



**Interim Report 2001**

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International Accounting Standards, consolidated, unaudited

Czech Accounting Standards, unconsolidated, unaudited

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## Development of the Czech Economy in the First Half of 2001

In 2000 the growth of the Czech economy accelerated from a year-on-year value of -0.8% to 3.1% thanks to strong growth in investment. Investment was financed by ongoing investment inflows from abroad. A portion of these inflows were related to privatization, but a large portion (around 50%) of the overall investment figure was attributable to green field projects. The growing number of companies with operations in the Czech Republic meant increased demand for labor, which in turn improved the situation in the labor market. A wider range of job opportunities and growing real wages will support household demand in the future. For this reason, we expect to see household demand take over the role of primary driver of economic growth within the next two years, leading to growth in the gross domestic product (GDP) in the 3 – 4% range.

**GDP growth** in the first quarter of this year moved forward at an annualized rate of 3.8%. It was attributable primarily to investment (7.3%) and household demand (3.9%). Government consumption retained its slightly downward trajectory (-0.7%) despite the widening public budgets deficit. Another factor in the first quarter GDP figure was the deteriorating foreign trade balance. While exports rose by 20%, imports were up by 22% in real terms over the same period the year before. The gross domestic product for the first three months of this year can be seen as a positive sign. The growth was driven by both domestic demand and investment, which guarantee growth in labor productivity. The productivity growth will both compensate manufacturers for increased labor costs and also minimize the inflationary impact of increased consumption.

Following a temporary seasonal upswing, **unemployment** fell to 8.1% in May, which is 60 basis points lower than the year before and the lowest unemployment figure since May 1999. The **average monthly wage** increased by 9.3% in the first quarter, compared to 7.2% in the fourth quarter of last year. Real growth increased from 2.9% to 5%. The pace of wage growth increased primarily due to the introduction of new wage tariffs in the public sector.

**Industrial production** grew by 10.3% during the first four months of this year. This growth was driven primarily by foreign and investment demand. April's growth showed that production for export increased by 19% in year-on-year terms while investment production jumped even more, by 25.5%. Companies under foreign control grew production by 19.7% in year-on-year terms. Labor productivity in industry rose at an annual pace of 8.3% during the period from January to April. Wage growth during the same period reached only 7.5%, which indicates higher competitiveness and good prospects for Czech exports. Strong productivity growth restricts the danger of higher wages spurring inflation. Industrial output is heavily dependent on growth in exports. For this reason, development in the industrial sector is more dependent on economic growth in Germany than on domestic factors such as monetary and fiscal policy. Recently, the economic growth figures that have been coming out of Western Europe are none too encouraging and represent one of the short-term risks of the Czech economy. The ongoing decline in the German business confidence index (IFO) could be a bad sign for Czech exports and, thereby, for Czech industry as well. The manufacturing sector (electrical and optic equipment and manufacture of vehicles) appear to be highly sensitive to the economic cycle in Western Europe.

**Construction** continued to grow, driven by investment. During the first four months of this year, construction output grew at an annual rate of 15.4%. The construction industry was supported by increased demand for office space and industrial building projects. This strong growth in construction is an indicator of the ongoing trend in investment demand.

At the beginning of this year the **foreign trade deficit** widened and is currently on track to reach a whole-year figure of CZK 140 – 180 billion, compared to CZK 127 billion in 2000. The current account deficit was lower due to the surplus on the financial account and for this reason, neither the market nor the central bank view the trend in foreign trade as anything dangerous. However, over the long term there is the threat that, after foreign direct investment dries up, the Czech economy will lose its one source for financing the foreign trade deficit. Such a development would in all likelihood lead to a currency devaluation and temporary inflationary pressures.

**Inflation** rose at a relatively quick pace in April, May and June, up 5.5% from the same period the year before. This inflation was caused primarily by growth in food and transport prices. As a consequence of last year's high basis of comparison, we can expect inflation measured in terms of the Consumer Price Index (CPI) to decline by 40 – 60 basis points by the end of this year. For this reason, we also expect inflationary pressures to let up in early 2002 as well. One potential risk is that a temporary increase in the CPI will raise expectations of inflation and have an impact on wage growth.



