	173	559	537
Other variable yield securities	1,260	1,260	449	449
	1,455	1,433	1,008	986
Fixed income securities	2,784	2,780	12,017	12,014
Total dealing securities	4,239	4,213	13,025	13,000

As of 1 January 2000, the Group transferred certain securities from the "Dealing securities" portfolio to the "Investment securities" portfolio. The changes were made in response to the CNB requirement, effective as of that date, to classify clearly securities into the dealing and investment portfolios. The transfers in debt securities comprised securities issued by government agencies (CZK 3,553 million), financial institutions (CZK 2,465 million) and debt securities issued by corporate entities (CZK 2,932 million).

Variable yield bonds which have been re-acquired by the Bank for trading purposes and which are stated at fair value of CZK 498 million (1999: CZK 8 million). Furthermore, dealing securities include fixed income debt securities issued by the Bank at fair value of CZK 169 million (1999: CZK 378 million).

As of 31 December 2000, CZK 4,221 million of the total dealing securities is listed (1999: CZK 12,804 million) and CZK 17 million is unlisted (1999: CZK 220 million).

Shares and other variable yield securities at fair value comprise:

	2000 CZKm	1999 CZKm
Shares		
- Czech crowns	195	546
- Other currencies	0	13
Total shares	195	559
Other variable yield securities		
- Czech crowns	1,024	349
- Other currencies	236	100
Total other variable securities	1,260	449

Obligations with fixed interest rate:

	2000 CZKm	1999 CZKm
- Czech crown	2,301	10,742
- Other currencies	483	1,275
Total obligations	2,784	12,017

Fixed income securities included within dealing securities at fair value comprise:

	2000 CZKm	1999 CZKm
Trading portfolio bonds issued by:		
- State institutions in the Czech Republic	1,255	4,219
- Foreign state institutions	278	821
- Financial institutions in the Czech Republic	204	3,012
- Foreign financial institutions	284	222
- Other entities in the Czech Republic	699	3,683
- Other foreign entities	64	60
Total fixed income securities	2,784	12,017

22) Prepayments, accrued income and other assets

Prepayments, accrued income and other assets comprise:

	2000 CZKm	1999 CZKm
Prepayments and accrued income	3,252	6,117
Net receivables on derivative transactions	3,314	4
Settlement balances	154	2,073
Other trading receivables	211	80
Other assets	3,823	4,269
Total prepayments, accrued income and other assets	10,754	12,543

23) Investment securities

Investment securities comprise:

	2000 Carrying value CZKm	2000 Cost CZKm	1999 Carrying value CZKm	1999 Cost CZKm
Investment portfolio bonds issued by:				
- Public bodies	7,954	7,954	5,675	5,675
- Other bodies	15,436	15,837	2,634	2,758
	23,390	23,791	8,309	8,433
Variable yield bonds	13,326	13,326	968	1,766
Shares	4,850	5,224	1,713	1,871
	18,176	18,550	2,681	3,637
Total investment securities	41,566	42,341	10,990	12,070

As of 1 January 2000, the Group transferred certain securities from "Dealing securities" to "Investment securities". Further information is provided at Note 21).

As of 31 December 2000, the total volume of listed securities was CZK 13,532 million (1999: CZK 10,292 million) and the total volume of unlisted securities was CZK 28,034 million (1999: CZK 698 million).

In the last quarter of 2000, the Bank acquired an unlisted portfolio of USD denominated collateralised bond obligations (CBO) or asset backed securities (ABS) issued by a series of special purpose corporations. The carrying value of this portfolio of securities was, in local currency, CZK 10,839 million as of 31 December 2000. These securities have an average credit rating from recognised international rating agencies of A2 and primarily bear a floating interest rate based on USD LIBOR or a fixed interest rate.

Securities issued by banks include a credit linked note ("the note") with a nominal value of Euro 9.5 million which amortises to zero over the ten years to its maturity pursuant to the payment schedule. The note bears interest based on a margin over three month Euribor. This note forms part of a credit derivative instrument acquired by the Bank during 2000 under which it sold credit protection to an international financial institution. The maximum exposure of the Bank under this agreement is Euro 100 million. The aggregate exposure amortises over the ten year life of the instrument. Euro 90.5 million of this exposure is shown within payment guarantees within the table in Note 34) setting out financial commitments and contingencies as of 31 December 2000.

In the last quarter of 2000 the Bank acquired a portfolio of CZK denominated debt obligations issued by large international corporates through private placements. The carrying value of this portfolio was CZK 7,000 million. These securities are unlisted and are stated at cost as of 31 December 2000.

As of 31 December 2000, the Bank holds 49 percent of the issued participation certificates of Otevřený podílový fond Globální ("Globální"). Globální is managed by IKS KB, a. s., the Bank's asset management subsidiary. As of 31 December 2000, the Bank values its interest in Globální at CZK 4,111 million (1999: CZK 3,145 million) following an execution of the sell and buyback transaction. This valuation represents a discount of five percent to the published net asset value of Globální at the year end date. As of 31 December 2000, Globální's assets comprise principally Government and CNB bills. Management of the Bank intends to reduce its holding in Globální in the medium term and as market conditions allow. For further details see note 12).

As of 31 December 2000, the Bank holds 9.99 percent of the issued share capital of Česká pojišťovna, a. s., the largest insurance company in the Czech Republic (of which 6.78 percent represents readily marketable shares).

As of 31 December 2000, the Bank holds 30.4 percent of the issued share capital of Česká zbrojovka, a. s. The Bank also has a credit exposure to Česká zbrojovka, a. s. Management will consider options available to secure its position as a creditor and to realise the Bank's investment in the medium term. The reason for the exclusion from the consolidated results of the Group is that the Bank acquired this shareholding in mid-December 2000 with the intention of reselling it and not holding it as an associate.

As of 31 December 2000, the Bank holds 77 percent of the issued share capital of Vodní stavby, a. s., a large Czech construction company. The Bank acquired the majority of these shares in connection with the liquidation of the company and the recovery of a syndicated loan facility provided to Vodní stavby, a. s. in prior years. The Bank has attributed no value to this shareholding as of 31 December 2000.

An analysis of investment securities by issuer is set out below:

	2000 CZKm	1999 CZKm
Shares:		
Banks	0	0
Other	4,850	1,713
TOTAL SHARES	4,850	1,713
Bonds:		
Government treasury bills	7,586	5,442
Municipalities	368	233
Banks	7,516	3,063
Special purpose corporations issuing CBO's and ABS	10,839	0
Corporates	10,407	539
TOTAL BONDS	36,716	9,277
Total investment securities	41,566	10,990

24) Investments in associates and unconsolidated entities

Investments in associates and unconsolidated entities comprise:

	Group's ownership percentage %	2000 Cost of investment CZKm	2000 Share of net assets CZKm	1999 Cost of investment CZKm	1999 Share of net assets CZKm
Subsidiary companies					
Penzijní fond Komerční banky, a. s.	100.00	230	230	230	230
Associated undertakings					
CAC LEASING, a. s.	50.00	111	295	111	255
MUZO, a. s.	49.90	61	180	61	248
Všeobecná stavební spořitelna KB, a. s.	40.00	220	529	220	515
Investiční privatizační fond KB, a. s.	0	0	0	2,268	2,554
CAC LEASING Slovakia, a. s.	50.00	12	31	13	16
Companies with minority interest					
Bankovní institut, a. s.	13.73	3	3	9	9
Českomoravská záruční a rozvojová banka, a. s.	13.00	60	60	60	60
Burza cenných papírů Praha, a. s.	7.90	30	30	30	30
Investments in associates and unconsolidated companies of the Group		727	1,358	3,002	3,917

In August 2000, Investiční privatizační fond KB, a. s. was converted to IKS Globální open mutual fund. This investment was transferred to the investment securities portfolio (see Note 12 and 23).

Overview of year-on-year movement of investments, by issuer:

Company name	Bank's investment – cost at 1 January 2000 CZKm	Additions CZKm	Decreases CZKm	Bank's investment – cost at 31 December 2000 CZKm
Penzijní fond KB, a. s.	230	0	0	230
Total subsidiaries	230	0	0	230
CAC LEASING, a. s.	111	0	0	111
MUZO, a. s.	61	0	0	61
Všeobecná stav. spořitelna KB, a. s.	220	0	0	220
Investiční privatizační fond KB, a. s.	2,268	0	(2,268)	0
Other (less 20%)*	104	0	(1)	103
Total associates	2,764	0	(2,269)	495

*) Exchange rate differences

25) Tangible and intangible fixed assets, net

The movements during the year 2000 are as follows:

	Land and Buildings CZKm	Fixtures, Fittings and Other CZKm	Assets under Construction CZKm	Total CZKm
Cost				
31 December 1999	13,526	10,541	471	24,538
Additions	366	1,353	1,438	3,157
Disposals	993	1,550	948	3,491
31 December 2000	12,899	10,344	961	24,204
Accumulated depreciation				
31 December 1999	2,376	6,900	0	9,276
Additions/disposals of accumulated depreciation	265	534	0	799
Aggregate impairment losses including restructuring charge	152	0	221	373
31 December 2000	2,793	7,434	221	10,448
Net book value				
31 December 1999	11,150	3,641	471	15,262
31 December 2000	10,106	2,910	740	13,756

As of 31 December 2000, the net book value of assets held by the Group under finance lease agreements is CZK 365 million (1999: CZK 414 million).

Total depreciation charges for the year ended 31 December 2000 included in line "Additions/disposals of accumulated depreciation" amount to CZK 2,485 million (1999: CZK 2,529 million).

26) Amounts owed to financial institutions

Amounts owed to financial institutions comprise:

	2000 CZKm	1999 CZKm
Amounts owed to banks – current accounts	1,122	3,194
Other amounts owed to financial institutions	40,671	57,134
Total amounts owed to financial institutions	41,793	60,328

27) Amounts owed to customers

Amounts owed to customers according to type of deposit comprise:

	2000 CZKm	1999 CZKm
Current accounts	110,432	95,057
Savings accounts	24,863	30,497
Term deposits	104,811	92,195
Deposits from budgets	7,784	9,520
Off-budget deposits	5,852	6,008
Loans from customers	25,768	17,983
Total amounts due to customers	279,510	251,260

Amounts owed to customers, according to type of customer, comprise:

	2000 CZKm	1999 CZKm
Private companies	80,747	70,737
Other financial institutions	2,225	1,319
Insurance companies	2,441	2,237
Public administration	14,053	16,388
Individuals	123,524	113,581
Non-residents	828	946
Deposits – bills of exchange	25,029	16,829
Private entrepreneurs	14,944	14,746
Government agencies	15,565	14,304
Other	154	173
Total amounts owed to customers	279,510	251,260

28) Certificated debt

Certificated debts comprise:

	2000 CZKm	1999 CZKm
Bonds	29,499	30,517
Mortgage bonds	6,600	5,500
Total	36,099	36,017

Mortgage bonds are issued to fund the Bank's mortgage activities.

