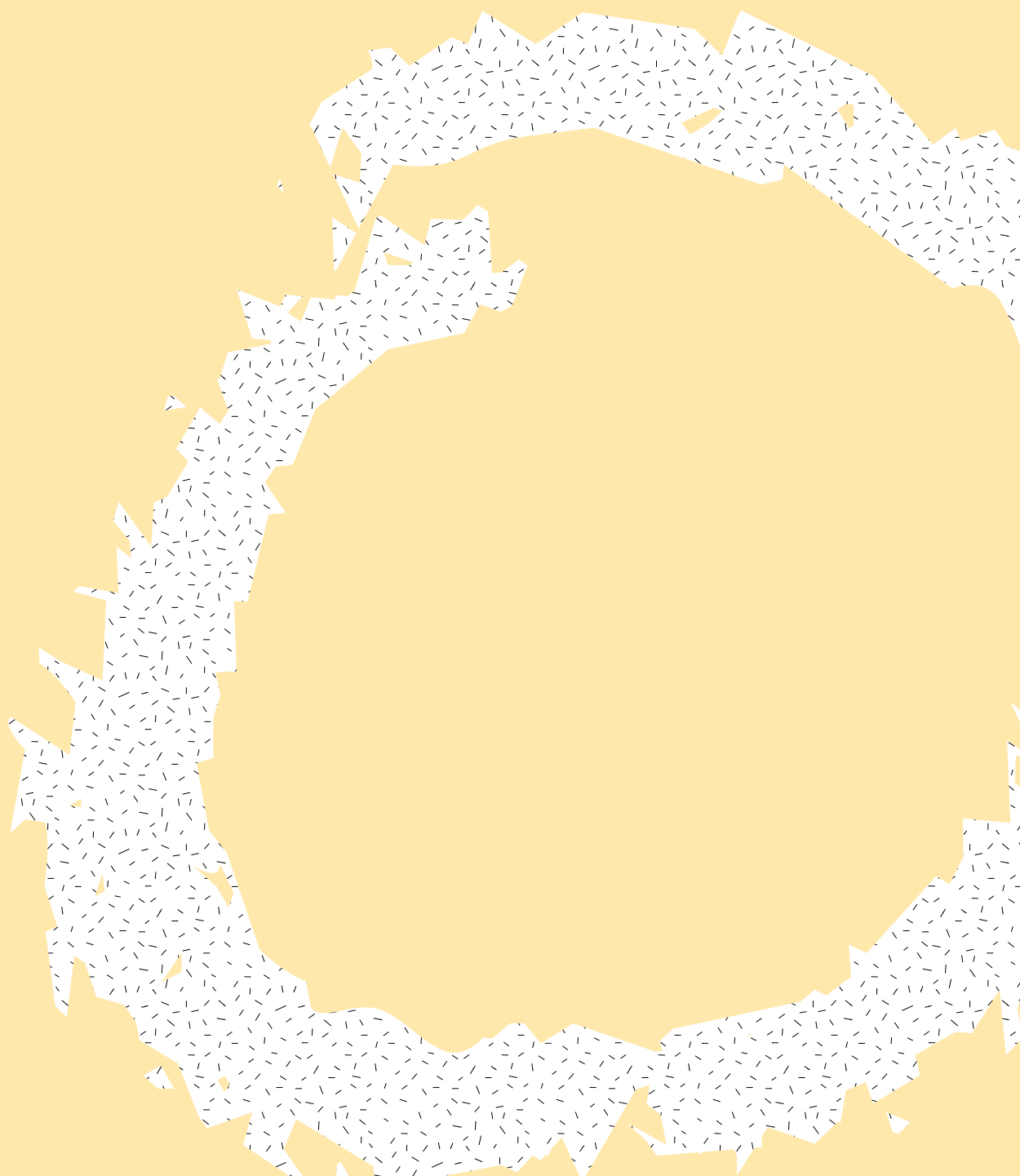


FINANCIAL STATEMENTS I

**Non consolidated results
according to Czech Accounting Standards**



Auditor's report to the shareholders of Česká spořitelna, a.s.

We have reviewed the information included in the 1999 annual report of Česká spořitelna, a.s. The scope of our review was limited to confirmation as to whether the information included in the annual report was consistent with the financial statements.

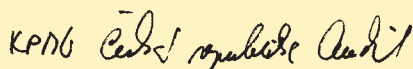
On 28 March 2000, we issued the following auditor's report on the Company's statutory financial statements:

"We have audited the accompanying financial statements of Česká spořitelna, a.s. for the year ended 31 December 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements present fairly, in all material respects, the assets, liabilities and equity of Česká spořitelna, a.s. as of 31 December 1999 and the results of its operations for the year ended in accordance with the Act on Accounting and relevant legislation of the Czech Republic."

Prague
31 May 2000



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



František Dostálek
Licence number 176

Non Consolidated Balance Sheet as at 31 December 1999

ASSETS		1999			TCZK	
					1998	
a	b	Note	Gross amount	Adjustment	Net amount	
		c	1	2	3	
					4	
1.	Cash in hand, balances with central banks and post office banks		19,287,473	0	19,287,473	32,026,380
2.	State treasury bills and other bills eligible for refinancing with the ČNB	8	59,330,784	0	59,330,784	34,136,226
	a) state treasury bills and similar securities issued by the state		35,714,784	0	35,714,784	17,416,226
	b) other treasury bills		23,616,000	0	23,616,000	16,720,000
3.	Receivables from banks	9	118,578,534	(59,365)	118,519,169	93,798,994
	a) repayable on demand		1,063,603	0	1,063,603	5,941,710
	b) other receivables		117,514,931	(59,365)	117,455,566	87,857,284
	including subordinated assets		0	0	0	0
4.	Receivables from customers	10	118,095,456	(17,451,031)	100,644,425	143,650,548
	a) repayable on demand		20,229,414	(15,349,108)	4,880,306	14,305,819
	b) other receivables		97,866,042	(2,101,923)	95,764,119	129,344,729
	including subordinated assets		0	0	0	0
5.	Bonds and other fixed income securities for trading	12	30,260,801	(2,006,108)	28,254,693	34,473,836
	a) issued by banks		9,409,302	(799,440)	8,609,862	13,352,661
	including own bonds		107,816	0	107,816	43,761
	b) issued by other entities		20,851,499	(1,206,668)	19,644,831	21,121,175
6.	Shares and other variable income securities for trading	13	762,464	(3,430)	759,034	571,473
7.	Participation interests with substantial influence	14	3,041	(2,865)	176	1,640
	a) in banks		0	0	0	0
	b) in other entities		3,041	(2,865)	176	1,640
8.	Participation interests with controlling influence	14	2,064,996	(1,049,956)	1,015,040	972,302
	a) in banks		332,750	0	332,750	332,750
	b) in other entities		1,732,246	(1,049,956)	682,290	639,552
9.	Other financial investments	12, 13	10,613,001	(395,594)	10,217,407	10,411,917
10.	Intangible fixed assets	15	2,355,092	(1,107,940)	1,247,152	1,403,766
	a) establishment costs		0	0	0	0
	b) goodwill		0	0	0	0
	c) other		2,355,092	(1,107,940)	1,247,152	1,403,766
11.	Tangible fixed assets	16	28,556,437	(11,628,575)	16,927,862	17,913,913
	a) land and buildings for the purpose of banking activities		14,624,139	(2,210,110)	12,414,029	12,265,056
	b) other		13,932,298	(9,418,465)	4,513,833	5,648,857
12.	Own shares	13	0	0	0	0
13.	Other assets	17	6,153,543	(131,632)	6,021,911	7,479,482
14.	Shareholder receivables from capital subscribed but not paid		0	0	0	0
15.	Prepayments and accrued income		2,044,355	0	2,044,355	3,442,513
TOTAL ASSETS			398,105,977	(33,836,496)	364,269,481	380,282,990

The notes set out on pages 38 to 60 form part of these financial statements.

LIABILITIES

		TCZK		
		Note	1999	1998
a	b	c	5	6
1.	Due to banks	18	31,976,115	41,694,702
	a) repayable on demand		18,983	4,403,912
	b) other payables		31,957,132	37,290,790
2.	Due to customers	19	291,456,696	298,186,410
	a) saving deposits		211,878,881	222,005,933
	including repayable on demand		35,956,464	44,149,629
	b) other payables		79,577,815	76,180,477
	including repayable on demand		79,025,332	75,491,101
3.	Certificates of deposit and similar debentures	20, 21	5,531,497	5,571,064
	a) certificates of deposits		31,497	71,064
	b) other		5,500,000	5,500,000
4.	Deferred income and accrued expenses		1,148,867	3,540,806
5.	Reserves	23	5,062,304	4,339,384
	a) reserves on standard loans and guarantees		1,687,150	633,765
	b) reserves on Fx losses		0	0
	c) reserves on other bank risks		3,262,943	3,617,683
	d) other reserves		112,211	87,936
6.	Subordinated liabilities	24	5,500,000	5,500,000
7.	Other liabilities	26	8,001,245	8,514,723
8.	Registered capital	22	15,200,000	7,600,000
	including registered capital paid up		15,200,000	7,600,000
9.	Share premium		0	4,115,087
10.	Reserve funds	25	5,140,193	7,679,890
	a) obligatory reserve funds		5,140,193	7,679,890
	b) reserve fund to own shares		0	0
	c) other reserve funds		0	0
11.	Capital funds and other funds from profit	25	145,780	367,263
	a) capital funds		1,854	261,555
	b) other funds from profit		143,926	105,708
12.	Retained earnings or (losses) from previous periods	25	0	113,425
13.	Profit or (loss) for the accounting period	25	(4,893,216)	(6,939,764)
TOTAL LIABILITIES			364,269,481	380,282,990

OFF - BALANCE SHEET

		TCZK		
		Note	1999	1998
a	b	c	7	8
1.	Potential future liabilities arising from commitments including	27	4,838,191	5,425,064
	a) acceptances and endorsements		81,134	109,590
	b) payables resulting from guarantees		4,757,057	5,315,474
	c) payables resulting from collateral		0	0
2.	Other irrevocable liabilities	27	21,693,285	27,035,496
3.	Receivables from spot, term and option transactions	27	75,132,301	75,607,372
4.	Liabilities from spot, term and option transactions	27	75,327,206	74,857,642

The notes set out on pages 38 to 60 form part of these financial statements.