## **Consolidated Financial Performance Results of Česká spořitelna for the First Half of 2001 according to International Accounting Standards (IAS), unaudited**

*The first-half 2001 consolidated financial performance results according to International Accounting Standards are not available in a comparable structure (it was not until July, 2000, in conjunction with privatization, that the Bank began to regularly compile consolidated IAS financial results using Erste Bank methodology). For this reason, comparisons are based on a proportion of the IAS financial performance results for the period January – July 2000.*

In the first half of 2001, according to International Accounting Standards, Česká spořitelna posted a consolidated **net profit less minority shares** of CZK 796 million, up 68% (CZK 322 million) from the same period last year. The Return on Equity (ROE) indicator is 6.9% and the cost/income ratio is 73.6%. Compared with the first half of 2000, net operating income was also up, by 7% (CZK 177 million), which means that revenue growth exceeded growth in expenses as a result of the ongoing transition and cost restructuring, despite lower gains on capital markets trading.

**Net interest income** significantly grew by 26% (CZK 1,433 million) in year-on-year terms, reaching CZK 6,903 million, primarily as a result of growth in primary deposits and their trading on the assets side of the balance sheet, as well as changes in the assets structure with a focus on higher-yield assets. This is attested to, among other factors, by the fact that the net interest margin grew by 0.3 of a percentage point to 3.0%. At the same time, interest income grew by 7% (CZK 893 million) while interest expense fell by 8% (CZK 540 million) as a result of structural changes in primary deposits – greater growth in deposit volume in relatively low-interest products (sporožiro accounts, cash accounts) and a gradual decline in passbook deposits.

In year-on-year terms, **creation of reserves and provisions to loan risks** declined by 16% (CZK 234 million) to CZK 1,237 million. The development of reserves and provisions in the first half of 2001 reflected structural change in the loan portfolio as more loans were reclassified for the special regime laid down by the Restructuring and Guaranty (Ring Fencing) Agreement. Other factors influencing the first-half results were related to the new culture in loan risk management and new approaches to lending. Methodology changes also had an influence on creation of reserves and provisions.

**Net fee and commission income** rose substantially, by 38% (CZK 879 million), compared to the same period last year, reaching CZK 3,197 million. This was attributable primarily to a substantial increase in income from sales of products and services. This growth was influenced by the ever growing number of realized transactions and, no less importantly, by the increasingly wide range of products and services offered. The largest components in fee and commission income were income from payments transactions (CZK 2,245 million), lending (CZK 545 million), and securities trading (CZK 138 million).

**Net trading income** declined substantially in year-on-year terms, by 67% (CZK 809 million) to CZK 397 million, primarily in the securities trading area as a result of a slump in the capital markets, seen especially in the first quarter of 2001. On the other hand, more favorable performance was achieved in forex trading.

**General administrative expenses** rose by 21% (CZK 1,326 million) over the same period last year, to a level of CZK 7,726 million. Most of the growth was in purchased goods and services and resulted from extensive changes in technology and the ongoing transition process. Purchased goods and services account for 42% (CZK 3,254 million) of administrative expenses. IT and data processing costs amounted to CZK 742 million, office space expenditures were CZK 450 million, and trading costs totaled CZK 399 million. Employee expense (wages and social expenses), at

40% (CZK 3,102 million), represents the second largest component in administrative expenses. Depreciation of tangible and intangible assets comprised the remaining 18% (CZK 1,370 million).

The loss represented by **other operating results** was CZK 369 million, an improvement of 35% (CZK 202 million) over the same period last year. The level of other operating results for the first half of last year was substantially impacted by creation of a restructuring provision. The factors influencing the first-half 2001 other operating results included increased accruals of the Deposit Insurance Fund contribution related to the growth in primary deposits and a faster rate of growth in insured deposits. Another factor in the other operating results, compared to the same period last year, was increased creation of technical provisions by ČS-Živnostenská pojišťovna and worse performance by Spořitelní investiční společnost due to the capital markets slump in the first half of this year.

Income taxes of the consolidated group, which were up by CZK 280 million over the same period last year, were influenced primarily by accruals of the impact of the planned-for decrease in deferred tax at the parent Bank, due in particular to the anticipated drawdown of tax losses carried forward from past years.

The **total assets** figure rose by 8% (CZK 34.4 billion) during the first half of 2001, reaching CZK 472.4 billion. The largest component on the liabilities and equity side of the balance sheet, at CZK 381.0 billion, was **primary deposits**, which were up by 7% (CZK 23.5 billion) for the first half. Nearly the entire growth in primary deposits took place at the parent Bank, mainly in spořicí and cash accounts. Česká spořitelna's primary deposits amount to CZK 351.4 billion and those of ČS-stavební spořitelna total CZK 26.0 billion. Inter-bank liabilities grew by 33% (CZK 5.5 billion) compared to year-end 2000. Shareholders' equity was up 4% (CZK 0.8 billion) for the same period, due in particular to the profit result achieved in the first half.