Certificated debts are repayable, according to remaining maturity, as follows:

	2000 CZKm	1999 CZKm
In less than one year	8,936	2,000
In one to two years	9,947	8,490
In two to three years	0	9,939
In three to four years	16,116	0
Thereafter	1,100	15,588
Total certificated debts	36,099	36,017

An analysis of bonds issued by the Bank is set out below:

Interest Rate	Issue Date	Maturity Date	2000 CZKm	1999 CZKm
6M PRIBOR plus 50 bps.	9 March 1995	9 March 2000	0	2,000
6M PRIBOR plus 15 bps.	10 February 1997	10 February 2000	5,973	5,949
Zero Coupon (issued with discount for CZK 3,805 million)	8 August 1997	8 August 2004	5,841	5,242
6M PRIBOR plus 10 bps.	29 September 1997	29 September 2002	3,974	3,990
Mortgage bonds 2: 8.125%	13 May 1999	13 May 2004	4,000	4,000
Mortgage bonds 1: 8.0%	15 June 1999	15 June 2004	1,500	1,500
Fixed rate 8.0%	10 September 1999	10 September 2004	4,775	4,846
Mortgage bonds 3: 6M PRIBOR plus 350 bps.	15 September 2000	15 September 2007	1,100	0
7.125% (USD)	14 May 1996	14 May 2001	8,936	8,490
Total obligations			36,099	36,017

The bonds above denoted as 6M PRIBOR pay interest based on the six-month Prague Interbank Offered Rate plus the contractual percentage shown above. The rate is adjusted semi-annually. Six-month PRIBOR as of 31 December 2000 was 5.57% (1999: 5.55%).

29) Accruals, provisions, deferred tax and other liabilities

Accruals, provisions and other liabilities:

	2000 CZKm	1999 CZKm
Net payables on derivatives transactions	2,705	771
Settlement balances and outstanding balances	350	794
Payments in clearing	6,557	4,943
Other payables to customers	1,766	335
Other trading payables	497	481
Other liabilities	5,244	5,191
Provisions, accruals and deferred income	4,495	5,948
Provision for credit commitments	1,363	4,021
Total accruals, provisions and other liabilities	22,977	22,484

30) Deferred income taxes

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate effective for the following year.

The movement on the deferred income tax account is as follows:

	2000 CZKm	1999 CZKm
At beginning of year	(90)	(62)
Income statement (charge)/credit	(7)	(28)
At end of year	(97)	(90)

The movement on the deferred income tax account comprises the movement on accelerated tax depreciation.

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

	2000 CZKm	1999 CZKm
Deferred income tax liabilities		
Accelerated tax depreciation	(83)	(73)
Other temporary differences	(14)	(144)
	(97)	(217)
Deferred income tax assets		
General and specific loan loss provisions*)	2,387	5,489
Tax loss carry forwards	131	312
Unrealised losses on securities	292	668
Other temporary differences	268	339
	3,078	6,808
Net deferred income tax asset before adjustment	2,981	6,591
Adjustment for uncertain realisation of tax asset	(3,078)	(6,681)
Net deferred income tax liability	(97)	(90)

*) The decrease in deferred tax assets in respect of general and specific loan loss provisions was, inter alia, attributable to a reclassification of a portion of non-tax deductible provisions of CZK 2,402 million to tax deductible provisions (deferred tax assets decreased by CZK 744 million).

31) Subordinated debt

In 1998, Komerční Finance, B. V. (a wholly owned subsidiary of the Bank) issued guaranteed step-up callable notes due 15 May 2008, bearing interest at 9% per annum to 15 May 2003 and then interest at a rate per annum equal to the sum of the six-month dollar deposit LIBOR for the relevant payment period plus 5%. The notes constitute direct, unsecured, unconditional, subordinated obligations of Komerční Finance, B. V., which are irrevocably, fully and, subject to subordination, unconditionally guaranteed as to principal, premium and interest by the Bank. The notes are redeemable at the option of Komerční Finance, B. V., in whole on any interest payment date on or after 15 May 2003. The nominal value of the subordinated debt is USD 200 million.

32) Share capital

The Annual General Meeting of the Bank held on 31 May 1999 approved an increase in the Bank's share capital by the issuance of new shares. Pursuant to this Annual General Meeting the Bank's share capital was to be increased by CZK 7,500 million with the possibility to increase it by up to CZK 9,502 million. The first issue of shares with a nominal value of CZK 7,361 million was completed between 20 December 1999 and 3 January 2000. The second issue, completed by the bidder selected at the Annual General Meeting, that is the National Property Fund, was for an amount of CZK 2,141 million. The process of the increase of share capital was concluded by its registration in the Commercial Register on 11 February 2000. As of that date, the National Property Fund held 60 percent of the issued share capital of the Bank and shareholdings maintained by other shareholders decreased. The Bank's share capital, legally registered in the Commercial Register on 11 February 2000, is CZK 19,005 million and consists of 38,009,852 ordinary shares with a nominal value of CZK 500 each (ISIN: CZ0008019106).

As of 31 December 2000, shares, representing 11.97 percent of the total issued share capital, are held by the Bank of New York as a depository for the Bank's GDR issue.

33) Analysis of cash and cash equivalents

	2000 CZKm	1999 CZKm	Change in the year CZKm
Cash and balances with the central bank	19,995	20,875	(880)
Current accounts with other banks	892	1,427	(534)
Amounts owed to banks	(1,122)	(3,194)	2,072
Total cash and cash equivalents	19,765	19,108	658

34) Commitments and contingent liabilities

Legal disputes

The Group conducted a review of legal proceedings outstanding against it as of 31 December 2000. No provision has been made as professional legal advice indicates that it is unlikely that any significant loss will eventuate.

Capital commitments

As of 31 December 2000, the Group had capital commitments of CZK 34 million (1999: CZK 81 million) in respect of buildings and equipment purchases. The management is confident that future net revenues and funding will be sufficient to cover this commitment.

Commitments arising from the issuance of guarantees

Commitments from guarantees include issued guarantees, avals and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. These assurances carry the same credit risk as loans and therefore the Group makes provisions against these instruments on the same basis as is applicable to loans.

Commitments arising from the issuance of letters of credit

Documentary letters of credit, which are written irrevocable undertakings by the Group on behalf of a customer (mandatory) authorising a third party (beneficiary) 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 and therefore have significantly less risk. Cash requirements under open letters of credit are considerably less than the commitments under issued guarantees, avals or stand-by letters of credit. However, the Group records provisions against these instruments on the same basis as is applicable to loans.

Commitments to extend credit

The primary purpose of commitments to extend credit is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorisations to extend credits in the form of loans, guarantees or stand-by letters of credit. Commitments to extend credit issued by the Group represent issued loan commitments or guarantees, undrawn portions of and approved overdrafts loans. Commitments to extend credit or guarantees issued by the Group which are contingent upon customers maintaining specific credit standards are revocable commitments. Irrevocable commitments represent undrawn portions of authorised loans and approved overdraft facilities because they result from contractual terms and conditions in the credit agreements.

Financial commitments and contingencies comprise:	2000 CZKm	1999 CZKm
Guarantees	4,721	4,118
Payment guarantees	4,721	1,592
Bills of exchange accepted and endorsements	4	390
Letters of credit - uncovered	895	5,295
Letters of credit - covered	345	72
Stand by letters of credit	616	1,545
Total	11,302	13,012
Committed facilities	15,851	4,007
Undrawn credit commitments	18,921	11,616
Confirmed letters of credit	92	72
Unutilised overdrafts	17,709	15,556
Other revocable and irrevocable commitments	52,573	31,251
Total revocable and irrevocable commitments	63,875	44,263

The Group provides a variety of credit facilities to its largest clients including Czech entities which are part of international groups and which are State owned. Of the Group's committed facilities CZK 7,503 million are revocable. All other committed facilities, undrawn credit commitments and unutilised overdrafts are irrevocable and are not subject to further approvals by the Group.

The risk associated with off balance sheet credit commitments and contingent liabilities are assessed similarly as for loans to customers taking into account the financial position and activities of the entity to which the Group issued the guarantee and taking into account the collateral obtained. As of 31 December 2000, the Group created provisions for these risks amounting to CZK 1,363 million (1999: CZK 4,021 million) – see Note 29).

As of 31 December 2000, payment guarantees include an amount of Euro 90.5 million relating to a credit derivative agreement. Further details of this transaction are provided at Note 23).

Finance lease commitments:

The Group has entered into finance leases in respect of equipment (computers, ATMs and cars), the payments for which extend over a 3 year period. The future commitments are included in the consolidated balance sheet in "other liabilities".

Assets under financial leases:	2000 Including interest CZKm	2000 Excluding interest CZKm	1999 Including interest CZKm	1999 Excluding interest CZKm
Leased assets	998	873	860	860
Paid instalments	722	644	798	798
Amounts due	276	229	62	62

Maturity day of remaining instalment

Up to 1 year	144	119	62	60
1 to 5 year	132	110	0	0
Over 5 years	0	0	0	0
Total	276	229	62	60

Taxation:

Czech tax legislation and practice has changed significantly in recent years and therefore many parts of the legislation remain untested. The Group applied revised tax legislation on a prudent basis. Tax positions taken by the Group are subject to examination and challenge by tax authorities. As a result there may be uncertainty about the potential impacts should the interpretation of fiscal authorities differ from that applied by the Group. Management considers that the Group is not exposed to any material tax risks and therefore no provision has been made for any ultimate liability that could result from resolution of these uncertainties.

35) Derivative financial instruments

In the normal course of business the Group enters into financial instrument transactions. Financial instruments are used to hedge the interest rate and foreign currency risk of the Group. Financial derivatives are also used for proprietary trading activities. The Group also acts as a principal to derivative transaction with its corporate clients. The Group operates a system of market risk and counterparty limits which are designed to restrict exposure to movements in market prices and counterparty concentrations. As a result of the operation of these limits a significant proportion of the principal risk taken as a consequence of transactions with customers is placed on a matched basis with international financial institution counterparties.

