

2001

# Annual report



Česká konsolidační  
agentura

# ČESKÁ KONSOLIDAČNÍ AGENTURA

## ANNUAL REPORT 2001

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## WORD OF INTRODUCTION FROM THE CHAIRMAN OF THE BOARD AND GENERAL DIRECTOR



We have entered a new millennium and the institution established to deal with the problems of domestic banks and enterprises has, without any exaggeration, gone through the most demanding period in the whole of its ten-year history.

In 2001 the Konsolidační banka Praha, s.p.ú. (Prague Consolidation Bank, state monetary institute - KOB) underwent an unique transformation from banking institution to non-banking subject - Česká konsolidační agentura (Czech Consolidation Agency - ČKA), which came into being as of 1 September 2001. Even before the passing of Law No. 239/2001 on the ČKA we began the demanding process of the transformation in the sphere of internal regulations, organisation and the management of human resources. Thanks to the thorough preparations made, the transformation was successfully completed by the end of 2001 both from the point of view of the internal functioning of the institution itself and also from the viewpoint of

relations with all further interested parties. Ensuring the hassle-free functioning of such an important transformation institution meant that the majority of the employees in the ČKA were faced with an immense number of tasks, especially in the summer period. Apart from this it was necessary to prepare the final accounts of the KOB, and considerable work was also required by matters connected with the establishment of a body with newly regulated managerial authority - the Supervisory Board of the ČKA.

In addition to this, these processes were taking place under the conditions of transfers of further low-value assets from the commercial banks, as well as claims for non-payers from several health insurance companies. The transfers consisted of credits and other assets of the former Investiční a poštovní banka, a.s. (IPB) from the ČSOB, a.s. (joint-stock company) to the ČKA. By the end of the year alone, we had gone from the ČSOB, a.s. problem assets, the so-called "black zone" to a total value of roughly 25,000 million and from the Česká spořitelna, a.s. 5,000 million. We further rounded off the purchase of claims for more than 4,000 million from the health insurance companies, which contributed significantly to their stabilisation. All this was, in itself, an immense burden for all those involved.

The great increase in the balance sum was, of course, partly compensated on the other side by the active settlement of claims. In accordance with the adopted strategy of activity we approached the settlement of problem assets with the aim of achieving the maximum return in the shortest possible time and with minimum expenditure on administration. Emphasis was placed on the settlement processes taking place in a transparent and standard manner according to current segmentation in the environment of the newly constructed information system. The main activity of the ČKA consisted of the administration and realisation of assets, restructuring of enterprises selected by the Government of the Czech Republic and in court settlement proceedings.

The liquidation of assets took place without problems in the case of clients who are paying them up. We dealt with non-paying clients by ceding the claims to a third subject, realisation of lien, auctions, etc. Within the framework of the court settlement of debts we made use of the possibilities of bankruptcy, liquidation and taking legal steps against debtors. The end of 2001 saw the start of the rapid exit of assets in affiliated companies in the form of block sales of claims.

ČKA, as the successor of the KOB, also participated in some restructuring projects decided by the Government in the case of enterprises where there exists public interest in their sale to a strategic partner. At the end of the year we successfully completed the sale of the firm of TATRA, a.s. to the American strategic investor SDC International, Inc.

In connection with the taking over of the assets of the former IPB, a.s. we recorded a loss of almost 16,100 million crowns. Due to the fact that the decisive volume of the claims from the ČSOB, a.s. will be transferred to ČKA on the basis of the appropriate agreements in 2002, it is obvious that the loss in 2002 will be a historical record. I believe, however, that in the subsequent period the ČKA will be an object of interest not only thanks to the immense losses which are caused by the selected method of privatising Czech banks, but first and foremost because of the acquisitions for state finances. I am convinced that the greatest part of the tasks historically allotted to us will be settled in such a way that the taxpayer will not feel the impact of the transformation of the economy from the nineties of the twentieth century more than is objectively necessary.

It is in our common interest that we be perceived by those around us as a flexible and effective service organisation of the state which, although it is not predetermined to create profits, will continue to settle difficult and extensive tasks in the interest of all citizens of the Czech Republic. I am aware of how much time and effort the collective employees of the ČKA and its affiliated companies permanently devote to this



mission and therefore I would like to thank them sincerely for the work they have done and wish them plenty of strength and enthusiasm for the work to come. I also thank for their co-operation all commercial partners, companies and institutions, due to the professional standards of which we have successfully fulfilled our mission in our activity throughout the year.