Compared to year-end 2000, **receivables from clients** increased by 3% (CZK 4.6 billion) to reach CZK 139.5 billion. The loan volume of Česká spořitelna itself is CZK 129.1 billion. Out of this amount the consumer loan portfolio volume consists of CZK 33,1 billion, of which social loans account for CZK 10.6 billion. Commercial consumer loans including mortgages rose 12% (CZK 2.5 billion) during the first six months of this year to a level of CZK 22.5 billion. The volume of loans to organisations and businessmen is 69.0 billion, with 3% growth (CZK 2,9 billion) in the first half of 2001.

The components showing the highest rate of growth were **mortgages and municipal loans**. Loans to the municipal sector grew by 29% during the first half to an amount of CZK 6.4 billion. Mortgages were up CZK 1.5 billion, which represents growth of 22%, to CZK 8.3 billion. In the first half of 2001, the **structure of the parent Bank's loan portfolio** developed under the influence of the ongoing client reclassification process. The first half saw the completion of the process of analyses, documentation compilation, and submission of the list of doubtful clients to Konsolidační banka. This concluded the first phase of the reclassification process. The portfolio of ring-fenced loans was relatively stable throughout the period in question; earmarked and reclassified items amounted to CZK 19.3 billion as of 30 June 2001, which represents an increase of 5.5% for the first half. This trend resulted in particular from retirements of existing items and the inclusion of new loans in 2001. The loan reclassification and ring-fencing process had a fundamental impact on loan portfolio quality. Overall, we can state that the quality of the non-ring-fenced portfolio exhibited a moderate improvement during the first half, despite increased lending activity.

A substantial increase in inter-bank receivables during the first six months of 2001 of 19%, or CZK 29.6 billion, to CZK 184.7 billion is related primarily to placements of new cash funds from the growth in primary deposits. The overall **securities portfolio** grew by 6% (CZK 6.4 billion) compared to year-end 2000 and amounted to CZK 119.7 billion. However, there were large shifts within the securities portfolio: assets earmarked for trading fell steeply and financial investments rose substantially. These movements were related primarily to the application of international accounting standard 39. The decline in the cash on hand, deposits with ČNB of 29% (CZK 6.1 billion) from year-end 2000 to CZK 15.0 billion is related to the change in how mandatory minimum reserve balances with the ČNB are limited.

## TRANSFORMATION PROCESS

For Česká spořitelna and its clients, the **year 2001** is a continuation of a **fundamental transformation**. In the first half of this year, clients of Česká spořitelna experienced the first visible changes brought by eighteen months of effort began in July 2000. Most of the analyses necessary to carry out the many changes ongoing in 2001 were completed late last year in the framework of over twenty transition projects.

Most of the projects are concentrated on **improving internal processes and increasing efficiency**, but their end result is that clients will experience improved service along with a better and wider range of services. Following a division of teller responsibilities between simpler cash operations and more complicated commercial services in late 2000, February saw the installation of **drop-boxes** throughout the branch network. These drop-boxes are an alternative way of placing payment orders and are now used for 60% of all payment orders placed at Česká spořitelna branches. The drop-boxes substantially expedited client service, cutting waiting times and resulting in greater client independence.

In January we kicked off the most intensive training program yet for employees that come into contact with clients. Over 7,000 teller employees received training in communication from carefully selected and prepared trainers with the aim of improving their client-oriented approach. January also saw the formation of an **ombudsman position**, the first ever in the banking sector. Like other recent initiatives, the ombudsman's principal mission is to increase clients' satisfaction with the services of Česká spořitelna. During the first half of 2001, over 4,000 clients turned to the ombudsman with their questions, suggestions, and problems. Extraordinary attention is paid to reactions of clients, whether positive or negative. Another accomplishment of the first half was the creation of **quality standards** that unite the quality level of services provided at the branch level. These are just some of the measures that combined to bring about a major shift towards increased service quality and service staff helpfulness.

In Prostějov, Česká spořitelna began preparations for a **non-stop telephone Client Center**, accessible 24 hours a day, 7 days a week. The Client Center will give clients a simple way to gain access to information on the products and services of the Česká spořitelna Financial Group as well as a simple and fast way to carry out banking transactions. The Client Center will be put into operation this autumn.