Financial derivative instruments in the trading portfolio.

	Notional value		Fair value		Notional value		Fair value	
	2000	2000	2000	2000	1999	1999	1999	1999
	Asset	Liability	Positive	Negative	Asset	Liability	Positive	Negative
	CZKm	CZKm	CZKm	CZKm	CZKm	CZKm	CZKm	CZKm
Interest rate instruments								
IRS	55,347	55,347	1,573	(1,135)	64,739	64,739	2,200	(2,005)
Cross currency swap	0	0	0	0	0	0	0	0
Forwards/FRA	80,790	80,790	52	(49)	34,383	30,765	33	(42)
Spots	1,007	1,007	0	0	10,489	10,489	0	0
Options	4,400	4,400	60	(55)	0	0	0	0
Total	141,544	141,544	1,685	(1,239)	109,611	105,993	2,233	(2,047)
Foreign currency instruments								
Swaps	59,329	59,128	1,453	(1,115)	59,901	60,230	677	(948)
Cross currency swap	638	694	1	(159)	0	0	0	0
Forwards	7,695	7,620	143	(170)	6,022	6,138	38	(115)
Call options	8,511	8,295	32	(22)	27,506	26,344	158	(79)
Put options	0	0	0	0	0	0	0	0
Spots	4,074	4,106	0	0	943	947	0	0
Total	80,247	79,843	1,629	(1,466)	94,372	93,659	873	(1,142)
Total	221,792	221,387	3,314	(2,705)	203,984	199,652	3,106	(3,189)

Financial derivative instruments in the trading portfolio at nominal values per remaining maturity:

	Up to 1 year	1 to 5 years	Over 5 years	Total
	CZK million	CZK million	CZK million	CZK million
Interest rate instruments				
Swaps	13,347	27,686	14,314	55,347
Forwards/FRA	80,790	0	0	80,790
Spots	1,007	0	0	1,007
Options	400	0	4,000	4,400
Total	95,544	27,686	18,314	141,544
Foreign currency instruments				
Swaps	59,329	0	0	59,329
Cross currency swaps	494	151	0	645
Forwards	7,688	0	0	7,688
Call options	8,511	0	0	8,511
Put options	0	0	0	0
Spots	4,074	0	0	4,074
Total	80,096	151	0	80,247
Total	175,640	27,837	18,314	221,792

Financial instruments for hedging currency and interest rate risk:

	Notional Assets 2000 CZKm	Notional Liabilities 2000 CZKm	Notional Assets 1999 CZKm	Notional Liabilities 1999 CZKm
Foreign currency instruments				
Spot	843	843	1,083	1,082
Foreign currency swaps	3,880	3,775	5,924	5,892
Cross currency swap	1,785	1,891	0	0
Total foreign currency instruments	6,509	6,509	7,007	6,974
Interest rate instruments				
Options	0	0	4,631	4,631
Interest rate swaps	38,287	38,287	32,837	32,837
Forwards / FRA	10,200	10,200	4,739	4,741
Total	48,487	48,487	42,207	42,209
Total interest rate instruments	54,996	54,996	49,214	49,183

Remaining maturity of hedging derivative instruments:

	Up to 1 year CZKm	1 to 5 years CZKm	Over 5 years CZKm	Total CZKm
Interest / rate swaps	14,567	22,553	1,167	38,287
Forwards / FRA	10,200	0	0	10,200
Currency swaps	5,021	0	0	5,021
Total	29,788	22,553	1,167	53,508

Credit risk of financial instruments

Credit exposure or replacement cost on derivative instruments represents the cost to replace contracts with a positive value and is usually a small fraction of the notional amounts of the contracts. The credit equivalent of each contract is calculated pursuant to generally applicable methodology using the current exposure method and involves the fair market value of the contract (only if positive) and a portion of nominal value, which indicates the potential change of fair market value over the term of the contract. The Bank assesses credit risks of financial instruments on a daily basis.

Credit exposure, however, relates solely to losses arising from the failure of counterparties to perform their obligations. As of 31 December 2000, the Group has a possible exposure of CZK 5,947 million (1999: CZK 7,048 million) in the event of non-performance by counterparties to its derivative instruments. This amount represents the gross replacement cost at market rates as of 31 December 2000 of all outstanding agreements in the event of all counterparties defaulting and does not allow for the effect of netting arrangements. The Bank is selective in its choice of counterparties and considers that non-performance is unlikely.

36) Related parties

The Bank has entered into certain finance lease agreements with an associated undertaking. Included in other liabilities is an amount of CZK 401 million (1999: CZK 611 million), including interest, outstanding under these finance lease agreements. The Bank paid CZK 382 million (1999: CZK 413 million) to the associated undertaking during 2000 in relation to finance leases.

Remuneration and equity compensation scheme

Remuneration paid to the members of the Bank's Management and Supervisory Boards during the year was as follows:

	2000 CZKm	1999 CZKm
Remuneration to the Management Board members*	77	24
Remuneration to the Supervisory Board members**	16	8
Total remuneration	93	32

* Remuneration to the Management Board members includes amounts paid during 2000 to the current and former directors of the Bank under mandate and management contracts as well as compensation costs. In addition, this line includes an equity compensation program reserve of CZK 45 million (1999: CZK nil) pertaining to the Management Board.

** Remuneration to the Supervisory Board members includes amounts paid to the current and former members of the Supervisory Board during 2000. In addition, this line includes an equity compensation program reserve of CZK 8 million (1999: CZK nil) pertaining to the Supervisory Board.

	2000	1999
Number of the Management Board members	7	6
Number of the Supervisory Board members	12	12

The equity compensation program ("the program") was approved by the Annual General Meeting of the Bank held on 31 May 2000. Under this program each of the members of the Management and Supervisory Boards of the Bank have a right to purchase a pre-determined number of ordinary shares of the Bank at CZK 500 per share ("call options"). The members of the Boards have a right, but not the obligation, to put these shares on the Bank at a price of CZK 1,000 per share after these shares have been held by Board members for a minimum period ("put options"). The cost of the exercise of these options is borne by the Bank.

The table below summarises the program in terms of the period for acquiring call options over a pre-determined number of shares* and the call and put option exercise period*):

Period for call options over shares	Number of shares for call options		Option exercise period	
	Management Board	Supervisory Board	Call options	Put options
05/2000 - 05/2001	134,000	28,500	05/2001-05/2004	06/2001-05/2004
05/2001 - 05/2002	134,000	28,500	05/2002-05/2004	06/2002-05/2004
05/2002 - 05/2003	134,000	28,500	05/2003-05/2004	06/2003-05/2004
05/2003 - 05/2004	134,000	28,500	05/2004-05/2004	05/2004-06/2004
Total	536,000	114,000	-	-

*) Information relating to the description of the period has been simplified as a result of varied dates of entering into agreements under the program from 31 May 2000 to 12 June 2000 which underlie the start of the period for call options over shares and exercise of the call and put options.

In January 2001 the Bank purchased its ordinary shares in the open market following the exercise of the right to purchase the pre-determined number of shares by each of the members of the Management Board. The members of the Supervisory Board have also exercised their right as of the date of these financial statements. The total number of shares purchased for the Management and Supervisory Board members was 160,220 shares. The cost to the Bank of the exercise of these shares has been charged on an accruals basis to the accounting periods to which it relates as a compensation expense. The aggregate charge to the profit and loss account for the year ended 31 December 2000 for all members of both Boards is CZK 53 million (1999: CZK nil).

37) Reconciliation of reserves and profit under Czech accounting principles to IAS

	2000 CZKm	1999 CZKm
Reserves at 31 December under Czech accounting principles (net of the social fund reserve)	1,902	1,929
Add/(deduct):		
Cumulative unrealised gains on trading securities	268	(242)
Cumulative leasing adjustments	(89)	266
Equity compensation program reserve	53	0
Transfers of social fund to other provisions	28	53
Consolidation adjustments	(2)	324
Reserves at 31 December under IAS	2,160	2,330

	2000 CZKm	1999 CZKm
Loss for the year ended 31 December under Czech accounting principles	176	(8,650)
Add/(deduct):		
Unrealised gains /(losses) on securities	510	(186)
Depreciation adjustment	0	(361)
Leasing adjustment	(356)	53
Social fund	(24)	(46)
Consolidation adjustments	(527)	(99)
Loss for the year ended 31 December under IAS	(221)	(9,289)

38) Estimated fair value of assets and liabilities of the Bank

Fair value of financial instruments is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value estimates are best made based on quoted market prices. However, no readily available market prices exist for

a significant portion of the Group's financial instruments. In circumstances where the quoted market prices are not readily available the fair value is estimated using discounted cash flow models or other pricing models as appropriate. Changes in underlying assumptions, including discount rates and estimates future cash flows, significantly affect the estimates. Therefore, the calculated fair market estimates cannot be realised in a current sale of the financial instrument.

In estimating the fair value of the Group's financial instruments, the following methods and assumptions were used.

a) Cash and balances with the central bank

The carrying values of cash and balances with central banks are generally deemed to approximate their fair value.

b) Securities

The fair value of securities is determined based upon market maker quotes or based upon prices quoted on recognised stock exchanges. Where quoted market prices are not readily available the fair value is determined based upon the share of a net asset value or qualified estimates. In the event of holdings of illiquid securities, the fair value is estimated as the value based on market quotes net of a provision for the illiquidity of the securities.

c) Due from financial institutions

The estimated fair value of amounts due from financial institutions that mature in 180 days or less approximates their carrying amounts. The fair value of other amounts due from financial institutions is estimated based upon discounted cash flow analyses using interest rates currently offered for investments with similar terms. The fair value of non-performing amounts due from financial institutions is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral.

d) Loans and advances to customers

The fair value of variable yield loans that regularly reprice, with no significant change in credit risk, generally approximates their carrying value. The fair value of loans at fixed interest rates is estimated using discounted cash flow analyses, based upon interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The fair value of non-performing loans to customers is estimated using a discounted cash flow analysis or the appraised value of the underlying collateral, where available. Loans at fixed interest rates represent only a fraction of the total carrying value and hence the fair value of total loans and advances to customers approximates the carrying values as of the balance sheet date.

e) Amounts owed to financial institutions and customers

The fair value of term deposits payable on demand represents the carrying value of amounts payable on demand as of the balance sheet date. The fair value of term deposits at variable interest rates approximates their carrying values as of the balance sheet date. The fair value of deposits at fixed interest rates is estimated by discounting their future cash flows using rates currently offered for deposits of similar remaining maturities.

f) Certificated debt

The fair value of certificated debt issued by the Bank is based upon quoted market prices.

g) Derivative financial instruments

Estimated fair values for derivative financial instruments are based upon quoted market prices or discounted cash flow models and options pricing models as appropriate and are disclosed in Note 35) to the financial statements.

h) Subordinated debt

The subordinated debt is hedged by an interest rate derivative. The fair value of the subordinated debt approximates the carrying value when taking into account this derivative.