Non Consolidated Profit and Loss Account for the Year Ended 31 December 1999

		TCZK		
		Note	1999	1998
a	b	c	1	2
1.	Interest income and similar income		27,796,410	40,222,478
	including interest income from fixed yield securities		5,259,429	5,132,764
2.	Interest expense and similar expense		(15,130,148)	(25,220,129)
	including interest expense from fixed yield securities		(711,294)	(1,282,924)
A. NET INTEREST INCOME			12,666,262	15,002,349
3.	Income from variable yield securities including:		187,914	168,289
a)	income from shares and other variable yield securities		114	116,614
b)	income from participation interests with significant influence		0	0
c)	income from participation interests with controlling influence		187,800	51,675
4.	Commission and fee income		4,404,902	3,584,513
5.	Commission and fee expense		(312,275)	(555,337)
6.	Net profit (loss) from financial operations		56,702	57,866
7.	Other income	6	428,820	532,997
8.	General operating expenses including:	5	(12,136,215)	(12,025,259)
a)	employee expenses		(4,785,081)	(4,502,586)
aa)	wages and salaries		(3,424,149)	(3,197,822)
ab)	social insurance		(1,053,723)	(1,010,006)
ac)	health insurance		(307,209)	(294,758)
b)	other operating expenses		(7,351,134)	(7,522,673)
B.			(7,370,152)	(8,236,931)
C. NET OPERATING INCOME BEFORE ADJUSTMENTS AND RESERVES AND OTHER EXPENSES			5,296,110	6,765,418
9.	Creation of reserves and adjustments to tangible and intangible fixed assets	23	(42,485)	(33,755)
a)	creation of reserves for tangible fixed assets		(42,485)	(33,755)
b)	creation of adjustments for tangible fixed assets		0	0
c)	creation of adjustments for intangible fixed assets		0	0
10.	Use of reserves and adjustments to tangible and intangible fixed assets	23	18,210	104,884
a)	use of reserves for tangible fixed assets		18,210	72,659
b)	use of adjustments for tangible fixed assets		0	32,225
c)	use of adjustments for intangible fixed assets		0	0
11.	Other expenses	6	(15,879,699)	(8,274,052)
12.	Creation of reserves and adjustments for credits and guarantees	23	(10,840,179)	(14,827,155)
13.	Use of reserves and adjustments for credits and guarantees	23	14,793,081	11,337,715
14.	Creation of reserves and adjustments for participation interests and other financial investments		(2,404,351)	(2,807,622)
15.	Use of reserves and adjustments for participation interests and other financial investments		2,317,837	2,288,213
16.	Creation of other reserves and adjustments	23	(1,694,050)	(1,978,477)
17.	Use of other reserves and adjustments	23	2,328,880	502,394
D.			(11,402,756)	(13,687,855)
E. PROFIT ON ORDINARY ACTIVITIES BEFORE TAX			(6,106,646)	(6,922,437)
18.	Income tax on ordinary profit		(88)	(77)
19. Ordinary profit or (loss) for the accounting period after tax			(6,106,734)	(6,922,514)
20.	Extraordinary income	7	1,476,405	177,566
21.	Extraordinary expenses	7	(262,887)	(194,816)
22.	Income tax on extraordinary profit		0	0
23. Extraordinary profit or (loss) after tax			1,213,518	(17,250)
24. Profit or (loss) for the accounting period			(4,893,216)	(6,939,764)

The notes set out on pages 38 to 60 form part of these financial statements

1. INTRODUCTION

Česká spořitelna, a.s. ("the Bank", "ČS") with its office in Prague 1, Na Příkopě 29 is registered as a joint stock company in accordance with the Commercial Code and incorporated in the Commercial Register at the Regional Commercial Court in Prague 1, Czech Republic on 30 December 1991, section B, number 1171.

The Bank is the legal successor of the Czech State Saving Bank offering a broad range of banking services in the territory of the Czech Republic.

2. BASIS OF PREPARATION

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

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

All figures are stated in thousands of Czech Crowns (TCZK), unless stated otherwise. Numbers in brackets represent negative amounts.

(b) These financial statements are non consolidated financial statements and do not include the accounts and results of those companies over which the Bank has control or significant influence.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Treasury bills and other eligible bills

Treasury bills and other eligible bills are carried at acquisition cost. Any discount is amortised on a straight-line basis through the profit and loss account over the period from the date of purchase to the date of maturity.

Treasury bills and other eligible bills bought/sold under a commitment to resell/repurchase are recorded as stated below.

(b) Bonds and other fixed income securities and shares and other variable income securities

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

Bonds and other fixed income securities which are held for a period longer than 1 year or until maturity, and shares and other variable income securities which were purchased with the intention to actively exercise the ownership right attached to them, are classified as long term securities and included in "Other financial investments" in the investment portfolio.

Bonds and other fixed income securities and shares and other variable income securities which are held for trading purposes are classified as short term securities and included in the trading portfolio. Adjustments for short term securities are created for an amount equal to the excess of the acquisition cost over the market value calculated on a specific identification basis.

The acquisition cost of disposed securities is determined using the weighted average method for the specific security.

The market values of bonds and other fixed income securities are determined using the published average reference prices reached on the Prague Stock Exchange.

The market values of securities traded on foreign markets are equal to the prices reached on the representative markets. For securities where the reference prices are not published, the prices of securities with similar characteristics are used, taking into consideration credit quality and liquidity of the respective security. The market values of securities, where the above mentioned methods can not be used, are equal to the acquisition costs.

The market value of shares and variable income securities included in the Bank's trading portfolio, and traded on the main and secondary markets of the Prague Stock Exchange or public markets of OECD member countries, is equal to the prices reached on those markets. The market price is discounted for the securities' liquidity in accordance with the Czech National Bank (hereinafter the "CNB") Provision No. 3/97 issued on 9 June 1997. The market value of tradeable shares and other variable income securities included in the Bank's investment portfolio is equal to the prices reached on the respective market. For non-tradeable shares and other variable income securities, the market value is determined as the acquisition cost or net assets value, based on a comparison of equity per share ratio to acquisition cost per share.

Expenses relating to the acquisition of tradeable securities, such as commissions and brokerage fees are expensed directly.

Transactions where securities are sold under a commitment to repurchase (repurchase commitment) at a predetermined price or purchased under a commitment to resell (resale commitment) are treated as collateralised borrowing and lending transactions. The legal title of securities subject to resale or repurchase commitments is transferred to the lender. Receivables from securities sold under a repurchase commitment are included in "Receivables from banks" or "Receivables from customers" while the borrowing is recorded in "Due to banks" or "Due to customers". Securities purchased under a resale commitment are recorded either as "State treasury bills and other bills eligible for refinancing with the CNB", "Bonds and other fixed income securities for trading" or "Shares and other variable income securities for trading". Payables from securities purchased under a resale commitment are included in "Due to banks" or "Due to customers" whilst the lending is recorded in "Receivables from banks" or "Receivables from customers". Interest (income) on securities sold under a repurchase commitment is accrued and recorded in "Accrued income and deferred expense"; interest (income) is not accrued on securities recorded in the balance sheet purchased under a resale commitment.

Interest receivable or payable under resale or repurchase transactions, representing the difference between the sale and purchase amounts, is accrued over the term of the transaction and recorded in "Interest income and similar income" or "Interest expense and similar expense" in the profit and loss account.

(c) Participation interests

Participation interests with controlling and substantial influence and other participation interests are recorded at acquisition cost less adjustments for any temporary diminution in value or write-offs for any permanent diminution in value.

A participation interest with controlling influence is an investment in a subsidiary, in which the Bank holds, directly or indirectly, more than 50% of the registered capital of the company or in which the Bank can exercise more than 50% of the voting rights or where the Bank can appoint or dismiss a majority of the Board of Directors or Supervisory Board members.

A participation interest with substantial influence is an investment in an associate, in which the Bank holds, directly or indirectly, 20% to 50% of an organisation's registered capital. Included with these participations are participation interests where the Bank holds less than 20% of the company's registered capital.

The market values of participation interests are based on the acquisition cost or net assets value, with a comparison of equity per share ratio to acquisition cost per share. Adjustments for participation interests with controlling and substantial influence are created for an amount equal to the excess of acquisition cost over market value, on an aggregate basis.

Dividends from participation interests held are recorded when received.

(d) Receivables from banks and customers

Receivables from banks and customers are carried net of adjustments for classified receivables.