In accordance with last year's privatization memorandum, the Bank prepared the following special programs, dubbed **TOP programs**: Bydlení (Housing), Podnik (Corporate), Kapitál (Capital) a Partner. The **TOP Bydlení** program was kicked off in June 2001, focusing on support for private housing. Thanks to low-interest mortgage loans, clients can finance the purchase of new apartments and houses or even the purchase and subsequent renovation of an older property. April, 2001, saw the commencement of the **TOP Podnik** program which aims to provide long-term financing at advantageous terms to support the growth of mid-sized corporations with annual turnover in the CZK 30 million to CZK 1.5 billion range in the areas of industry, commerce, services, agriculture, and food processing. In the **TOP Kapitál** program, which will start in the second half of 2001, Česká spořitelna will provide capital for the development of promising industrial companies. The first of the programs to be commenced, in October 2000, was **TOP Partner**, which is designed to generate funding to support the arts, science, sport, as well as societal and social development and health care.

In May 2001, according to plan, the Česká spořitelna Card Center was converted into a new, modern operation with a higher software version that will bring greater database performance. The upgrade of our full-fledged back-up center was completed one month after that.

Česká spořitelna puts heavy emphasis on the **development of direct banking**. During the first half of this year, existing products were developed and new, alternative approaches to banking products and services were added to the product range. In late 2000, the Bank offered to extend consumer loans directly at merchants' who are its trading partners. Starting in March 2001, merchants can send in consumer loan applications over the Internet. In February we launched upgraded versions of the **Sporotel Telebanking** and **Sporotel SMS** services, which provide considerably wider possibilities for carrying out transactions over the telephone. The number of Sporotel users rose during the first half-year by 176,000 (to 428,000 total). At the end of May, the Bank began offering its clients **Internet banking** service with the option of using **WAP**-enabled mobile phones for access. The service is available 24 hours a day all year long, at practically any location in the world. Internet banking allows for common transactions to be carried out on sporožiro accounts and a high degree of security is achieved through a combination of passwords and an authentication calculator. In cooperation with Radiomobil, we launched the service **GSM banking SIM Toolkit**, which allows clients to manage their sporožiro accounts using GSM mobile telephones. Maximum security is assured by a combination of a password and the SIM Toolkit standard under which all messages transferred are encrypted directly in the mobile handset and not decrypted until they reach the Bank. The number of electronic banking users grew compared to year-end 2000 by 66%, to 438,000.

The period until the end of 2001 will be a very demanding one for Česká spořitelna as most of the key milestones in the Bank's transition are to be achieved during the next half-year. As early as this autumn, clients will begin to come in contact not just with the Bank's new logo and new corporate colors, but most importantly with a new client-oriented approach which is already being rolled out, supported by new marketing tools and internally restructured branches. In parallel with these initiatives, we will be adapting and simplifying internal processes, implementing the SAP and Symbols information systems, and rationalizing support functions.

**The Restructuring and Guaranty (Ring Fencing) Agreement** which is based on the Czech Government resolution on the privatization of Česká spořitelna and which was entered into on 1 March 2000 among Česká spořitelna and Corfina, on one hand, and Konsolidační banka, on the other, stipulates that as of 30 June 2001, Česká spořitelna was entitled to transfer to Konsolidační banka a portion of the loans classified as non-standard, doubtful, or loss-making as of 31 December 1999 in accordance with ČNB rules.

Pursuant to this Agreement, Česká spořitelna transferred to Konsolidační banka as of 1 July 2001 non-performing assets in a total amount of CZK 7.9 billion. Česká spořitelna exercised its put option on doubtful and loss-making assets fully, and Konsolidační banka exercised its call option only partially. After a thorough analysis of corporate clients and in accordance with the Restructuring and Guaranty Agreement, Česká spořitelna decided to leave selected loans in the non-standard categories in its portfolio in cases where the companies in question have good prospects and real potential for growth and further development. In the case of these selected clients, Česká spořitelna expects that, with regard to the development of their cash flows and basic capital, they will be able to meet their obligations in the foreseeable future.