	2000 Carrying value CZKm	2000 Fair value CZKm
Financial assets		
Cash and balances with the central bank	20,887	20,887
Due from financial institutions	177,115	178,146
Treasury bills	12,024	12,024
Loans and advances to customers	127,391	127,391
Dealing securities	4,239	4,239
Investment securities	41,566	41,809
Financial liabilities		
Amounts owed to financial institutions	41,793	41,876
Amounts owed to customers	279,510	279,485
Certificated debts	36,099	36,781

39) Foreign exchange risk

The table below provides an analysis of the Group's main currency exposures at 31 December 2000.

	Czech crowns CZKm	European Currency Union CZKm	United States dollars CZKm	Swiss Francs CZKm	Slovakian crowns CZKm	Other currencies CZKm	Total CZKm
Assets							
Cash in hand, central banks	17,559	2,080	513	162	255	318	20,887
Loans and advances to financial institutions	134,007	11,335	28,863	256	1,770	884	177,115
Treasury bills	11,670	0	0	0	354	0	12,024
Loans and advances to customers	107,346	9,631	9,005	609	513	287	127,391
Dealing securities	3,520	236	0	0	483	0	4,239
Prepayments, accrued income and other assets	9,230	526	867	3	8	120	10,754
Investment securities	30,233	484	10,833	0	16	0	41,566
Fixed asset investments	896	1	0	0	461	0	1,358
Tangible and intangible fixed assets	13,639	0	0	0	117	0	13,756
Total assets	328,100	24,293	50,081	1,030	3,977	1,609	409,090
Liabilities							
Amounts owed to financial institutions	28,752	2,278	8,623	92	1,908	140	41,793
Amounts owed to customers	245,268	20,007	11,536	478	1,210	1,011	279,510
Certificated debts	27,164	0	8,935	0	0	0	36,099
Provisions, accruals and other liabilities	20,396	1,008	1,384	13	41	135	22,977
Subordinated debt	0	0	7,546	0	0	0	7,546
hareholders' funds	20,718	0	0	0	427	20	21,165
Total liabilities and shareholders' funds	342,298	23,293	38,024	583	3,586	1,306	409,090
Net currency position at 31 December 2000	(14,198)	1,000	12,057	447	391	303	0

	Czech crowns CZKm	European Currency Union CZKm	United States dollars CZKm	Swiss Francs CZKm	Slovakian crowns CZKm	Other currencies CZKm	Total CZKm
Off-balance sheet assets*	193,724	23,525	42,047	12	740	2,061	262,109
Off-balance sheet liabilities*	177,684	26,043	54,410	578	740	2,466	261,921
Off-balance sheet foreign exchange position, net	16,040	(2,518)	(12,363)	(566)	0	(405)	188
Total net currency position at 31 December 2000	1,842	(1,518)	(306)	(119)	391	(102)	188
Total assets at 31 December 1999	315,894	21,218	42,849	2,731	621	12,906	396,219
Total liabilities at 31 December 1999	325,418	18,706	37,686	709	895	12,805	396,219
Net currency position at 31 December 1999	(9,524)	2,512	5,163	2,022	(274)	101	0
Off-balance sheet net currency position at 31 December 1999	13,737	1,614	(8,506)	(1,858)	(77)	(1,713)	3,197
Total net currency position at 31 December 1999	4,213	4,126	(3,343)	164	(351)	(1,612)	3,197

*) Includes assets/liabilities under spot, forward and option transactions and delta equivalent of options.

40) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that reprice to a market rate of interest before maturity, the next repricing date. It is the policy of the directors to manage the exposure to fluctuations in net interest income arising from changes in interest rates by the degree of repricing mismatch in the balance sheet. Those assets and liabilities that do not have a contractual maturity date or are not interest-bearing are grouped together in the "maturity undefined" category.

	Up to 3 months CZKm	3 months to 1 year CZKm	1 year to 5 years CZKm	Over 5 years CZKm	Maturity undefined CZKm	Total CZKm
Assets						
Cash in hand, central banks	7,304	0	0	0	13,583	20,887
Loans and advances to financial institutions	134,536	11,658	28,803	0	2,118	177,115
Treasury bills	8,562	3,462	0	0	0	12,024
Loans and advances to customers	74,664	20,212	23,405	5,878	3,232	127,391
Dealing securities	777	1,562	1,467	370	63	4,239
Prepayments, accrued income and other assets	1,911	9	3	0	8,831	10,754
Investment securities	5,030	7,160	12,506	12,778	4,092	41,566
Fixed asset investments	0	0	0	0	1,358	1,358
Tangible and intangible fixed assets	0	0	0	0	13,756	13,756
Total assets	232,784	44,063	66,184	19,026	47,033	409,090
Liabilities						
Amounts owed to financial institutions	26,601	13,981	402	809	0	41,793
Amounts owed to customers	148,759	5,292	820	1	124,638	279,510
Certificated debts	11,033	8,935	16,131	0	0	36,099
Provisions, accruals and other liabilities	1,224	527	0	0	21,226	22,977
Subordinated debt	0	0	7,546	0	0	7,546
Total liabilities	187,617	28,735	24,899	810	145,864	387,925
On balance sheet interest rate sensitivity gap at 31 December 2000						
	45,167	15,328	41,285	18,216	(98,831)	21,165
Off-balance interest rate assets	58,242	104,553	64,285	12,452	140	239,672
Off-balance interest rate liabilities	73,852	113,250	39,320	13,250	0	239,672
Off balance sheet interest sensitivity gap at 31 December 2000	(15,610)	(8,697)	24,965	(798)	140	0
Cumulative interest rate sensitivity gap at 31 December 2000						
	29,557	36,188	102,438	119,856	21,165	x
Total assets at 31 December 1999	221,116	61,554	37,599	7,296	68,654	396,219
Total liabilities at 31 December 1999	179,337	31,289	34,427	20	132,212	377,285
On balance sheet interest rate sensitivity gap at 31 December 1999						
	41,779	30,265	3,172	7,276	(63,558)	18,934
Cumulative interest rate sensitivity gap at 31 December 1999						
	41,779	72,044	75,216	82,492	18,934	-

41) Average interest rates of the Bank in December 2000

ASSETS	Average Rate	LIABILITIES	Average Rate
Cash and balances with CNB		Loans from the CNB	8.23%
Treasury bills and other bills eligible for refinancing	0.00%	Amounts owed to financial institutions	5.75%
Due from financial institutions	5.82%	Amounts owed to customers	3.06%
Loans and advances to customers	8.92%	Certificated debts	8.08%
Interest bearing securities	7.23%	Subordinated debt	9.13%
Total assets	5.95%	Total liabilities	3.12%
Total interest earning assets	7.13%	Total interest bearing liabilities	3.84%

The above table sets out the average interest rates for December 2000 calculated as a weighted average for each asset and liability category.

42) Liquidity risk

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group maintains its liquidity profiles in accordance with regulations laid down by the Czech National Bank. The table below provides an analysis of assets, liabilities and shareholders' funds into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest possible repayment date is shown while for assets the latest possible repayment date is shown. In addition, the table below provides, in selected cases, an analysis by estimated maturity of assets and hence the table shows no overdue balances. Those assets and liabilities that do not have a contractual maturity date are grouped together in the "maturity undefined" category.

	On demand CZKm	Up to 3 months CZKm	3 months to 1 year CZKm	1 year to 5 years CZKm	Over 5 years CZKm	Maturity undefined CZKm	Total CZKm
Assets							
Cash in hand, central banks	15,551	278	0	0	0	5,058	20,887
Loans and advances to financial institutions	91	115,242	9,873	51,909	0	0	177,115
Treasury bills	0	8,356	3,668	0	0	0	12,024
Loans and advances to customers	1,041	20,890	37,292	54,331	13,806	31	127,391
Dealing securities	72	345	1,396	1,619	612	195	4,239
Prepayments, accrued income and other assets	0	2,608	380	2	0	7,764	10,754
Investment securities	0	4,659	6,662	12,014	13,381	4,850	41,566
Fixed asset investments	0	0	0	0	0	1,358	1,358
Tangible and intangible fixed assets	0	0	0	0	0	13,756	13,756
Total assets	16,755	152,378	59,271	119,875	27,799	33,012	409,090
Liabilities							
Amounts owed to financial institutions	6,155	19,498	8,813	1,316	6,011	0	41,793
Amounts owed to customers	124,949	121,895	25,240	7,401	25	0	279,510
Certificated debts	1	0	8,935	26,150	1,013	0	36,099
Provisions, accruals and other liabilities	0	1,224	527	0	0	21,226	22,977
Subordinated debt	0	0	0	0	7,546	0	7,546
Shareholders' funds	0	0	0	0	0	21,165	21,165
Total liabilities and shareholders' funds	131,105	142,617	43,515	34,867	14,595	42,391	409,090
On balance sheet net liquidity gap at 31 December 2000	(114,350)	9,761	15,756	85,008	13,204	(9,379)	0
Off balance sheet assets	21,190	51,058	118,173	79,775	35,143	30,979	336,318
Off balance sheet liabilities	20,996	49,713	101,137	73,677	19,491	107,285	372,299
Off balance sheet net liquidity gap at 31 December 2000	194	1,345	17,036	6,098	15,652	(76,306)	(35,981)
Cumulative on and off balance sheet liquidity gap at 31 December 2000	(114,156)	(103,050)	(70,258)	20,848	49,704	(35,981)	x
Total assets at 31 December 1999	26,516	117,427	53,807	64,487	17,529	116,453	396,219
Total liabilities at 31 December 1999	165,389	75,171	48,468	54,336	12,281	40,574	396,219
On balance sheet net liquidity gap at 31 December 1999	(138,873)	42,256	5,339	10,151	5,248	75,879	0
Cumulative on balance sheet liquidity gap at 31 December 1999	(138,873)	(96,617)	(91,278)	(81,127)	(75,879)	0	x