Receivables are reviewed regularly for recoverability. Based on such reviews, adjustments are created against specific classified receivables as considered appropriate. Reserves are created for general risks associated with the Bank's credit portfolio. Charges to the profit and loss account for adjustments and reserves created are recorded as "Creation of reserves and adjustments for credits and guarantees".

The tax deductible portion of the period charge for the creation of reserves and adjustments for credit losses is calculated in accordance with the requirements of section 5 ("Banking reserves and adjustments") and section 8 ("Bankruptcy adjustments") of the Act on Reserves (Act No. 593/1992), as amended.

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

Discounted bills of exchange are carried at their nominal value with related discounts included in the balance sheet as "Deferred income and accrued expenses". Discounts are amortised on a straight-line basis through the profit and loss account from the date of purchase to the date of maturity.

(e) Foreign currency translation

Transactions denominated in foreign currencies are recorded in the local currency at actual CNB exchange rates on the date of the transaction. Assets and liabilities denominated in foreign currencies, together with unmatured spot foreign exchange transactions are translated into the local currency at the spot exchange rate prevailing on the balance sheet date. Exchange differences arising from the translation of assets and liabilities denominated in foreign currencies are recognised in the profit and loss account as "Net profit (loss) from financial operations".

(f) Intangible and tangible fixed assets

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

Donated tangible and intangible fixed assets are stated at replacement cost, i.e. the cost, for which the asset would be purchased at the point of time of the accounting entry.

Tangible fixed assets constructed by the Bank are stated at costs incurred to date. Intangible assets developed by the Bank are stated at the lower of cost incurred or at replacement costs.

The tangible and intangible fixed assets are depreciated using the straight-line method over their estimated useful lives. The annual depreciation lives for each category of tangible and intangible fixed assets are as follows:

Software	4 years
Furniture and fittings	4 to 6 years
Equipment	4 to 12 years
Electric machines and equipment	6 to 12 years
Land and buildings	20 to 30 years

Leasehold improvements are depreciated on a straight-line basis over the lease term.

Tangible assets costing less than CZK 40,000 and intangible assets costing less than CZK 60,000 are charged to the profit and loss account in the period in which they are acquired (see: Note 4).

(g) Taxation

Non-deductible expenses are added to, and non-taxable income is deducted from, the profit for the period to arrive at the taxable income to which the current tax rate is applied. Current income tax is calculated at the end of the current accounting period in accordance with Act No. 586/1992 on Income Taxes. The tax rate for 1999 was 35% (1998: 35%).

(h) Off-balance sheet instruments

Hedging instruments

The balance sheet instrument being hedged is carried either at historical cost (when the market value of the instrument is higher than cost), or at historical cost less adjustment for temporary diminution in market value (when the market value of the instrument is lower than cost). Interest income/expense on the hedging instrument is deferred.

If the balance-sheet instrument is carried at historical cost, the loss from market revaluation of the hedging instrument is reflected in the profit and loss account in the form of a reserve for the amount exceeding the non-realised profit from market revaluation of the instrument being hedged.

If the balance sheet instrument is carried at historical cost less adjustment for temporary diminution in market value, the profit from the market revaluation of the hedging instrument is reflected in the profit and loss account up to the amount representing the loss from the market revaluation of the instrument being hedged. Market valuations of the hedging instrument and of the instrument being hedged are performed at least once a month.

Trading instruments

Trading instruments, excluding foreign currency contracts, are carried at the lower of cost or fair value. In accordance with International Accounting Standard No. 32 "Financial Instruments: Disclosure and Presentation", fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Reserves are created for any temporary diminution in value of these instruments, on an aggregate basis, excluding purchased options for which adjustments have been created.

Foreign currency contracts are carried at fair value and any gains and losses from revaluation are recognised in the profit and loss account.

For the purposes of revaluing credit swaps, the Bank has developed a methodology which uses a standard valuation technique, which is used globally. This method is based on the relationships between the probability of default of the underlying assets, the volume being hedged, the fee collected for hedging, recoverability of the volume and the probability spread in case of default. The volume being hedged is based on contractual conditions and calculated as the maximum possible loss the Bank may incur, in the case of default of the underlying asset and without taking into consideration the residual value of the underlying assets.

Options

The acquisition cost of shares, interim certificates and other securities is increased by the price of options realised. The price of the option at the point in time of realisation or expiration is recorded directly to expenses (options purchased) or income (options sold) in the profit and loss account. For options purchased, an adjustment is created which decreases the acquisition cost of the security, and for options sold, a reserve is created on the liability side.

(i) Prior period items

Prior period items are reported as extraordinary income or extraordinary expense in the current period profit and loss account.

4. CHANGES IN ACCOUNTING POLICIES

On 26 October 1998, the Ministry of Finance issued Regulation No. 282/60 822/1998 amending the Chart of Accounts and Accounting Procedures for Banks. In accordance with this provision, effective from 1 January 1999, accounting for sale of options purchased and repurchase of options sold has been revised. Only the difference between the sale proceeds and acquisition cost (for options purchased) or repurchase costs (for options sold) is recorded in the profit and loss account. In accordance with amendment No. 333/1998 of Act No. 586/1992 on Income Taxes, the value of tangible fixed assets, both for taxation and for accounting purposes, has increased from TCZK 40 to TCZK 60 (see: Note 3f), for assets acquired after 1 January 1999. The effect of this change was reflected in the profit and loss account in "Other operating expenses".

Minimal depreciation lives of tangible and intangible fixed assets were decreased for each category (see: Note 3f). If the recent depreciation lives were valid during 1999, the depreciation charge included in "General operating expenses" would be lower by MCZK 119.8.

5. GENERAL OPERATING EXPENSES

Analysis of general operating expenses

TCZK	1999	1998
Employee expenses		
Wages and salaries	3,424,149	3,197,822
Social security charges including health insurance	1,360,932	1,304,764
Other general operating expenses	7,351,134	7,522,673
General operating expenses total	12,136,215	12,025,259

The average number of Bank personnel during the year was as follows:

	1999	1998
Employees	15,653	16,609
Members of the Supervisory Board	12	13
Members of the Board of Directors	5	7
Other management members	16	29

Remuneration paid to the members of the Board of Directors and Supervisory Board was TCZK 12,155 (1998: TCZK 14,041), whereby the Board of Directors' remuneration represents TCZK 4,664 (1998: TCZK 6,900) and the Supervisory Board TCZK 7,491 (1998: TCZK 7,141).

6. OTHER INCOME AND EXPENSE

TCZK	1999	1998
Income from participation interests sold	0	0
Income from other assets transferred	115,883	202,463
Other	312,937	330,534
Other income total	428,820	532,997
Receivables from banks written-off and assigned	2,267	54,960
Receivables from clients written-off and assigned	15,035,281	7,434,775
Expense from participation interests sold	3,000	0
Expense from other assets transferred	172,743	187,504
Contribution to the Deposit Insurance Fund	651,002	584,363
Other	15,406	12,450
Other expense total	15,879,699	8,274,052

7. EXTRAORDINARY INCOME AND EXPENSE

TCZK	1999	1998
Corrections to prior year income	72,408	44,596
Compensation for damages, fines and penalties	13,050	14,493
Other including out of court settlement proceeds	1,390,947	118,477
Extraordinary income total	1,476,405	177,566
Corrections to prior year expense	63,289	84,997
Damages, fines and penalties	48,360	56,199
Other	151,238	53,620
Extraordinary expense total	262,887	194,816

8. STATE TREASURY BILLS AND OTHER BILLS ELIGIBLE FOR REFINANCING WITH THE CNB

TCZK	1999	1998
State treasury bills	35,714,784	17,416,226
Other bills	23,616,000	16,720,000
State treasury bills and other bills total	59,330,784	34,136,226

Included in the value of treasury bills and other bills are TCZK 23,886,451 (1998: TCZK 16,950,000) held under resale commitments.

As at 31 December 1999, there were no treasury bills or other bills transferred as security for loans received under repurchase commitments (1998: TCZK 230,000).

9. RECEIVABLES FROM BANKS

(a) Net receivables from banks

TCZK	1999	1998
Receivables from banks	37,504,298	34,730,882
Loans to banks	81,074,236	59,102,213
less: Adjustments for classified loans	(59,365)	(34,101)
Net loans to banks	81,014,871	59,068,112
Receivables from banks	118,578,534	93,833,095
Net receivables from banks	118,519,169	93,798,994

Receivables from banks do not include any receivables from securities transferred under repurchase commitments (1998: TCZK 130,000).

(b) Analysis of receivables from banks by residual maturity

TCZK	1999	1998
Repayable on demand	1,063,603	5,941,710
Up to 3 months	48,363,865	37,604,787
From 3 months to 1 year	27,487,412	25,867,332
From 1 to 2 years	11,707,566	9,731,145
From 2 to 4 years	500,000	5,047,768
From 4 to 5 years	11,078,842	8,090,353
Over 5 years	18,377,246	1,550,000
Total	118,578,534	93,833,095

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

TCZK	1999	1998
State guarantees and guarantees of the CNB	57,566	29,855
Agreement on cession of receivables	0	0
Securities held by the Bank	0	100,000
Mortgage	0	0
Securities held under resale commitments	23,886,451	17,109,730
	23,944,017	17,239,585
Unsecured	94,634,517	76,593,510
Total	118,578,534	93,833,095

As at 31 December 1999, security held by the Bank for receivables from banks totalled TCZK 23,944,017 (1998: TCZK 17,239,585). No receivables from banks were secured by agreements on real estate collateral (mortgages), agreements on cession of receivables and not by securities (1998: TCZK 100,000). The collateral value of secured receivables, was calculated based on market values for securities, and discounted in order to reflect the risk of realisation of certain collateral.