■ EXPECTED DEVELOPMENTS IN SECOND HALF OF 2001

In the second half of 2001, like in the first half, Česká spořitelna's commercial operations will be focused primarily on creating a springboard to achieving our fundamental mid-term goal, which is a consolidated **Return on Equity (ROE) for 2002 of 18%** according to IAS and a cost/income ratio less than 70.0%. At the same time, however, the second half-year will see the continuation of a number of major changes that will make it possible to meet profit targets in the years to come. The Bank's profit development will be influenced by a number of projects focused on transition processes, key investments such as the new Client Center and IT development – especially the implementation of the integrated information system consisting of Symbols and SAP, ongoing work force reductions and, last but not less important, the effort to bring about major revenue growth. The entire year 2001 is characterized by three central themes: building a desirable Bank-wide sales and service culture, achieving greater levels of performance and efficiency, and creating the necessary credit risk management culture.

In comparison with the first half of 2001, in the second half we expect to see, on the assets side of the balance sheet, due to structural changes in assets allocation, a decline in inter-bank receivables and growth in the securities portfolio, primarily in the financial investments segment. Receivables from clients are also expected to decline somewhat, due to the transfer of loans to Konsolidační banka under the put/call option. On the liabilities and equity side of the balance sheet, we expect the second half to bring only moderate growth in primary deposits and a decline in inter-bank payables.

In the principal income statement items, we expect to see, compared to 2000, a continuation in the trend established in the first half of this year. Growth in net interest income supported in particular by structural shifts of assets into higher-yield financial instruments, growth in net fee income based on growing volumes in the payments business, a major push in the sales area, and growth in fees and commissions tied to increases in service quality, as well as growth in general administrative expenses related to demanding technology and transition programs. At the end of 2001, Česká spořitelna expects to post net income/equity at least 6.0% and a income/expense ratio of 72.0% – 73.0%.

**CONSOLIDATED BALANCE SHEET AS AT 30 JUNE**

**ACCORDING TO INTERNATIONAL ACCOUNTING STANDARDS**

<b>MCZK</b>	<b>30. 6. 2001</b>	<b>31. 12. 2000</b>
1. Cash and balances with ČNB	15,038	21,144
2. Loans and advances to financial institutions	184,723	155,144
3. Loans and advances to clients	139,490	134,900
4. Provisions for losses on loans and advances	-24,503	-23,523
5. Trading securities	19,008	47,017
6. Securities available for sale	18,217	11,132
7. Investment securities	82,447	55,082
8. Intangible assets	1,475	1,603
9. Property and equipment	16,355	16,583
10. Other assets	20,166	18,973
<b>Total assets</b>	<b>472,416</b>	<b>438,055</b>
1. Amounts owed to financial institutions	22,237	16,709
2. Amounts owed to clients	381,022	357,477
3. Bonds in issue	5,165	5,175
4. Provisions for liabilities and other reserves	4,199	3,827
5. Other liabilities	29,776	25,676
6. Subordinated debt	5,500	5,500
7. Minority interests	1,030	1,036
8. Shareholders' equity	23,487	22,655
<b>Total liabilities and shareholders' equity</b>	<b>472,416</b>	<b>438,055</b>

**CONSOLIDATED PROFIT AND LOSS ACCOUNT AS AT 30 JUNE**

**ACCORDING TO INTERNATIONAL ACCOUNTING STANDARDS**

<b>MCZK</b>	<b>30. 6. 2001</b>	<b>30. 6. 2000*</b>
1. Interest income	13,268	12,375
2. Interest expense	-6,365	-6,905
<b>I. Net interest income</b>	<b>6,903</b>	<b>5,470</b>
3. Provisions for losses on loans and advances	-1,237	-1,471
4. Fee and commission income	3,394	2,501
5. Fee and commission expense	-197	-183
<b>Net fee and commission income</b>	<b>3,197</b>	<b>2,318</b>
6. Net profit/(loss) on financial operations	397	1,206
7. General administrative expenses	-7,726	-6,400
8. Other operating income/(loss)	-369	-571
<b>II. Profit/(loss) before taxes</b>	<b>1,165</b>	<b>552</b>
9. Income tax expense	-312	-32
<b>III. Profit/(loss) after taxes</b>	<b>853</b>	<b>520</b>
10. Minority interest	-57	-46
<b>IV. Net profit/(loss) for the period</b>	<b>796</b>	<b>474</b>



**SELECTED FINANCIAL AND TRADING PERFORMANCE INDICATORS**

	30. 6. 2001	30. 6. 2000
Income/expense ratio	73.6%	71.2%
Net income/equity	6.9%	4.1%
Net income/total assets	0.3%	0.2%
Net interest margin	3.0%	2.7%
Classified loans/total loans (ČS)	27.5%	28.3%
Number of active cards	2,128,243	1,800,153
Number of ATMs	931	876
Number of merchants who are ČS contractual partners	13,715	13,692
Number of branches (ČS)	702	793
Number of employees, head count (ČS)	13,014	14,675