43) Assets under management

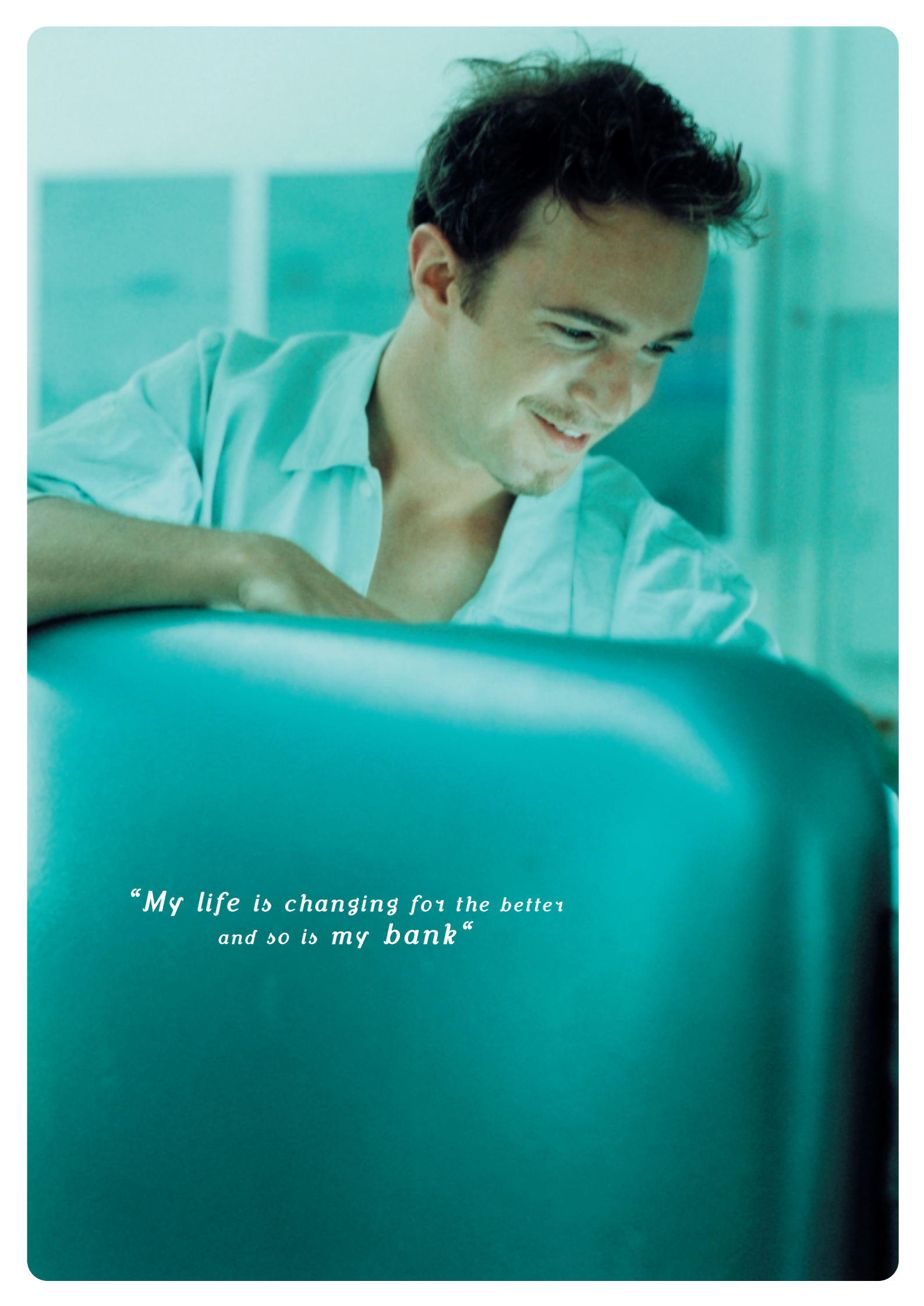
As of 31 December 2000, the Group managed client assets in the amount of CZK 9,981 million (1999: CZK 6,726 million), of which assets of Penzijní Fond Komerční banky, a. s. amounts to CZK 5,074 million (1999: CZK 4,345 million).

44) Post balance sheet events

Subsequent to the balance sheet date the Bank, as the sole shareholder of ALL IN, a. s., decided to liquidate the company as of 1 April 2001.



*"I don't have to go to the bank anymore,
■■■ I have more time to give to my company"*

A man with dark, wavy hair and a light beard is wearing a white button-down shirt. He is leaning forward, looking down at a large, smooth, blue object that fills the lower half of the frame. He has a slight smile on his face. The background is a bright, out-of-focus interior space with large windows. The entire image has a soft, teal-colored tint.

*“My life is changing for the better
and so is my bank”*



Additional Information According to the Securities Act and the Requirements of SEC Prague

Data on KB Securities

a) KB Bonds (unredeemed)

No.	Bonds	Issue Date Maturity Date	Volume in CZK Number	Interest Rate	Pay-out of Interest
1.	1997/2002 ISIN: CZ0003700429	10.2.1997 10.2.2002	6,000,000,000 600,000	6month PRIBOR + 0.15 p. p.	half-yearly
2.	1997/2004	8.8.1997 8.8.2004	8,000,000,000 800,000	zero coupon	-
3.	1997/2002 ISIN: CZ0003700452	29.9.1997 29.9.2002	4,000,000,000 400,000	6month PRIBOR + 0.10 p. p.	half-yearly
4.	HZL 1999/2004 ISIN: CZ0002000110	13.5.1999 13.5.2004	4,000,000,000 400,000	8.125 % p. a.	yearly
5.	HZL 1999/2004 ISIN: CZ0002000102	15.6.1999 15.6.2004	1,500,000,000 150,000	8.0 % p. a.	yearly
6.	1999/2004 ISIN: CZ0003700528	10.9.1999 10.9.2004	5,000,000,000 500,000	8.0 % p. a.	yearly
7.	HZL 2000/2007 ISIN: CZ0002000151	15.9.2000 15.9.2007	1,100,000,000 11,000	6month PRIBOR + 3.50 p. p.	half-yearly

Note: HZL = mortgage bond

All bonds are issued as bearer bonds in CZK and are in dematerialised form with a nominal value of CZK 10,000, except for the last issue of mortgages bonds (ISIN: CZ0002000151), which have a nominal value of CZK 100,000.

The bonds' transferability is unlimited. Bonds are transferred upon registration of their ownership on the account of the new owner in the Securities Centre.

The yield on the securities is paid by the issuer – Komerční banka, a. s., registered office Na Příkopě 33, Prague 1, through Head Office and its branches.

A request for payment of bonds, including interest, by the owner of the bond in the event of non-compliance with the obligations stated in the relevant conditions of issue for the particular bond must be in writing and must be delivered to the issuer's registered office.

All unredeemed bonds (apart from bonds without interest coupons, which are not publicly tradable) are accepted for trading on the free market of the Prague Stock Exchange.

Bonds bear interest from the date of issue (see column 3 of the table) and payment of the yield is made at half-yearly or yearly intervals (see column 6 of the table).

The bonds will be paid by Komerční banka, a. s., Na Příkopě 33, Prague 1, through the Bank's Head Office and branches in a lump-sum in the nominal value on the maturity date (see column 3 of the table). In accordance with the standards of the Prague Stock Exchange the bonds' transferability is always suspended in the Securities Centre before their repayment. Should the redemption or interest payment date fall on a non-business day at the place of payment the payment shall be made on the next business day. No interest shall be calculated for the intervening period. Payments shall be made to the owners of the bonds in cash or by transfer to the owner's account, as they require.

Rights attaching to the bonds (interest, redemption of the nominal value) are time barred following ten years from the redemption date.

Bonds are direct, unguaranteed, unconditional and unsubordinated obligations on the part of the issuer and are compatible with all existing unguaranteed, unconditional and unsubordinated obligations on the part of the issuer pertaining to debentures already issued. Owners of mortgages bonds have a pre-emption right for the satisfaction of their receivables from mortgages bonds pursuant to section 32 para. 3 of the Bankruptcy and Composition Act, as amended.

Unredeemed bonds were issued in the relevant years in accordance with the Bonds Act and Securities Act, as amended.

The issue of bonds was licensed by decision of the Ministry of Finance, or Securities Committee. Rights and obligations pertaining to the bonds are governed by and interpreted in accordance with the legal regulations of the Czech Republic.

b) KB Shares

All KB shares are ordinary, bearer shares with a nominal value of CZK 500 and are in dematerialised form.

Rights pertaining to ordinary shares are derived from the Commercial Code, as amended, and have no special rights attached. Shareholders' voting rights are governed by the nominal value of the shares. Each CZK 500 of the nominal value of the share is equivalent to one vote. Shareholders are entitled to a share of the Bank's profit (dividend) approved for distribution by the annual general meeting based upon the Bank's financial result and in accordance with the conditions stated in the generally binding legal regulations. Upon the Bank's liquidation and dissolution the means of liquidation is governed by the relevant generally binding legal regulations. Distribution of the remaining balance upon liquidation between shareholders is approved by the annual general meeting in the proportion of the nominal value of the shares held by the Bank's shareholders.

Dividend rights belong to shareholders who own shares 30 calendar days following the date of the annual general meeting that approved the payment of the dividend. If the Board of Directors decided to register the rights for the payment of a dividend in the records of dematerialised securities, those shareholders shall have a right to a dividend whose right is registered in the records of dematerialised securities 30 calendar days after the date of the annual general meeting that approved the dividend. The dividend is payable 30 days after the decisive day on which the shareholder's right arose, in accordance with the previous sentence of this provision. The right to the payment of the dividend is time-barred from four years after its date of payment. In the event of the shareholder's death his legal inheritor shall be authorised to exercise all rights attached to the shares.

Of the Bank's total share capital of CZK 19,004,926,000 (38,009,852 shares with a nominal value of CZK 500) 60 % is the property of the National Property Fund (FNM ČR or National Property Fund). The remaining shares are held by corporate entities and private individuals. The development in the number of the Bank's shares is illustrated by the following table:

	31 December 1998	31 December 1999	31 December 2000
Number of shares	19,004,926	19,004,926	38,009,852
Nominal value	CZK 500	CZK 500	CZK 500

c) Global depository receipts (GDRs) of Komerční banka

United Kingdom Tax Considerations

The following is a summary of the principal U.K. tax consequences to a holder, who or which is resident or ordinarily resident in the United Kingdom or is carrying on a trade or business in the United Kingdom through a branch or agency (collectively, „U.K. Holders“), of the ownership of GDRs or Shares delivered upon surrender of GDRs. It deals only with GDRs or Shares held as capital assets and does not deal with certain special classes of holders, such as dealers.