Included in security of loans to banks as at 31 December 1999, are securities totalling TCZK 23,886,451 (1998: TCZK 17,109,730) received under resale commitments. No loans were granted to the banking subsidiary during the years 1999 and 1998.

(d) Receivables from banks written off and recovered

TCZK	1999	1998
Write-offs	2,267	54,960
Recoveries	0	0

10. RECEIVABLES FROM CUSTOMERS

(a) Receivables from customers

TCZK	1999	1998
Loans to corporations denominated in CZK	70,483,733	93,309,321
Loans to individuals including entrepreneurs denominated in CZK	30,968,510	49,140,617
Loans to corporations and individuals denominated in foreign currency	12,594,853	18,231,821
Short-term loans for trade receivables		
in CZK	3,890,382	5,252,016
in FCY	131,031	361,459
Loans to customers	118,068,509	166,295,234
less: Adjustments for classified loans	(17,451,031)	(22,782,512)
Net loans to customers	100,617,478	143,512,722
Receivables from securities	0	100,000
Current accounts – overdrafts	26,947	37,826
Receivables for customers total	100,644,425	143,650,548

Included in Receivables from customers are receivables from banks which have had their banking licences revoked. This amount totalled TCZK 1,711,623 (1998: TCZK 2,307,776).

Loans granted to subsidiaries and associated companies were as follows:

TCZK	1999	1998
Corfina, a.s.	1,653,934	1,900,011
Sindat ČS Consulting, a.s.	13,533	13,840
ČS-Factoring, a.s.	991,602	819,633
ČS-Reality, a.s.*	x	361,718
ČS-Živnostenská pojišťovna, a.s.	250,000	300,000
Hotelová společnost, s.r.o.	119,595	141,568
Total	3,028,664	3,536,770

* Exposure to ČS-Reality, a.s. is not included in 1999 as it was not a subsidiary as at 31 December 1999 (see: Note 14).

(b) Analysis of receivables from clients by sector and residual maturity as at 31 December 1999

TCZK	Up to 3 months	Up to 1 year	From 1 to 2 years	From 2 to 4 years	From 4 to 5 years	Over 5 years	Total
Non financial institutions	19,941,573	15,902,464	6,400,874	6,149,748	1,406,157	2,502,952	52,303,768
Financial institutions	894,029	75,897	63,900	53,612	1,724	11,419	1,100,581
Insurance institutions	250,630	1,890	1,970	0	0	0	254,490
Government sector	307,863	879,297	999,032	1,401,448	552,360	926,604	5,066,604
Non profit organisations	35,433	5,002	9,240	10,648	220	2,244	62,787
Self employed	9,415,085	1,245,420	993,584	1,184,943	344,530	1,051,214	14,234,776
Resident individuals	4,560,344	6,266,986	4,980,108	4,282,229	1,965,184	5,422,472	27,477,323
Loans in FCY	2,390,536	3,676,485	2,219,926	2,330,934	776,137	1,188,251	12,582,269
Non resident individuals	107,635	0	0	0	250,000	35,979	393,614
Unallocated	2,095,894	1,701,973	284,824	321,231	99,325	89,050	4,592,297
Total	39,999,022	29,755,414	15,953,458	15,734,793	5,395,637	11,230,185	118,068,509

(b) Analysis of receivables from clients by sector and residual maturity as at 31 December 1998

TCZK	Up to 3 months	Up to 1 year	From 1 to 2 years	From 2 to 4 years	From 4 to 5 years	Over 5 years	Total
Non financial institutions	31,728,817	21,458,132	9,505,309	11,004,503	3,828,316	5,940,013	83,465,090
Financial institutions	1,707,257	83,099	85,166	74,204	0	0	1,949,726
Insurance institutions	300,630	1,890	2,520	1,970	0	0	307,010
Government sector	498,701	2,119,655	1,200,350	1,676,933	575,297	1,023,853	7,094,789
Non profit organisations	69,627	12,194	18,327	17,315	3,979	3,094	124,536
Self employed	11,958,607	1,736,672	1,507,332	1,586,778	397,162	377,812	17,564,363
Resident individuals	3,679,957	6,194,570	5,486,459	5,534,504	2,455,934	8,224,830	31,576,254
Loans in FCY	3,553,731	4,412,410	3,212,235	2,991,169	1,503,705	2,920,030	18,593,280
Non resident individuals	0	3,399,671	0	0	0	250,000	3,649,671
Unallocated	68,617	589,619	517,850	506,729	99,325	188,375	1,970,515
Total	53,565,944	40,007,912	21,535,548	23,394,105	8,863,718	18,928,007	166,295,234

(c) Analysis of receivables from clients by sector and type of security received as at 31 December 1999

	Bank/ state guarantee	Bill of exchange	Mort- gage	Equip- ment	3 rd party guarantee	Cash	Bonds & shares	Ceded receiva- bles	Unse- cured	Total
MCZK										
Non financial institutions	387	5,788	22,126	626	6,905	84	1,278	7,628	7,482	52,304
Financial institutions	0	126	24	0	7	0	0	72	871	1,100
Insurance institutions	0	0	4	0	0	0	0	0	250	254
Government sector	0	10	1,926	0	3,114	2	0	0	15	5,067
Non profit organisations	0	0	55	0	4	3	0	0	1	63
Self employed	86	219	10,399	385	662	36	2	130	2,316	14,235
Resident individuals	0	0	7,057	0	9,084	0	0	0	11,336	27,477
Loans in FCY	158	58	1,185	89	2,434	0	970	3,089	4,599	12,582
Non resident individuals	0	0	0	0	0	0	0	0	394	394
Unallocated	0	115	12	0	494	0	1,723	0	2,248	4,592
Total	631	6,316	42,788	1,100	22,704	125	3,973	10,919	29,512	118,068

(c) Analysis of receivables from clients by sector and type of security received as at 31 December 1998

	Bank/ state guarantee	Bill of exchange	Mort- gage	Equip- ment	3 rd party guarantee	Cash	Bonds & shares	Ceded receiva- bles	Unse- cured	Total
MCZK										
Non financial institutions	689	13,460	36,132	1,626	12,594	495	1,121	8,488	8,860	83,465
Financial institutions	0	137	10	3	25	0	0	86	1,689	1,950
Insurance institutions	0	0	7	0	0	0	0	0	300	307
Government sector	0	15	2,579	1	3,452	5	0	6	1,037	7,095
Non profit organisations	0	0	109	0	11	3	0	0	1	124
Self employed	125	360	11,066	648	1,073	67	6	137	4,082	17,564
Resident individuals	0	0	10,162	0	10,944	0	0	0	10,470	31,576
Loans in FCY	104	199	3,058	1,920	579	60	1,714	3,698	7,261	18,593
Non resident individuals	0	0	0	0	0	0	3,400	0	250	3,650
Unallocated	0	0	15	0	733	0	633	0	590	1,971
Total	918	14,171	63,138	4,198	29,411	630	6,874	12,415	34,540	166,295

Collateral is based on its nominal value. This nominal value is used for calculating adjustments for loans to customers, after deducting a discount for the risk associated with realising a given type of collateral.

(d) Receivables from customers written-off and recovered

TCZK	1999	1998
Non financial institutions	11,368,566	4,749,798
Financial institutions	1,143,234	2,111,216
Government sector	222,467	0
Non profit organisations	4,626	124
Self employed	2,244,003	490,342
Resident individuals	26,182	83,295
Unallocated	26,203	0
Write-offs total	15,035,281	7,434,775
Recoveries total	17,585	13,359

(e) Syndicated loans

During 1999, the Bank was not a lead bank in any syndicated loan participations. At 31 December 1999, syndicated loans in which the Bank was a participant totalled TCZK 143,195,575 (1998: TCZK 157,323,388), and its participation was TCZK 7,443,185 (1998: TCZK 14,107,202). The share of other participants as at 31 December 1999 was TCZK 135,752,390 (1998: TCZK 143,216,186). All participants share the interest on the loan and related risks in a ratio corresponding to the volume of the funds invested.

11. SUPPORT OF THE MAJOR SHAREHOLDER

In accordance with a resolution of the Government of the Czech Republic No. 1178 from 8 November 1999, the framework agreement on the transfer of receivables between ČS and Konsolidační banka Praha, s.p.ú. ("KoB") was concluded on 26 November 1999. The agreement set obligatory conditions for the transfer of doubtful and loss receivables as at 30 November 1999. The receivables in the nominal value of TCZK 32,715,231 were ceded for a contractual price of TCZK 19,885,489. The estimated net book value of the transferred receivables varied between approximately MCZK 13,500 and MCZK 14,500 depending on the valuation of collateral.