	30. 6. 2001	31. 12. 2000
Capital adequacy	16.6%	16.0%

**NET PROFIT AFTER TAX OF ČESKÁ SPOŘITELNA FINANCIAL GROUP MEMBERS  
ACCORDING TO INTERNATIONAL ACCOUNTING STANDARDS**

MCZK	30. 6. 2001	30. 6. 2000*
Česká spořitelna	1,009	453
ČS-stavební spořitelna	82	116
Spořitelní investiční společnost	-27	509
Corfina	58	50
Spořitelní penzijní fond	67	88
ČS-Živnostenská pojišťovna	46	6
Sindat ČS Consulting	8	2

*\*) The first-half 2001 consolidated financial performance results according to International Accounting Standards are not available in a comparable structure (it was not until July, 2000, in conjunction with privatization, that the Bank began to regularly compile consolidated IAS financial results using Erste Bank methodology). For this reason, comparisons are based on a proportion of the IAS financial performance results for the period January – July 2000.*

**Unconsolidated Balance Sheet as at 30 June  
according to Czech Accounting Standards**

TCZK	30. 6. 2001			30. 6. 2000
	Gross amount	Adjustment	Net amount	
<b>ASSETS</b>				
1. Cash in hand, balances with central banks and post office banks	17,266,134	0	17,266,134	15,812,944
2. State treasury bills and other bills eligible for refinancing with the ČNB	91,187,765	0	91,187,765	88,084,652
a) state treasury bills	11,243,661	0	11,243,661	46,641,734
b) other treasury bills	79,944,104	0	79,944,104	41,442,918
3. Receivables from banks	170,161,675	0	170,161,675	135,991,700
a) repayable on demand	278,770	0	278,770	827,652
b) other receivables	169,882,905	0	169,882,905	135,164,048
of which: subordinated assets	0	0	0	0
4. Receivables from clients	129,209,548	18,129,533	111,080,015	94,991,193
a) repayable on demand	21,966,137	18,129,533	3,836,604	3,295,666
b) other receivables	107,243,411	0	107,243,411	91,695,527
of which: subordinated assets	0	0	0	0
5. Bonds and other fixed income securities for trading	10,025,984	477,906	9,548,078	8,237,766
a) issued by banks	548,433	94,692	453,741	2,523,047
of which: own bonds	1,559	0	1,559	106,555
b) issued by other entities	9,477,551	383,214	9,094,337	5,714,719
6. Shares and other variable yield securities for trading	4,136,438	118,740	4,017,698	921,293
7. Participation interests with substantial influence	41	41	0	2,410
a) in banks	0	0	0	0
b) in other entities	41	41	0	2,410
8. Participating interests with controlling influence	2,416,053	1,173,596	1,242,457	1,189,603
a) in banks	332,750	0	332,750	332,750
b) in other entities	2,083,303	1,173,596	909,707	856,853
9. Other financial investments	75,727,118	0	75,727,118	31,919,353
10. Intangible fixed assets	3,620,058	2,086,777	1,533,281	1,038,447
a) establishment costs	0	0	0	0
b) goodwill	229,885	43,103	186,782	0
c) other	3,390,173	2,043,674	1,346,499	1,038,447
11. Tangible fixed assets	26,907,211	11,177,626	15,729,585	16,070,308
a) land and buildings for the purpose of banking activities	15,407,172	3,165,476	12,241,696	12,102,010
b) other	11,500,039	8,012,150	3,487,889	3,968,298
12. Treasury shares	5,002	0	5,002	0
13. Other assets	17,088,697	140,110	16,948,587	8,043,002
14. Shareholder receivables from capital subscribed but not paid	0	0	0	0
15. Prepayments and accrued income	3,663,318	0	3,663,318	3,744,124
<b>16. TOTAL ASSETS</b>	<b>551,415,042</b>	<b>33,304,329</b>	<b>518,110,713</b>	<b>406,046,795</b>