Taxation of Dividends and other distributions

Distributions, including cash dividends paid with respect to the underlying Shares to a U.K. Holder, will generally be taxed as income of the U.K. Holder. Any Czech withholding tax paid in respect of such distributions to a U.K. Holder will generally be available as a credit against any United Kingdom tax liability of such U.K. Holder (and not recoverable from the Czech authorities) in respect of such distribution.

Where dividends are paid by or through a U.K. paying agent or collected by a U.K. collecting agent on or before 31 March 2001, such agent will generally (subject to exceptions for U.K. holders of 10 per cent. With appropriate obligated to deduct an amount in respect of U.K. income taxes (currently at 20 per cent. or more of the voting power) be obliged to deduct an amount in respect of U.K. income taxes (currently at 20 per cent. with appropriate adjustment for non-U.K. income tax) unless satisfactory evidence is produced that the beneficial owner of the Shares and the related dividend is a non-U.K. resident, or is otherwise entitled to receive the dividend without deduction of income tax.

Following the enactment of the United Kingdom Finance Act 2000, the rules requiring a U.K. paying or collecting agent to deduct an amount in respect of U.K. income taxes from payments of dividends will not apply to dividends paid on or after 1 April 2001.

Sale or other Disposition of GDRs

A U.K. Holder of GDRs may be subjected to United Kingdom tax on a disposition or deemed disposition of a GDR (or of Shares acquired upon surrender of GDRs). Relief may be available for any Czech tax paid on such a disposal. There should be no liability for United Kingdom stamp duty or stamp duty reserve tax on a disposition of a GDR provided the disposition is undertaken by delivery.

Surrender of GDRs

Upon surrender of a GDR to the Depositary in return for a Share, no liability for United Kingdom taxation should arise provided the GDR holder is the beneficial owner of the Shares. Generally, the Shares acquired from the Depositary will be acquired at a base cost equal to the cost to the U.K. Holder of acquiring the GDR surrendered.

EACH PROSPECTIVE PURCHASER SHOULD CONSULT HIS, HER OR ITS OWN TAX ADVISOR AS TO THE SPECIFIC TAX CONSEQUENCES OF AN INVESTMENT IN THE GDRs.

Legal disputes involving the issuer

The Bank continues to use all legal remedies available to it to recover funds from delinquent or defaulted borrowers. In the last two accounting periods a total of 44 court proceedings have been launched which may have an important impact on the Bank's financial results. The aggregate amount the court proceedings concerns amounts to CZK 5.7 billion. Of these proceedings 17 are court cases (CZK 1.4 billion) and 27 bankruptcy proceedings (CZK 4.3 billion).

With specific reference to BCL Trading the Bank is taking all relevant legal steps in a number of international jurisdictions.

As at 31 December 2000 the Bank reviewed the court cases against the Bank. In the opinion of internal and external legal advisors the Bank does not anticipate significant losses. The Bank thus did not create any specific or general reserves for these cases.

IDENTIFICATION DETAILS OF KOMERČNÍ BANKA, A. S., ENTERED IN THE COMMERCIAL REGISTER

E x c e r p t

from the Commercial Register
maintained with the Prague City Court
Section B, Inset 1360

Date of incorporation: 5th March 1992
Corporate name: Komerční banka, a. s.
Registered office: Prague 1, Na Příkopě building identification number 969, postcode 114 07
Identification number: 45 31 70 54
Legal form: joint-stock company

Objects of business:

- The objects of the Bank's business are specified in sections 1 and 2 of the Act No. 21/1992 Coll. on Banks.

The Bank's objects of business are as follows:

- a) accepting of deposits from the public
- b) granting of loans
- c) investing in securities on own account
- d) financial leasing
- e) payments and clearing system
- f) issuing of payment instruments, such as payment cards, traveller's cheques
- g) issuing of guarantees
- h) issuing of letters of credit
- i) operating a collection service
- j) trading on its own account or on a client's account in:
 - 1. foreign currencies
 - 2. futures and options including foreign exchange and interest rate deals
 - 3. negotiable securities
- k) participation in the issue of shares and provision of related services
- l) financial brokerage
- m) consulting services in business matters
- n) managing a customer's securities on his own account and consulting activities related thereto (portfolio management)
- o) custody and administration of securities or other valuables
- p) acting as a depository
- q) providing foreign exchange services (purchase of foreign currency)
- r) providing banking information
- s) rental of safe-deposit boxes
- issuing of mortgage bonds under a special law

Statutory body – Board of Directors:

- Member:** Ing. Radomír Lašák, birth number: 651202/1780
Ústí nad Labem, K Vilám 209, post code 403 40
Assumed office: 1 March 2000
- Chairman:** Ing. Radovan Vávra, birth number: 631127/0900
Tábor, Fügnerova 2211, post code: 390 01
Assumed office: 19 April 2000
- Member:** Tomas Spurny, birth number: 650416/1433
New Jersey, 265 W.Clay Avenue, Roselle Park, U.S.A.
Assumed office: 16 May 2000
Residence in the Czech Republic: Prague 7, Trojská 659/183
- Vice-Chairman:** Ing. Peter Palečka, birth number: 591103/6692
Černošice, Jahodová 1565, Prague-West District, post code 252 28
Assumed office: 13 October 1999
- Member:** Ing. Jiří Huml, birth number: 640107/0610
Praha 6, Pod Beránkou 33, PSČ 160 00
Assumed office: 1 June 2000
- Member:** Ing. David Svojitka, birth number: 610213/0738
Praha 7, Jana Zajíce 40, PSČ 170 00
Assumed office: 24 May 2000
- Member:** Ing. Michal Větrovský, birth number: 620630/0342
Praha 4, Nad Svahem 5/1419, PSČ 140 00
Assumed office: 12 June 2000
Responsible for the Bank's activities as a securities dealer.

Acting on behalf of the Bank:

The Board of Directors as a statutory body shall act on behalf of the Bank in all matters, either through all members jointly or through any two members jointly.

Signing on behalf of the Bank: Either all members of the Board of Directors jointly or any two members of the Board jointly shall sign on behalf of the Bank.

Supervisory Board:

Member: Ing. Jarmila Hanáková, birth number 355321/417
Přerov 7 - Čekyně, Na podlesí 25, Přerov District
Assumed office: 26 May 1997

Member: PhDr. Marie Klucová, birth number 405806/026
Prague 9, Moravanská 468, post code 190 00
Assumed office: 26 May 1997

Member: Ing. Antonín Kolářek, birth number 590807/1026
Most, Táboritů 2219/12, post code 434 01
Assumed office: 26 May 1997

Member: Ing. Petr Dvořák, birth number 601031/1483
Praha 6, U Gabrielky 569, post code 164 00
Assumed office: 31 May 2000

Member: Doc. RNDr. Jan Hanousek, CSc., birth number 631028/0834
Prague 5, Ovčí hájek 2173/44, post code 150 00
Assumed office: 26 May 1997

Member: Ing. Jan Juchelka, birth number 710919/5148
Poděbrady, Jižní 1339, Nymburk District, post code 290 01
Assumed office: 31 May 1999

Member: Prof. MUDr. Pavel Pafko, DrSc., birth number 400703/716
Prague 4, Podolská 10, post code 140 00
Assumed office: 26 May 1997

Member: JUDr. Filip Marco, Ph.D., birth number 670911/1354
Praha 8, Kubova 8, post code 186 00
Assumed office: 31 May 2000

Member: Mgr. Radek Pokorný, birth number 690811/3971
Vyškov, Sídliště Osvobození 634/18, post code 682 01
Assumed office: 24 November 1998

Member: Doc.Ing. Karel Kopp, CSc., birth number 480828/049
Prague 5, V Břízkách 1025/2a, post code 150 00
Assumed office: 24 November 1998

Member: Ing. Martin Fassmann, birth number 640115/1944
Prague 7, Ověnecká 23, post code 170 00
Assumed office: 31 May 1999

Member: Doc.Ing. Jiří Havel, CSc., birth number 570820/0113
Prague 3, Na Balkáně 2118/130, post code 130 00
Assumed office: 31 May 2000

Shares:

38,009,852 bearer shares in the nominal value of CZK 500,-

Authorised capital: CZK 19,004,926,000

Of which paid up: 100 %

Other facts:

- Manner of the Company's establishment:

In accordance with the privatisation project of the state financial institution styled Komerční banka, with the registered office in Prague, Na příkopěch 28, approved by resolution of the Government of the Czechoslovak Federative Republic No. 1 of 9 January 1992 and No. 109 of 20 February 1992, the National Property Fund of the Czech Republic, as the sole founder, established the joint-stock company styled Komerční banka, a. s. based on the Founding Deed of 3 March 1992 under section 172 of the Commercial Code.

- An amendment to the Articles of Association adopted by the General Meeting held on 16 July 1992 has been registered.
- An amendment to the Articles of Association adopted by the General Meeting held on 8 November 1993 has been registered.
- An amendment to the Articles of Association adopted by the General Meeting held on 29 April 1994.
- An amendment to the Articles of Association adopted by the General Meeting held on 6 May 1996.

----- Accuracy of this excerpt is hereby confirmed -----

Prague City Court

Date: 3 May 2001

Excerpt number: 69636/2001

Executed by: Zahálková

S w o r n S t a t e m e n t

Komerční banka, a. s., hereby declares that all information and data contained in this annual report is accurate and correct. It further confirms that this document contains all facts that may be important for decisions taken by investors.

Komerční banka, a. s., also declares that as at the date on which the annual report was compiled no negative changes had occurred in the financial situation, nor were there any other changes which might have affected the accurate and correct assessment of the Bank's financial situation.

In Prague, 17 April 2001

Komerční banka, a. s.