12. BONDS AND OTHER FIXED INCOME SECURITIES

(a) Analysis of bonds and other fixed income securities held for trading

TCZK	1999		1998	
	Book value	Market value	Book value	Market value
Issued by financial institutions				
Listed on PSE – main market	5,147,488	5,130,311	7,270,936	7,248,666
Listed on PSE – other	1,174,832	1,173,851	846,003	843,099
Unlisted	2,778,402	2,012,754	5,907,065	4,904,364
	9,100,722	8,316,916	14,024,004	12,996,129
Issued by non financial institutions				
Listed on PSE – main market	3,647,982	3,643,054	4,710,813	4,686,782
Listed on PSE – other	8,379,702	7,838,276	10,359,679	9,996,745
Unlisted	629,048	101,371	1,252,639	801,618
	12,656,732	11,582,701	16,323,131	15,485,145
Issued by government sector				
Listed on PSE – main market	7,230,462	7,232,215	4,467,233	4,452,954
Listed on PSE – other	0	0	0	0
Unlisted	0	0	21,503	21,360
	7,230,462	7,232,215	4,488,736	4,474,314
Total	28,987,916	27,131,832	34,835,871	32,955,588
less: Adjustments	(1,877,623)		(2,059,188)	
Net value of securities	27,110,293	27,131,832	32,776,683	32,955,588
Accrued interest (securities coupons)	1,272,885	1,144,400	1,713,095	1,697,153
less: Adjustments to securities coupons	(128,485)		(15,942)	
Net value of securities coupons	1,144,400	1,144,400	1,697,153	1,697,153
Net value total	28,254,693	28,276,233	34,473,836	34,652,741

As at 31 December 1999, no bonds and other fixed income securities held for trading were subject to resale commitments (1998: acquisition cost of TCZK 152,300 and market value of TCZK 148,537).

As at 31 December 1999 and 1998, no borrowings were received under repurchase commitments secured by bonds and other fixed income securities.

Bonds and other fixed income securities with a residual maturity of up to one year were 17.15% of total bonds and other fixed income securities as at 31 December 1999 (1998: 23.71%).

Included in the portfolio of bonds and other fixed income securities held by the Bank as at 31 December 1999 for trading purposes, were bonds acquired for TCZK 3,923,415 (1998: TCZK 2,886,265) issued by a foreign issuer. A significant portion of these bonds are bonds issued by Russian and Ukrainian issuers (mostly government bonds). Another significant portion are eurobonds denominated in CZK and issued by Commerzbank and Bank Austria Creditanstalt in nominal value totalling MCZK 695. The remaining bonds were issued by Czech issuers.

As at 31 December 1999, the credit exposure of the Bank to bonds issued by Zone B countries (not including the Slovak Republic) totalled MCZK 1,002 (1998: MCZK 1,667). Of this amount, the credit exposure to Russia totalled MCZK 519, with the remainder being bonds issued by Ukrainian issuers. In January 2000, the credit exposure to Ukraine was decreased to nil.

(b) Analysis of bonds and other fixed income securities held for investment

TCZK	1999		1998	
	Book value	Market value	Book value	Market value
Issued by financial institutions				
Listed on PSE – main market	0	0	0	0
Listed on PSE – other	0	0	0	0
Unlisted	6,385,563	5,989,969	6,648,398	6,648,398
	6,385,563	5,989,969	6,648,398	6,648,398
Total	6,385,563	5,989,969	6,648,398	6,648,398
less: Adjustments	(395,594)		0	
Net value of securities	5,989,969	5,989,969	6,648,398	6,648,398
Accrued interest (securities coupons)	0	0	0	0
Net value total	5,989,969	5,989,969	6,648,398	6,648,398

Included in investment securities as at 31 December 1999 and 31 December 1998, are two zero coupon bonds issued by Bankers Trust International ("BTI") in nominal value of TCZK 6,385,563 (1998: TCZK 6,648,398) which yield 4.77% per annum and mature on 14 December 2000.

The Group purchased the above bonds in 1995 from the proceeds of 7,680,402 shares of Český SPIF and 7,735,456 shares of Výnosový SPIF which were sold to BTI. In 1999, both funds were transferred to open-end investment funds, SIS, a.s. – Český OPF ("COPF") and SIS, a.s. – Výnosový OPF ("VOPF") and the shares were converted to share certificates in the funds (3,240 million share certificates of COPF and 2,344 million share certificates of VOPF).

Based on the change in the conditions in 1999, the discount on the bonds was amortised in income on a straight line basis, for the period beginning 14 December 1995 (date of issue). Amortised discount in the amount of TCZK 1,119,506 was recorded as "Interest income".

The bonds were revalued during 1999 and the amortised purchase price was compared with the net asset value of the underlying securities. The aggregate unrealized loss for both bonds as at 31 December 1999 in the amount of TCZK 395,594 (1998: nil) was recorded in the profit and loss account as "Creation of reserves and adjustments for participation interests and other financial investments".

(c) Bonds and other fixed income securities total

TCZK	1999		1998	
	Book value	Market value	Book value	Market value
Bonds and other fixed income securities held for trading	28,254,693	28,276,233	34,473,836	34,652,741
Bonds and other fixed income securities in investment portfolio	5,989,969	5,989,969	6,648,398	6,648,398
Net value total	34,244,662	34,266,202	41,122,234	41,301,139

13. SHARES AND OTHER VARIABLE INCOME SECURITIES

a) Analysis of shares and other variable income securities held for trading

TCZK	1999		1998	
	Book value	Market value	Book value	Market value
Issued by financial institutions				
Listed on PSE – main market	0	0	37,669	37,699
Listed on PSE – other	0	0	0	0
Unlisted	0	0	0	0
	0	0	37,669	37,699
Issued by non financial institutions				
Listed on PSE – main market	183,258	190,589	601,495	500,899
Listed on PSE – other	85,815	88,333	28,386	24,480
Unlisted	493,391	495,050	13,127	7,892
	762,464	773,972	643,008	533,271
Total	762,464	773,972	680,677	570,970
Less: Adjustments	(3,430)		(109,204)	
Net value total	759,034	773,972	571,473	570,970

In 1999 and 1998 there were no shares held under resale commitments included in the book value of shares and other variable income securities held for trading. The Bank also had not purchased any of its own shares for trading purposes.

(aa) out of which shares and other variable income securities held for trading issued by subsidiaries and associates

TCZK	1999		1998	
	Book value	Market value	Book value	Market value
Issued by non financial institutions				
Listed on PSE – main market	0	0	484,755	382,598
Listed on PSE – other	17,194	20,774	20,259	18,070
Unlisted	492,525	494,380	0	0
	509,719	515,154	505,014	400,668
Total	509,719	515,154	505,014	400,668
less: Adjustments	0		(104,349)	
Net value total	509,719	515,154	400,665	400,668

(b) Analysis of shares and other variable income securities held for investment

TCZK	1999		1998	
	Book value	Market value	Book value	Market value
Issued by financial institutions				
Listed on PSE – main market	0	0	0	0
Listed on PSE – other	0	0	0	0
Unlisted	162,912	90,300	162,911	90,300
	162,912	90,300	162,911	90,300
Issued by non financial institutions				
Listed on PSE – main market	0	0	2,107,045	1,810,096
Listed on PSE – other	801,468	1,076,250	1,909,051	1,818,202
Unlisted	3,263,058	3,530,731	48,841	44,931
	4,064,526	4,606,981	4,064,937	3,673,229
Total	4,227,438	4,697,281	4,227,848	3,763,529
less: Adjustments	0		(464,329)	
Net value total	4,227,438	4,697,281	3,763,519	3,763,529

(ba) out of which shares and other variable income securities held for investment issued by subsidiaries and associates

TCZK	1999		1998	
	Book value	Market value	Book value	Market value
Issued by non financial institutions				
Listed on PSE – main market	0	0	2,107,045	1,810,096
Listed on PSE – other	801,468	1,076,250	1,909,051	1,818,202
Unlisted	3,214,629	3,487,194	0	0
	4,016,097	4,563,444	4,016,096	3,628,298
Total	4,016,097	4,563,444	4,016,096	3,628,298
less: Adjustments	0		(387,798)	
Net value total	4,016,097	4,563,444	3,628,298	3,628,298

(c) Shares and other variable income securities total

TCZK	1999		1998	
	Book value	Market value	Book value	Market value
Shares and other variable income securities held for trading	759,034	773,972	571,473	570,970
Shares and other variable income securities in investment portfolio	4,227,438	4,697,281	3,763,519	3,763,529
Net value total	4,986,482	5,471,253	4,334,992	4,334,499

14. PARTICIPATION INTERESTS WITH SUBSTANTIAL OR CONTROLLING INFLUENCE

Participation interests with substantial influence

Name	Address	Amount TCZK		% capital held	
		1999	1998	1999	1998
ČS-Reality, a.s.	Praha 3, Vinohradská 112	x	3,500	x	35%
IC, s.r.o.	Praha 10, Pod strání 8/1262	20	20	10%	10%
ČS-Factoring, a.s.	Praha 8, Pobřežní 46	3,000	3,000	10%	10%
Hotelová společnost, s.r.o.	Praha 4, Marie Cibulkové 34	21	x	10%	x
		3,041	6,520		
less: Adjustments		(2,865)	(4,880)		
Net value of participation interests with substantial influence		176	1,640		

In 1999, the Bank sold its participation in ČS-Reality, a.s. for TCZK 3,000 which represented a 30% share of its registered capital. As at 31 December 1999, the Bank holds 5% of its registered capital, therefore participation in ČS-Reality, a.s. was reclassified to other participation interests under 20%, which are included in shares and other variable income securities in the investment portfolio.

Based on concluded Articles of Association the influence of the Bank on voting rights in Hotelová společnost, s.r.o. was decreased in 1999, therefore this participation was reclassified to participation interests with substantial influence.