<b>TCZK</b>	<b>30. 6. 2001</b>	<b>30. 6. 2000</b>
<b>LIABILITIES AND EQUITY</b>		
1. Due to banks	102,792,202	52,419,198
a) repayable on demand	154,380	21,740
b) other payables	102,637,822	52,397,458
2. Due to clients	353,605,347	307,064,921
a) saving deposits	238,585,238	218,972,961
of which: repayable on demand	32,166,806	30,646,355
b) other payables	115,020,109	88,091,960
of which: repayable on demand	110,846,676	87,535,520
3. Certificates of deposit and similar debt securities	5,500,000	5,516,094
a) certificates of deposit	0	16,094
b) other	5,500,000	5,500,000
4. Deferred income and accrued expenses	3,619,177	4,039,251
5. Reserves	7,420,309	5,693,056
a) reserves for standard loans and guarantees	5,493,839	2,056,067
b) reserves for FX losses	0	0
c) reserves for other banking risks	954,154	3,522,886
d) other reserves	972,316	114,103
6. Subordinated liabilities	5,500,000	5,500,000
7. Other liabilities	17,523,642	10,076,955
8. Share capital	15,200,000	15,200,000
of which: registered share capital paid up	15,200,000	15,200,000
9. Share premium	0	0
10. Reserve funds	489,977	246,977
a) obligatory reserve funds	489,977	246,977
b) reserve fund linked for treasury shares	0	0
c) statutory reserve funds	0	0
d) other reserve funds	0	0
11. Capital funds and other funds from profit	121,695	110,830
a) capital funds	1,904	1,786
b) other funds from profit	119,791	109,044
12. Retained earnings or (losses) from previous periods	4,494,110	0
13. Profit/(loss) for the accounting period	1,844,254	179,513
<b>14. TOTAL LIABILITIES AND EQUITY</b>	<b>518,110,713</b>	<b>406,046,795</b>

<b>TCZK</b>	<b>30. 6. 2001</b>	<b>30. 6. 2000</b>
<b>OFF-BALANCE SHEET</b>		
1. Total potential future liabilities	4,022,935	3,375,007
a) acceptances and endorsements	29,987	50,291
b) payables resulting from guarantees	3,992,948	3,324,716
c) payables resulting from collateral	0	0
2. Other irrevocable liabilities	40,362,495	23,859,939
3. Receivables from spots, term and option transactions	467,184,149	128,259,577
4. Liabilities from spots, term and option transactions	465,755,786	128,297,151