Ing. Radovan Vávra
Chairman of the Board of Directors
and Chief Executive Officer

Ing. Peter Palečka
Vice-Chairman of the Board of Directors
and Senior deputy Chief Executive Officer

Appendices

Directory of Business Divisions of Komerční banka

Business Division	Street	City	Telephone	Fax	e-mail
Business division Brno	nám. Svobody 21	631 31 Brno	+420 5 421 29 219	+420 5 422 11 632	Divize6600@Brnomesto.bm.kb.cz
Business division České Budějovice	Krajinská 15	370 72 České Budějovice	+420 38 77 41 132	+420 38 73 18 619	VEDENIOD@Ceskebudej.cb.kb.cz
Business division Hradec Králové	nám. Osvoboditelů 798	502 16 Hradec Králové	+420 49 58 15 202	+420 49 58 15 225	VEDENIOD@Hradeckral.hk.kb.cz
Business division Ostrava	Nádražní 12	730 01 Ostrava 1	+420 69 61 61 232	+420 69 61 61 282	CKB6500@Ostrava.ov.kb.cz
Business division Plzeň	Goethova 1	305 95 Plzeň	+420 19 71 64 246	+420 19 72 36 649	VEDENIOD@Plzenmesto.pm.kb.cz
Business division Praha	Václavské nám. 42	114 07 Praha 1	+420 2 224 34 059	+420 2 242 48 103	
Business division Praha - východ	Václavské nám. 42	114 07 Praha 1	+420 2 224 33 010	+420 2 224 33 873	vedeni@Amesto.pv.kb.cz
Business division Praha - západ	U Průhonu 38	170 04 Praha 7	+420 2 667 07 549	+420 2 667 07 780	vedeniOD@Aupruhonu.pz.kb.cz
Business division Ústí nad Labem	Bílinská 2	400 42 Ústí nad Labem	+420 47 523 94 29	+420 47 523 94 31	VEDENIOD@ustinadlab.ul.kb.cz

Foreign Representative Offices of Komerční banka as at 31 December 2000

London – United Kingdom

35, Moorgate
London EC2R 6BT
United Kingdom

Tel.: (0044 171) 588 71 25
(0044 171) 588 71 26
Fax: (0044 171) 588 71 20

Ing. Otakar Bobko
Chief Representative

E-mail: komerčni-banka@cygnet.co.uk

Frankfurt am Main – Germany

Westendstraße 21
60 325 Frankfurt am Main
Germany

Tel.: (0049 69) 74 09 70
Fax: (0049 69) 74 09 90

Ing. Pavel Bittner
Chief Representative

E-mail: kb-repoffice.de@t-online.de

Budapest – Hungary

Horvát utca 14-24
H - 1027 Budapest
Hungary

Tel.: (0036 1) 214 07 80
Fax: (0036 1) 214 07 81

Ing. István Nagy
Chief Representative

E-mail: kb-repoffice@mail.matav.hu

Warsaw – Poland

Ul. Jana Pawła II. 15
00-828 Warszawa
Poland

Tel.: (0048 22) 697 76 26
Fax: (0048 22) 697 76 28

Marcela Mayerová
Chief Representative

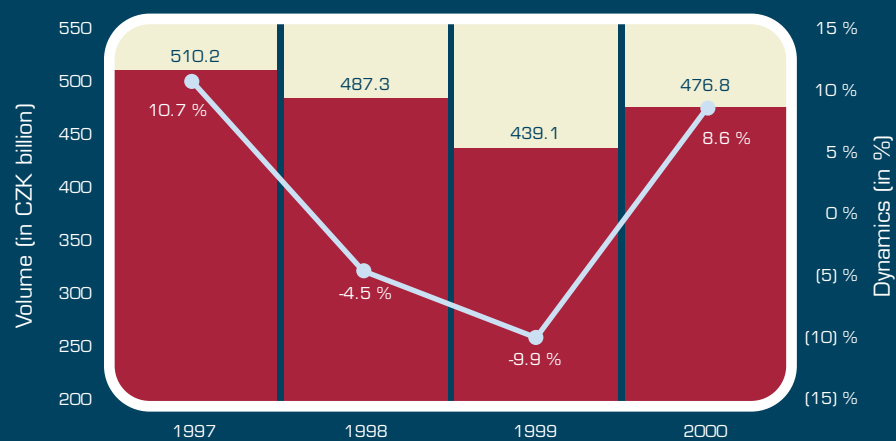
E-mail: repkb@warszawa.mtl.pl

By resolution of the Board of Directors of Komerční banka it was decided as part of the Bank's preparation for privatisation to close the Bank's foreign representative offices as at 31 March 2001.

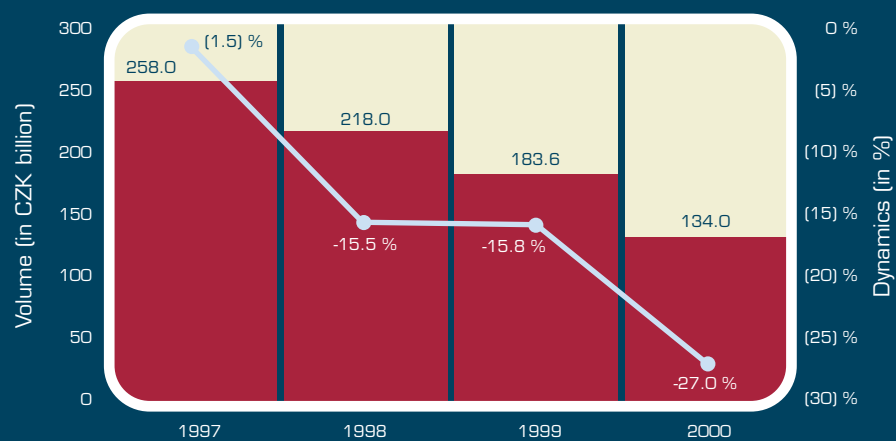
Basic Characteristic of Komernčí banka from 1995 to 2000 (CAS)

	Item	2000		1999		1998		1997		1996		1995	index in %
		state	index in %	state	index in %	state	index in %	state	index in %	state	index in %	state	00/95
1.	Return on Average Equity – ROAE (in %)	x	x	x	x	x	x	0.85	4.7	17.97	91.0	19.74	x
2.	Return on Average Assets – ROAA (in %)	x	x	x	x	x	x	0.05	4.0	1.24	89.2	1.39	x
3.	Net Interest Margin (in %)	3.03	103.4	2.93	83.5	3.51	91.2	3.85	98.5	3.91	94.4	4.14	73.2
4.	Cost/Income Ratio (in %)	61.16	99.6	61.39	120.1	51.12	97.0	52.69	103.0	51.17	100.8	50.74	120.5
5.	Total Provisions and Reserves (in CZK mil.)	24,413	70.0	34,881	102.7	33,974	107.0	31,763	118.2	26,868	92.9	28,920	84.4
6.	Total Shareholders' Equity (in CZK mil.)	20,040	112.4	17,826	89.1	20,015	66.9	29,908	94.5	31,648	112.3	28,173	71.1
7.	Number of Employees (in person)	10,703	80.1	13,356	95.1	14,043	95.1	14,759	93.2	15,840	96.8	16,368	65.4
8.	Number of Outlets	342	98.0	349	98.6	354	97.3	364	98.4	370	98.7	375	91.2
9.	Net Interest Income (in CZK mil.)	12,343.9	103.6	11,914.7	78.9	15,099.1	95.7	15,772.6	109.5	14,406.2	109.2	13,194.2	93.6
10.	Net Fees and Commissions (in CZK mil.)	4,421.7	101.6	4,350.3	94.0	4,627.0	106.2	4,357.8	105.4	4,135.7	109.8	3,767.2	117.4
11.	Total Net Income (in CZK mil.)	20,892.8	103.5	20,190.0	81.7	24,723.3	109.4	22,604.9	96.5	23,424.8	122.7	19,091.1	109.4
12.	General Operating Costs Incl. Depreciation of Tangible and Intangible Assets (in CZK mil.)	11,295.6	102.3	11,038.6	97.6	11,315.2	102.4	11,048.2	106.3	10,389.2	122.0	8,516.8	132.6
13.	Profit/(Loss) for the Period (in CZK mil.)	(149.3)	x	(9,242.0)	x	(9,805.0)	x	261.2	4.9	5,360.6	103.8	5,162.4	x
14.	Total Assets (in CZK mil.)	476,842.4	108.6	439,110.3	90.1	487,318.7	95.5	510,224.7	110.7	460,881.3	113.2	407,174.3	117.1
15.	Clients Loans (in CZK mil.)	133,968.4	73.0	183,643.9	84.2	218,025.1	84.5	257,979.6	98.5	262,021.0	106.7	245,609.0	54.5
16.	Clients Deposits (in CZK mil.)	287,623.7	111.0	259,191.3	94.7	273,697.7	92.2	296,881.9	105.9	280,456.7	118.0	237,699.1	121.0