Participation interests with controlling influence

Name	Address	Amount TCZK		% capital held		Profit/(loss)
		1999	1998	1999	1998	
Spořitelni investični společnost, a.s.	Praha 1, Řásnovka 12	77,000	77,000	100%	100%	40,692
První česká zajišťovna, a.s.	Praha 1, Na Příkopě 29	1,000	1,000	100%	100%	13
Corfina, a.s.	Praha 8, Střelnická 8/1680	300,000	300,000	100%	100%	2,486
ČS-Živnostenská pojišťovna, a.s.	Pardubice, Smilova 547	1,113,080	913,080	100%	100%	2,315
ČS-stavební spořitelna, a.s.	Praha 7, pplk. Sochora 40	332,750	332,750	60,5%	60,5%	700,149
Spořitelni penzijní fond, a.s.	Praha 1, Rytířská 13	230,000	230,000	92%	92%	131,795
SINDAT ČS Consulting, a.s.	Praha 10, Pod strání 8/1262	510	510	51%	51%	3,374
ČS-Informatika, a.s.	Praha 1, Václavské nám. 21	10,000	10,000	100%	100%	(36)
Hotelová společnost, s.r.o.	Praha 4, Marie Cibulkové 34	x	21	x	10%	(1,195)
Ceska Sporitelna – Finance, B.V.	Netherlands	656	634	100%	100%	(289)
		2,064,996	1,864,995			
less: Adjustments		(1,049,956)	(892,693)			
Net value of participation interests with controlling influence		1,015,040	972,302			

15. INTANGIBLE FIXED ASSETS

Movements in intangible fixed assets

TCZK	Software and other intangible assets	Fixed assets not yet in use	Total
Cost			
At 1 January 1999	1,821,500	174,122	1,995,622
Additions	397,747	366,279	764,026
Disposals	(3,910)	(400,646)	(404,556)
At 31 December 1999	2,215,337	139,755	2,355,092
Amortisation and adjustments			
At 1 January 1999	(591,856)	0	(591,856)
Charge for the year	(517,767)	0	(517,767)
Disposals	1,683	0	1,683
At 31 December 1999	(1,107,940)	0	(1,107,940)
Net book value			
At 1 January 1999	1,229,644	174,122	1,403,766
At 31 December 1999	1,107,397	139,755	1,247,152

16. TANGIBLE FIXED ASSETS

(a) Movements in tangible fixed assets

TCZK	Land and buildings	Furniture & Fittings, other	Fixed assets not yet in use	Total
Cost				
At 1 January 1999	13,939,964	12,633,815	1,228,044	27,801,823
Additions	788,798	746,198	1,807,618	3,342,614
Disposals	(104,623)	(525,806)	(1,957,571)	(2,588,000)
At 31 December 1999	14,624,139	12,854,207	1,078,091	28,556,437
Amortisation and adjustments				
At 1 January 1999	(1,674,908)	(8,213,002)	0	(9,887,910)
Charge for the year	(535,246)	(1,525,751)	0	(2,060,997)
Disposals	90,296	448,612	0	538,908
Adjustments	(90,252)	(128,324)	0	(218,576)
At 31 December 1999	(2,210,110)	(9,418,465)	0	(11,628,575)
Net book value				
At 1 January 1999	12,265,056	4,420,813	1,228,044	17,913,913
At 31 December 1999	12,414,029	3,435,742	1,078,091	16,927,862

(b) Tangible fixed assets held under finance lease

As at 31 December 1999, the Bank had fixed assets with a net book value of MCZK 1,433 (1998: MCZK 1,415) which are subject to leasing agreements in which the Bank acts as lessee.

In 1997, the Bank entered a leasing contract with a related leasing company, Corfina, a.s. for the acquisition of banking equipment totalling MCZK 1,219. The instalments totalled MCZK 400 in 1998 and MCZK 426 in 1999. The maturity date of the contract is in the year 2000.

(c) Non-operational tangible movable fixed assets acquired by the Bank from debtors as a collateral (paragraph 553 of Civil code)

As at 31 December 1999, the Bank booked non-operational tangible fixed assets totalling MCZK 213 (1998: 0) acquired from debtors as collateral in the form of transfer of ownership of movable fixed assets. In these cases, the Bank, as a creditor, used the collateral instrument in accordance with paragraph 553 of the Civil code, i.e. the Bank pledged the debtors' liabilities by the transfer of ownership of movable fixed assets and at the same time loaned the pledged assets to the debtor based on a borrowing contract. The Bank's liabilities arising from the above stated collateral are included in the item "Other liabilities" in the amount MCZK 213 (1998: 0).

17. OTHER ASSETS

TCZK	1999	1998
Other debtors	4,373,812	6,262,151
Other	1,779,731	1,329,123
Total	6,153,543	7,591,274
less: Adjustments	(131,632)	(111,792)
Other assets total	6,021,911	7,479,482

The Bank has ceded selected loss receivables from banks and customers to other subjects. The price for the ceded receivables was set based on the expected return on the ceded receivables, and the remaining balance of receivables was fully written off. The outstanding amount of ceded receivables in 1998 totalled TCZK 2,291,814 and was included in "Other debtors". During 1999, part of these receivables was ceded to KoB (see: Note 11) and the remainder reclassified in accordance with Provision ČNB No. 193/1998 Sb. and included in "Receivables from customers".

18. DUE TO BANKS

Analysis of due to banks by residual maturity

TCZK	1999	1998
Repayable on demand	18,983	4,403,912
Up to 3 months	28,898,039	22,099,362
Up to 1 year	463,328	12,625,794
From 1 to 2 years	2,248,529	226,203
From 2 to 4 years	320,796	1,869,635
From 4 to 5 years	10,576	375,037
Over 5 years	15,864	94,759
Total	31,976,115	41,694,702

Due to banks with a contractual maturity of up to one year includes TCZK 23,886,451 (1998: TCZK 17,102,300), which represents payables from securities transferred under resale commitments.

19. DUE TO CUSTOMERS

(a) Due to customers

TCZK	1999	1998
Current accounts (credit balances)	68,373,356	65,583,920
Savings deposits (excluding government sector)		
repayable on demand	35,956,464	44,149,629
call deposits	134,167,500	138,698,754
term deposits	40,278,307	38,634,160
Accounts with government bodies, municipalities – budgetary sources		
repayable on demand	3,723,278	5,209,206
term deposits	1,179,522	96,605
Accounts with government bodies, municipalities – non-budgetary sources		
repayable on demand	6,928,698	4,697,975
term deposits	297,088	426,785
Loans received from customers	552,483	689,376
Payables from instruments received as collateral	0	0
Due to customers total	291,456,696	298,186,410

(b) Analysis of due to customers by sector and residual maturity as at 31 December 1999

TCZK	Up to 3 months	Up to 1 year	From 1 to 2 years	From 2 to 4 years	From 4 to 5 years	Over 5 years	Total
Non financial institutions	12,806,411	408,857	9,898	526	2,884	0	13,228,576
Financial institutions	1,021,026	7,138	14,675	29,350	14,775	54,095	1,141,059
Insurance institutions	1,039,807	0	0	0	0	0	1,039,807
Government sector	12,584,828	104,140	144	717	0	0	12,689,829
Non profit organisations	4,641,493	122,609	2,627	1,832	0	0	4,768,561
Self employed	9,038,954	108,349	1,975	450	0	0	9,149,728
Resident individuals	130,480,325	32,787,068	58,118,294	27,175,308	4,461	0	248,565,456
Non resident individuals	723,816	129,451	2,504	0	0	0	855,771
Unallocated	17,909	0	0	0	0	0	17,909
Total	172,354,569	33,667,612	58,150,117	27,208,183	22,120	54,095	291,456,696

(c) Analysis of due to customers by sector and residual maturity as at 31 December 1998

TCZK	Up to 3 months	Up to 1 year	From 1 to 2 years	From 2 to 4 years	From 4 to 5 years	Over 5 years	Total
Non financial institutions	12,023,295	113,627	14,475	29,350	14,732	61,483	12,256,962
Financial institutions	877,030	0	0	0	0	0	877,030
Insurance institutions	665,215	0	0	0	0	0	665,215
Government sector	10,811,644	44,465	0	0	0	0	10,856,109
Non profit organisations	5,091,470	42,541	0	0	830	0	5,134,841
Self employed	9,737,858	79,848	0	0	0	0	9,817,706
Resident individuals	128,078,204	43,048,371	58,942,903	28,445,445	3,527	0	258,518,450
Non resident individuals	50,008	0	0	0	0	0	50,008
Unallocated	10,089	0	0	0	0	0	10,089
Total	167,344,813	43,328,852	58,957,378	28,474,795	19,089	61,483	298,186,410

20. CERTIFICATES OF DEPOSIT AND SIMILAR DEBENTURES

Analysis of certificates of deposits and similar debentures by sector and residual maturity as at 31 December 1999

TCZK	Up to 3 months	Up to 1 year	From 1 to 2 years	From 2 to 4 years	From 4 to 5 years	Over 5 years	Total
Non financial institutions	0	500	150	0	0	0	650
Financial institutions	0	0	0	0	0	0	0
Insurance institutions	0	0	0	0	0	0	0
Government sector	0	0	0	0	0	0	0
Non profit organisations	130	170	0	0	0	0	300
Self employed	0	0	0	0	0	0	0
Resident individuals	9,897	10,576	8,930	730	0	0	30,133
Non resident individuals	0	399	15	0	0	0	414
Unallocated	0	0	0	0	0	0	0
Total	10,027	11,645	9,095	730	0	0	31,497

Analysis of certificates of deposits and similar debentures by sector and residual maturity as at 31 December 1998

TCZK	Up to 3 months	Up to 1 year	From 1 to 2 years	From 2 to 4 years	From 4 to 5 years	Over 5 years	Total
Non financial institutions	120	433	75	82	0	0	710
Financial institutions	5	35	65	18	0	0	123
Insurance institutions	0	0	0	0	0	0	0
Government sector	10	0	0	0	0	0	10
Non profit organisations	230	262	328	382	0	0	1,202
Self employed	0	35	0	0	0	0	35
Resident individuals	12,261	26,106	21,204	9,328	35	0	68,934
Non resident individuals	40	0	0	0	0	0	40
Unallocated	0	10	0	0	0	0	10
Total	12,666	26,881	21,672	9,810	35	0	71,064

21. DEBT SECURITIES ISSUED

In February 1997, the Bank issued bonds with a nominal value of TCZK 5,000,000 with a fixed interest rate of 10.75% and a maturity date of 27 February 2002. The bonds have been issued in certificate form and are traded on the main market of the Prague Stock Exchange.