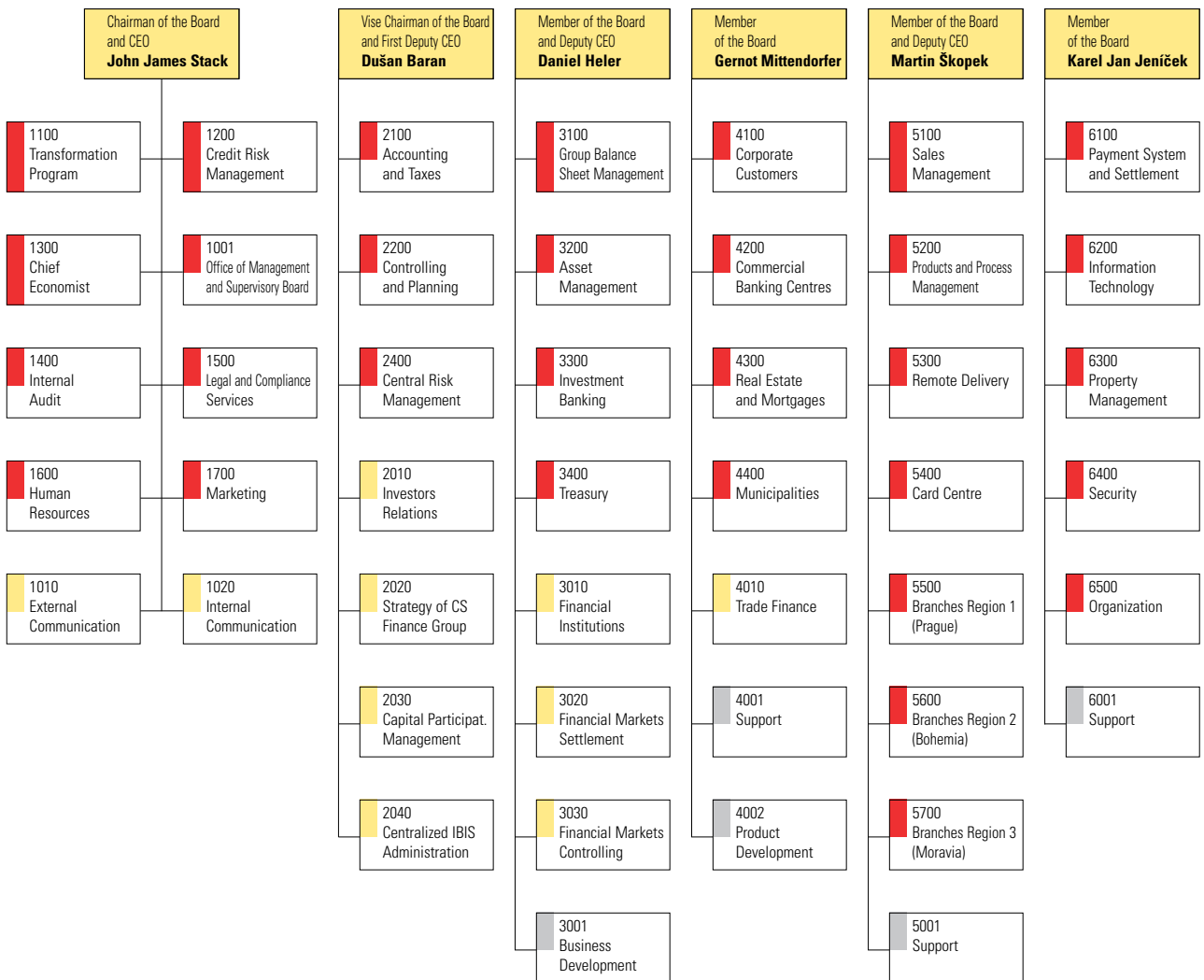


**Unconsolidated Profit and Loss Account as at 30 June  
according to Czech Accounting Standards**

<b>TCZK</b>	<b>30. 6. 2001</b>	<b>30. 6. 2000</b>
1. Interest income and similar income	12,172,131	10,915,674
of which: interest income from fixed income securities	3,118,302	2,387,577
2. Interest expense and similar expense	5,838,240	6,088,105
of which: interest expense from fixed income securities	657,610	492,914
A. Net interest income	6,333,891	4,827,569
3. Income from variable yield securities including	359,924	116,226
a) income from shares and other variable yield securities	0	6,236
b) income from participation interests with substantial influence	23,052	0
c) income from participation interests with controlling influence	336,872	109,990
4. Fee and commission income	3,115,070	2,253,614
5. Fee and commission expense	143,338	110,012
6. Net profit/(loss) from financial operations	1,286,718	2,043,265
7. Other income	162,533	204,634
8. General operating expenses, including	7,327,394	5,807,721
a) employee expenses	2,671,388	2,263,800
aa) wages and salaries	1,984,111	1,667,204
ab) social insurance	529,984	462,790
ac) health insurance	157,293	133,806
b) other operating expenses	4,656,006	3,543,921
B.	-2,546,487	-1,299,994
C. Net operating income before creation and use of provisions and reserves	3,787,404	3,527,575
9. Creation of reserves and provisions to tangible and intangible fixed assets	1,441	214,970
a) creation of reserves for tangible fixed assets	1,441	5,970
b) creation of provisions for tangible fixed assets	0	209,000
c) creation of provisions for intangible fixed assets	0	0
10. Use of reserves and provisions to tangible and intangible fixed assets	1,493	4,078
a) use of provisions for tangible fixed assets	757	4,078
b) use of provisions for intangible fixed assets	736	0
c) use of provisions for intangible fixed assets	0	0
11. Other expenses	913,053	613,097
12. Creation of reserves and provisions to loans and guarantees	1,482,100	1,768,122
13. Use of reserves and provisions to loans and guarantees	769,925	1,368,989
14. Creation of reserves and provisions to participation interests and financial investments	346,484	2,090,649
15. Use of reserves and provisions to participation interests and financial investments	273,500	1,645,361
16. Creation of other reserves and provisions	406,270	1,738,536
17. Use of other reserves and provisions	329,418	1,458,277
D.	-1,775,012	-1,948,669
E. Profit/(loss) on ordinary activity before tax	2,012,392	1,578,906
18. Income tax on ordinary activity	319,000	757
19. Ordinary profit/(loss) activity after tax	1,693,392	1,578,149
20. Extraordinary income	433,066	446,139
21. Extraordinary expenses	282,207	1,844,775
22. Income tax on extraordinary activity	0	0
23. Extraordinary profit/(loss) after tax	150,859	-1,398,636
24. Profit/(loss) for the accounting period	1,844,254	179,513



## Organization Structure as at 30 June 2001



- Section managed by Director of Section – Member of the Senior Management Team
- Section managed by Director of Section
- Department managed by Director Department
- Sub-department managed by Head