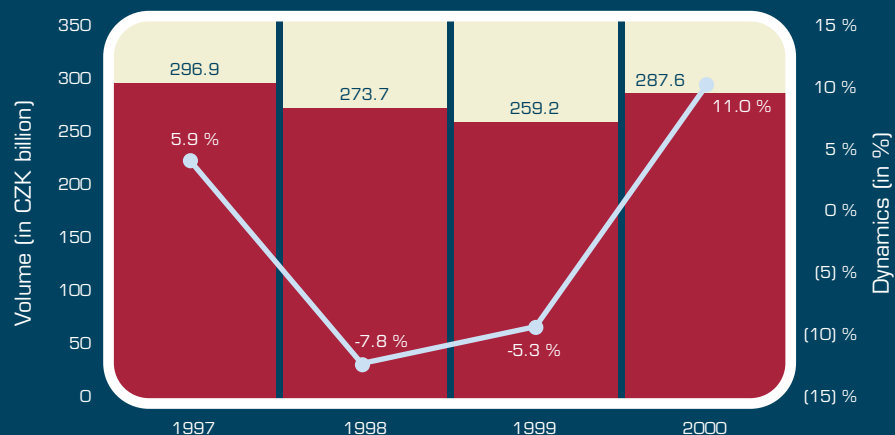
Total Assets



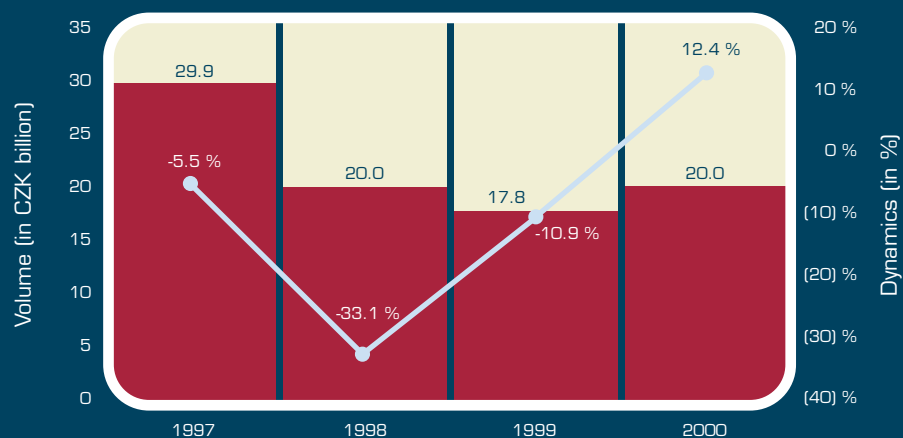
Client loans



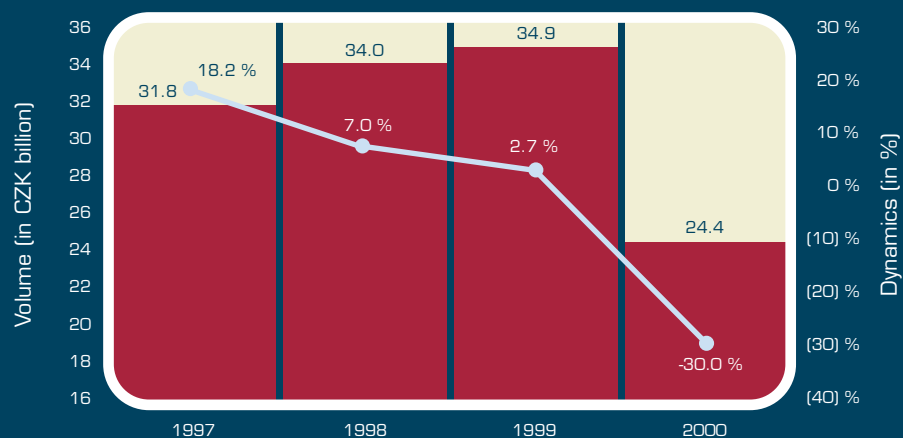
Client Deposits



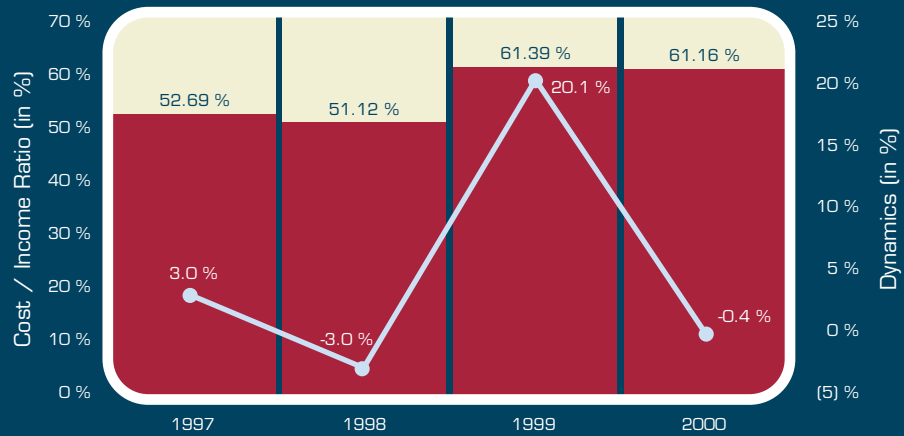
Total Shareholders' Equity



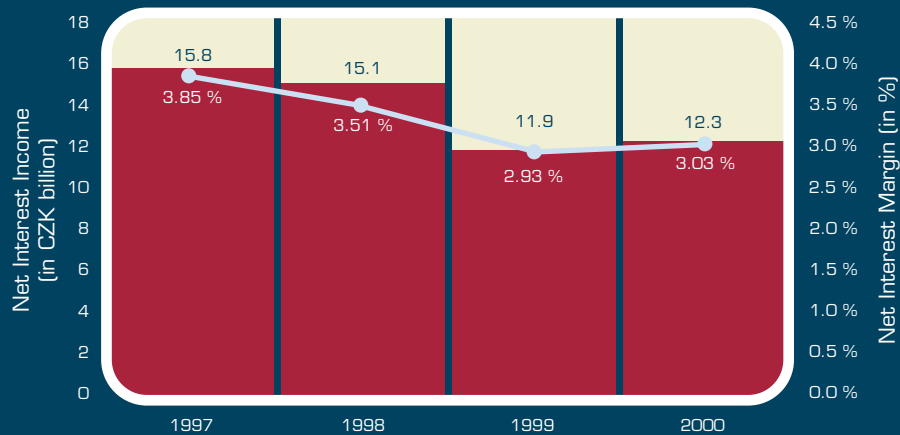
Total Provisions and Reserves



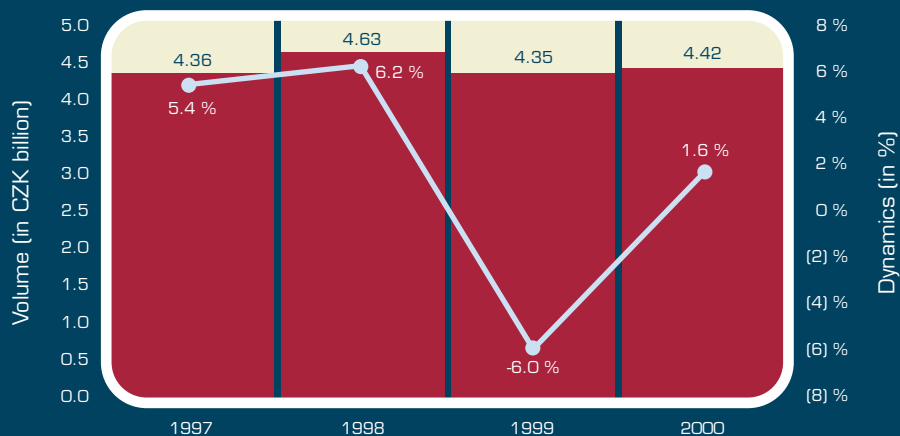
Cost / Income Ratio



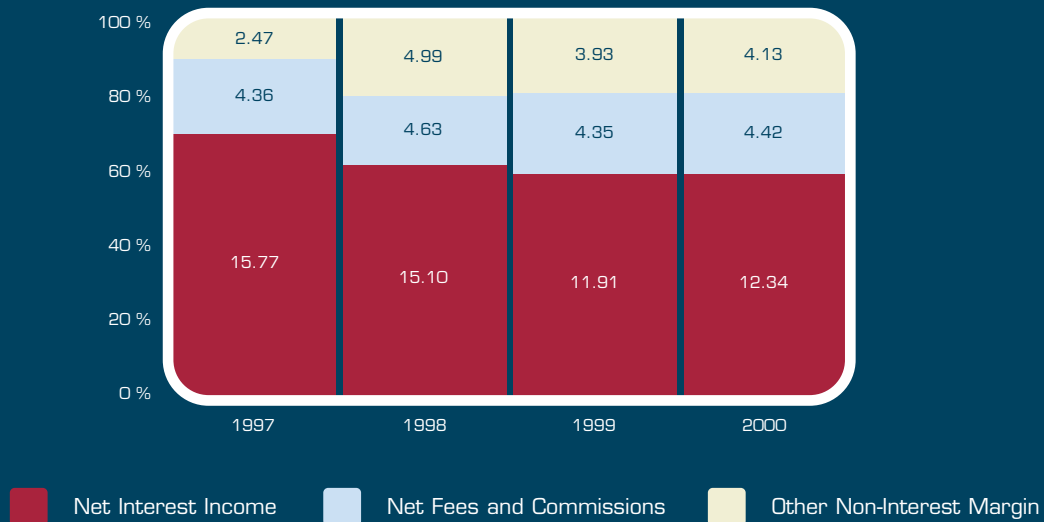
Net Interest Income and Net Interest Margin



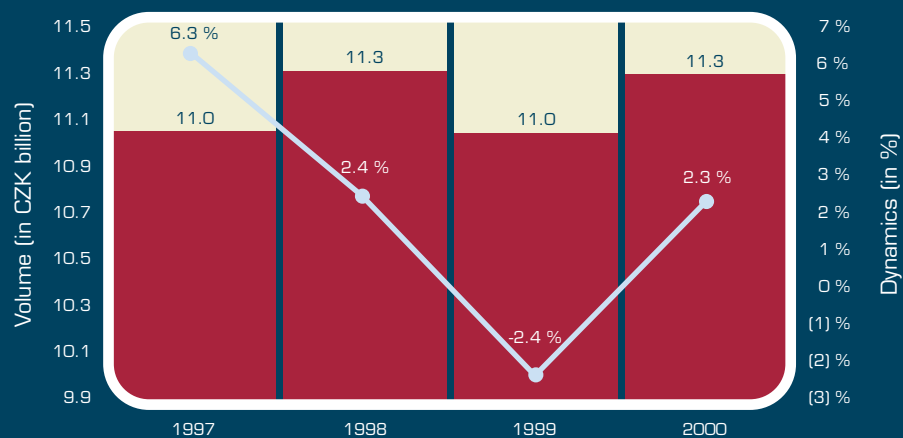
Net Fees and Commissions



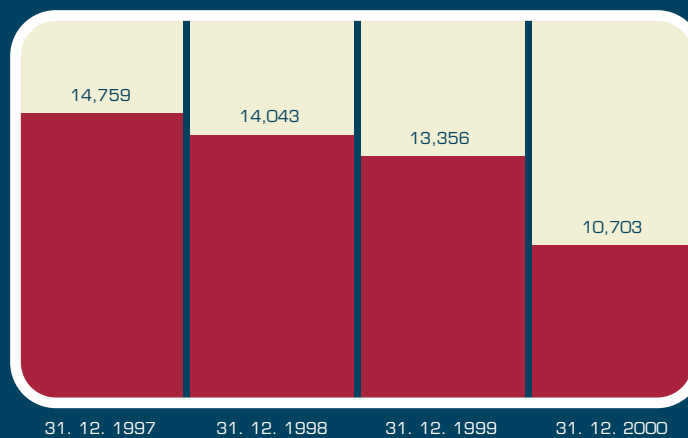
Structure of Income (Total Income = 100%) and Volume (in CZK billion)



General Operating Costs



Number of employees



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Komerční banka, a. s.

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