In August 1998, the Bank launched an issue of mortgage bonds with a nominal value of TCZK 500,000. These bonds have a fixed interest rate of 11.85% p. a. and mature in the year 2003. They were issued in book form and are traded on the free market of the Prague Stock Exchange.

22. REGISTERED CAPITAL

As at 1 January 1999, the registered capital totalled TCZK 7,600,000 which is comprised of 11,211,213 preference shares of CZK 100 nominal value each and 64,788,787 ordinary shares of CZK 100 nominal value each.

On 10 March 1999, at an extraordinary shareholder's meeting of the Bank, an increase in registered capital of TCZK 7,600,000 was approved. The subscription process was held in three stages. In the first and second stages, only shareholders with existing subscription rights were allowed to subscribe, whilst the third stage was open to public investors. All newly issued shares were ordinary shares with a nominal value of CZK 100 each. The new subscription was fully paid and registered in the Business Register on 17 September 1999.

As at 31 December 1999 the registered capital totals TCZK 15,200,000 which is comprised of 11,211,213 preference shares of CZK 100 nominal value each and 140,788,787 ordinary shares of CZK 100 nominal value each.

The shareholders of the Bank at 31 December 1999

Name		Number of shares	% ownership
FNM ČR	Praha 2, Rašínovo nábř. 42	79,146,335	52.07
Česká pojišťovna, a.s.	Praha 1, Spálená 16	14,039,166	9.24
European Bank for Reconstruction and Development	Great Britain, London	9,000,000	5.92
Other (less or equal to 3%)		49,814,499	32.77
Total		152,000,000	100.00
out of which held by related parties		5,318	0.003

In June 1996, the Bank issued 5,090,000 Global Depository Receipts ("GDRs"), representing 6.7% of the Bank's share capital. Holders of the GDRs have no voting rights. The depository of the GDRs is Bankers Trust Company, New York. At 31 December 1999, 2,777,034 GDRs were administered by the depository (1998: 1,180,469 GDRs) representing 1.8% (1998: 1.6%) of the Bank's share capital. GDRs are traded on the London Stock Exchange (LSE) and Private Offerings, Resales and Trading through Automated Linkages (PORTAL).

23. RESERVES AND ADJUSTMENTS

(a) Analysis of reserves and adjustments based on purpose and tax implication

TCZK	1999	1998
<i>Tax deductible adjustments for credit losses</i>		
Balance at 1 January	17,675,787	19,010,549
Amounts reclassified from other tax deductible adjustments	0	500
Creation during current year		
Classified loans – Special mention loans and advances	185,318	28,247
– Substandard loans and advances	163,582	186,625
– Doubtful loans and advances	178,322	739,665
– Loss loans and advances	1,174,201	3,301,927
Receivables from debtors in bankruptcy proceedings	3,867,827	3,909,981
Use during current year	(9,703,041)	(9,501,707)
Balance of tax deductible adjustments for credit losses at 31 December	13,541,996	17,675,787
<i>Non tax deductible adjustments for credit losses</i>		
Balance at 1 January	5,140,826	79,205
Creation during current year		
Classified loans – Special mention loans and advances	121,241	18,931
– Substandard loans and advances	184	428,343
– Doubtful loans and advances	373,520	1,132,071
– Loss loans and advances	2,048,717	3,928,493
Receivables from debtors in bankruptcy proceedings	779,623	91
Use during current year	(4,495,711)	(446,308)
Balance of non tax deductible adjustments for credit losses at 31 December	3,968,400	5,140,826
Total adjustments for credit losses at 31 December	17,510,396	22,816,613

TCZK	1999	1998
<i>Other tax deductible adjustments</i>		
Balance at 1 January	109,902	90,035
Amounts reclassified from tax deductible adjustments for credit losses	0	(500)
Creation during current year		
Other receivables from debtors in bankruptcy	16,411	19,840
Non statute barred receivables	6,908	3,836
Use during current year	(3,479)	(3,309)
Balance of other tax deductible adjustments at 31 December	129,742	109,902
<i>Other non tax deductible adjustments</i>		
Balance at 1 January	1,890	34,115
Creation of adjustments for tangible fixed assets	0	0
Use of adjustments for other risks	0	(32,225)
Balance of non tax deductible adjustments at 31 December	1,890	1,890
Total adjustments at 31 December	17,642,028	22,928,405
<i>Tax deductible reserves for credit losses</i>		
Balance at 1 January	633,765	479,253
Creation during current year for:		
guarantees	85,569	83,641
commercial loans	1,317,001	226,067
Use during current year	(349,185)	(155,196)
Balance of tax deductible reserves at 31 December	1,687,150	633,765
<i>Non tax deductible reserves for credit losses</i>		
Balance at 1 January	3,617,683	2,553,399
Creation during current year	2,215,804	2,797,873
Use during current year	(2,570,544)	(1,733,589)
Balance of non tax deductible reserves at 31 December	3,262,943	3,617,683
Total reserves for credit losses at 31 December	4,950,093	4,251,448
<i>Tax deductible reserves for repairs of tangible fixed assets</i>		
Balance at 1 January	57,936	96,840
Creation during current year	42,485	33,755
Use during current year	(18,210)	(72,659)
Balance of reserves for repairs of tangible fixed assets at 31 December	82,211	57,936
<i>Non tax deductible other reserves</i>		
Balance at 1 January	30,000	30,000
Creation during current year	0	0
Use during current year	0	0
Balance of non tax deductible other reserves at 31 December	30,000	30,000
Total reserves at 31 December	5,062,304	4,339,384
Total adjustments and reserves at 31 December	22,704,332	27,267,789

(b) Analysis of adjustments and reserves for on and off balance sheet credit risks

TCZK	1999	1998
Adjustments	17,510,396	22,816,613
Reserves	4,950,093	4,251,448
Total	22,460,489	27,068,061

CNB Regulation No. 193/1998, which stipulates the principles for loan receivables classification and creation of adjustments, requires banks to create additional adjustments for loss receivables that are more than 361 days overdue and that are fully or partially secured by real estate. By 31 December 2000 at the latest, the total volume of additional adjustments which are more than over 361 days past due should cover 100% of the loss receivables value, that is secured by real estate. For this reason, additional adjustments totalling TCZK 2,924,536 have been recorded as at 31 December 1999 (1998: TCZK 2,910,046).

In connection with the transfer of receivables to KoB (see: Note 11) the difference between the nominal value of transferred receivables and the contractual payment from KoB calculated as TCZK 12,829,742 was written-off to profit and loss account in "Other expenses". To cover expenses, adjustments and reserves for credit risks were used, but only up to the level of these reserves and adjustments created within each receivables category as at 1 January 1999 (in accordance with respective tax and accounting regulations). To partially cover the above stated expenses, reserves and adjustments totalling TCZK 11,194,602 were used as at 31 December 1999, of which TCZK 7,609,976 were tax deductible reserves and adjustments.

24. SUBORDINATED LIABILITIES

In 1998, the Bank received a subordinated debt totalling TCZK 5,500,000 from KoB in the form of a loan with a maturity date of 23 December 2008 and an interest rate 6M PRIBOR+1.8%. If the Bank does not realise its option for premature repayment of the loan after the elapse of 5 years, the interest rate shall be increased to 6M PRIBOR+3.7%. On 29 December 1998, the CNB issued a certificate confirming that this subordinated debt is compliant with all regulatory requirements and may be included in additional capital of the Bank for the purposes of calculating the capital adequacy ratio.

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

The Bank has covered the 1998 loss as follows:

TCZK	Retained profits	Statutory reserve fund	Other funds from profit	Capital funds
Balance at 31 December 1998	113,425	7,679,890	105,708	4,376,642
Loss for the year 1998	(6,939,764)	0	0	0
Other allocations	0	0	5,892	1,854
Use of funds to cover loss	6,826,339	(2,343,989)	(105,708)	(4,376,642)
Transfers between funds	0	(195,708)	195,708	0
Other use of funds	0	0	(57,674)	0
Balance after allocation	0	5,140,193	143,926	1,854

Other allocations include contributions to Social Fund totalling TCZK 5,892 which represents instalments of loans granted to employees from the Social Fund and profit from operations of the Bank's leisure and holiday facilities.

The Board of Directors of the Bank proposes to cover the 1999 loss in accordance with Section 23(2) of the Banking Act and Section 34(4) of the Bank's Articles of Association, from the reserve fund.

26. OTHER LIABILITIES

TCZK	1999	1998
Various creditors including advanced payment received	5,671,015	6,261,297
Other	2,330,230	2,253,426
Other liabilities total	8,001,245	8,514,723

27. OFF BALANCE SHEET ITEMS

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

TCZK	1999	1998
Banks		
Bill of exchange acceptances and endorsements	81,134	109,590
Guarantees issued	2,352,979	2,540,925
	2,434,112	2,650,515
Customers		
Guarantees issued	1,682,700	1,638,926
Assets pledged as collateral	721,379	1,135,623
Other contingent liabilities	0	0
	2,404,079	2,774,549
Letters of credit and unused credit lines and commitments to grant a loan	21,693,285	27,035,496

(b) Contingent receivables, guarantees and collateral in nominal value

TCZK	1999	1998
Guarantees received from other banks	16,663,561	25,628,865
Guarantees received from state and other entities	13,951,193	16,223,778
Assets received as collateral	62,566,135	95,058,046
Total	93,180,888	136,910,689

(c) Off balance sheet foreign exchange, interest and other financial instruments

TCZK	1999		1998	
	Receivables	Payables	Receivables	Payables
<i>Risk management instruments</i>				
Forward foreign exchange transactions	686,100	719,580	0	0
FRA	0	0	0	1,600,000
Interest rate swap contracts	1,000,000	1,000,000	4,000,000	4,000,000
Risk management instruments total	1,686,100	1,719,580	4,000,000	5,600,000
<i>Trading instruments</i>				
FRA	40,639,160	40,639,160	34,450,000	32,050,000
Option contracts	0	0	5,266,057	5,266,057
Forward foreign exchange transactions	16,180,352	16,147,630	11,258,989	11,148,177
Spot transactions in interest rate instruments	0	0	129,435	129,435
Spot transactions in foreign exchange instruments	0	0	59,710	59,690
Forward transaction in interest rate instruments	3,348,545	3,348,545	14,076,860	14,076,860
Interest rate swap contracts	13,233,604	13,427,751	6,351,380	6,512,482
Other derivatives	44,540	44,540	14,941	14,941
Trading instruments total	73,446,201	73,607,626	71,607,372	69,257,642
Total	75,132,301	75,327,206	75,607,372	74,857,642

In the course of 1997, the Bank entered into transactions with financial derivatives (swaps), where the underlying instruments were bonds issued by Russian and Ukrainian governments and in one case by a Polish company. At 31 December 1999, the credit exposure resulting from swap transactions with Zone B countries with above mentioned underlying instruments (not including the Slovak Republic) totalled MCZK 556 (1998: MCZK 1,805). The decrease in the exposure is caused primarily by termination of three credit swap contracts linked to Russian government bonds (MinFin) during the first half of 1999. To cover the risks connected with the two remaining swap transactions with Zone B countries, reserves were created totalling MCZK 410, which represents 74% of potential losses.

During the second half of 1999 the Bank entered into three swap contracts, where the underlying instruments were bonds Aero Vodochody denominated in USD, fully granted by the Czech Republic, and bonds of Česká exportní banka. These swaps are synthetic derivatives denominated in CZK with the risk of the Czech Republic, e.g. with risk similar to Czech state bonds.

The above given exposures and corresponding reserves do not include interest rate swaps which are linked to certain bonds with underlying assets being Russian and Ukrainian securities. Such transactions do not bear any risk connected with the mentioned securities. Reserves were created for the total negative market value of swaps, calculated as the net present value of future cash flows.

In total, reserves in the amount of TCZK 2,175,508 (1998: TCZK 2,313,128), were created for off-balance sheet risks, which have been included in Note 23 b) in "Adjustments and reserves for on and off balance sheet credit risks".

28. ASSETS UNDER ADMINISTRATION

The Bank administers assets totalling MCZK 7,040 (1998: MCZK 6,028), representing the following types of products:

MCZK	1999	1998
Securities under administration	3,844	3,221
Securities in custody	466	387
Participation certificates (units) of Bondinvest	0	135
Securities of customers in the depository of the Prague Stock Exchange	2,730	2,285
Total	7,040	6,028

The Bank acts as depository for several investment, mutual and pension funds whose assets totalled MCZK 43,175 (1998: MCZK 28,791).

29. FOREIGN CURRENCY POSITIONS

TCZK	1999	1998
Assets and liabilities in foreign currencies		
Assets		
Denominated in Czech Crowns	342,863,555	356,960,821
Denominated in foreign currencies	21,405,926	23,322,169
Assets total	364,269,481	380,282,990
Liabilities		
Denominated in Czech Crowns	350,243,779	358,395,440
Denominated in foreign currencies	14,025,702	21,887,550
Liabilities total	364,269,481	380,282,990
Foreign currency position		
Foreign currency assets		
Balance sheet	21,405,926	23,322,169
Off balance sheet	12,801,158	12,081,288
Total	34,207,084	35,403,457
Foreign currency liabilities		
Balance sheet	14,025,702	21,887,550
Off balance sheet	29,071,551	21,040,181
Total	43,097,253	42,927,731

30. LOANS GRANTED TO MEMBERS OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD

At 31 December 1999 no loans were granted to the members of the Board of Directors (1998: TCZK 225 under common business conditions). No loans were granted to members of the Supervisory Board during the years 1999 and 1998.

31. SUBSEQUENT EVENTS

(a) Privatization of the Bank

On 22 April 1999, subsequent to a decision of the Government of the Czech Republic made on 19 November 1997 in relation to the approval of the sale of National Property Fund ("FNM ČR's") participating interest in ČS to a strategic partner, an advertisement inviting investors to indicate their interest in buying the state's participating interest in ČS was published. Investors who expressed such an interest and also signed confidentiality agreements with the FNM ČR, received an Information Memorandum on the Bank in August 1999. Based upon a closer inspection of the preliminary proposals received from potential investors, the Government's investment advisor recommended exclusivity be granted to Erste Bank der oesterreichischen Sparkassen AG ("Erste Bank"). The Ministry of Finance granted Erste Bank exclusive rights to ongoing negotiations up until 29 October 1999. During this period, the first phase of the potential investor's due diligence of the Bank was performed and subsequent to its completion, Erste Bank presented a revised preliminary offer to purchase FNM ČR's share in ČS.

As part of the privatisation process of ČS, certain assets were transferred to KoB (see: Note 11) and certain ring-fenced arrangements (see: Note 31b) were entered to ensure that a significant portion of ČS' credit risks were eliminated and that potential future problems with respect to the quality of the loan portfolio were minimised.

Based on the recommendation of the Privatisation Management Steering Committee for the privatisation of banks, Erste Bank's exclusivity was extended until 31 January 2000. On 2 February 2000, the Government of the Czech Republic announced its decision to sell its 52% stake in ČS to Erste Bank and on 1 March 2000, representatives of the FNM ČR and Erste Bank signed the Share Purchase and Sale Agreement.

Erste Bank has committed to increase the registered capital of the Bank and/or its subsidiaries by at least CZK 4 billion by 30 June 2002. The full amount of the registered capital increase will be subscribed and paid by Erste Bank, its subsidiaries or some other strategic partner which has been pre-approved by FNM ČR.

The Agreement also specifies certain future potential liabilities of the Bank which may result from offering lending programs to selected economic segments in the Czech Republic. The impact of these potential liabilities on the future financial position of the Bank cannot be quantified at the present time.

(b) Restructuring and Guarantee Agreement

On 1 March 2000, ČS, Corfina, a.s. and KoB signed a Restructuring and Guarantee Agreement ("Agreement"). The successful transfer of 52.07% to Erste Bank of ČS' shares, which remain under the control of FNM ČR, is the event which initiates the terms and conditions of the Agreement.

Under the terms of the Agreement, KoB guarantees the net asset value of certain ring-fenced arrangements and selected financial derivatives at their value as accounted for in ČS' accounting records as at 31 December 1999. Based on the Agreement, ČS has an option to sell and KoB is obligated to buy, the ring-fenced arrangements from ČS for a predefined price, which is equal to the assets' net book value, in aggregate amounts which do not exceed a predefined annual limit. Reciprocally, KoB has an option to buy ring-fenced arrangements at the same predefined price subject to the same annual limits. In addition, the Agreement enables ČS and KoB to exercise in 2002, a one time option to buy/sell all of the ring-fenced arrangements for which options have not been previously exercised.

The ring-fenced arrangements include listed loans due from corporate clients (legal entities) classified as substandard, doubtful or loss in accordance with the Czech National Bank's rating principles at 31 December 1999. Further, the ring-fenced arrangements include specified bonds, interbank exposures, financial derivatives and off-balance sheet liabilities. The total nominal value of the ring-fenced arrangements is MCZK 24,827 with a guaranteed value of MCZK 15,186.

If certain conditions are met, the Agreement allows, until June 2001, additional loans to be 'put' into ring-fenced arrangements, without any limitations, in relation to loans from legal entities classified as standard or inspected as at 31 December 1999.

During the term of the Agreement (not beyond 2005), the ring-fenced arrangements remain in ČS' balance sheet and are subject to certain conditions and managed by ČS under specific rules. Income realised on the ring-fenced arrangements is earned by KoB (except in some cases, the income is earned by ČS due to an offsetting decrease in the transfer price of such ring-fenced arrangements). KoB reimburses ČS for the interest cost of carrying the portfolio in its balance sheet and also pays a motivation fee for payments collected by ČS.

As the Agreement relates to the balances of ring-fenced arrangements as at 31 December 1999, ČS did not create provisions to cover any potential credit risks associated with these arrangements in the amount of TCZK 1,142,066.