Prague, May 29th, 2002

A handwritten signature in black ink, appearing to read 'Pavel Řežábek', with a stylized flourish at the end.

**Pavel Řežábek**

Chairman of the Board and General Director



## PROFILE

Česká konsolidační agentura (Czech Consolidation Agency, ČKA) as a legal successor of the state-owned financial institution Konsolidační banka Praha, s.p.ú., is a central institute administering problematic and low-quality assets of the Czech Republic.

Originally, Konsolidační banka, s.p.ú. (federal Consolidation Bank) was set up primarily to solve problematic credits made under the centrally controlled economy. As a state-owned financial institution, founded by the Ministry of Finance of the Czech and Slovak Federal Republic without any branch network, the federal Consolidation Bank assumed corporate receivables for permanently revolving stock loans and purchased other low-quality assets from banks, with respect to the process of their debt relief and restructuring. After the split of the Czech and Slovak Federal Republic, the federal Consolidation Bank was dissolved and Konsolidační banka Praha, s.p.ú. (KOB) was subsequently founded. The assets of the federal Consolidation Bank were divided in the Czech and Slovak part. KOB extended its scope of activities by development projects and restructuring. By assuming a large volume of problematic debts, particularly those of Česká spořitelna, a.s. and Komerční banka, a.s., KOB helped complete successful privatisation of large state-owned banks.

In 2001, based on the provisions of the Law No. 239/2001 of the Collection of Laws (Coll.), KOB was transformed into a non-banking institution and on 1 September 2001 ČKA was founded. The liabilities are secured with a state guarantee, members of the Board are appointed by the Czech Government based on a proposal by the Ministry of Finance, and members of the Supervisory Board are elected by the Chamber of Deputies of Czech Parliament. The Board of Directors is a statutory and managing body, making decisions concerning all issues concerning ČKA. However, the executive competences of the Board of Directors are limited by the law, with respect to the nature of the operation. Large-volume or loss operations are subject to an approval by the Supervisory Board of ČKA, the Ministry of Finance or the Government.

ČKA approaches the management of problematic assets with the goal of ensuring the maximum return within the shortest periods and with minimum administration expenses. The solution processes must be transparent, in compliance with the current portfolio segmentation, and employees are motivated to fulfil the objectives of ČKA.

With respect to restructured enterprises which are intended for sale to a strategic partner in the common interest, ČKA carries out financial restructuring and seeks a strategic partner.

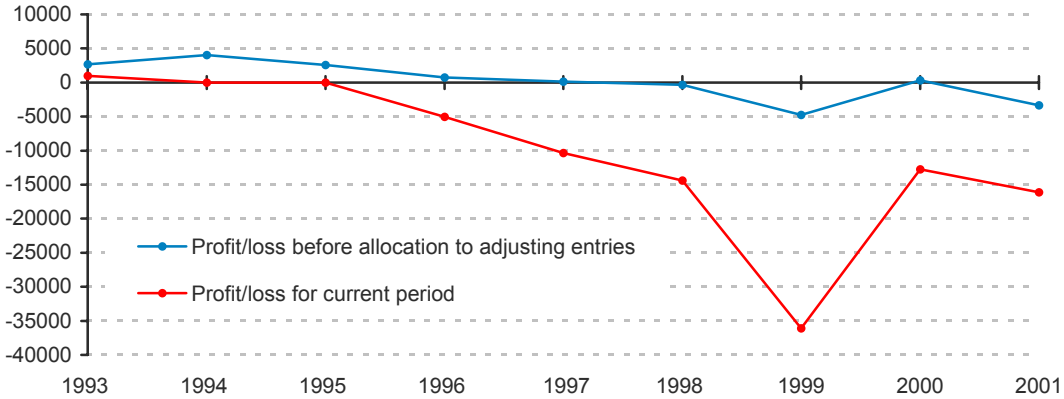
As a result of the bankruptcy proceedings carried out with respect to IPB, a.s. in June 2000 and the provision of a state guarantee to ČSOB, a.s., ČKA initiated, in the second half of the year 2001, transfers of bad quality assets of the former IPB from ČSOB. The process shall continue in 2002 and the total sum of assets transferred to ČKA is anticipated to reach CZK 150 billion.

In 2001, the transfer of the pilot portfolio of claims of CDV-1, Ltd. was completed, at a total amount of CZK 20 billion. In 2002, ČKA intends to carry on the strategy of block sales, so as to release debts amounting to several dozen billion CZK from the portfolio.

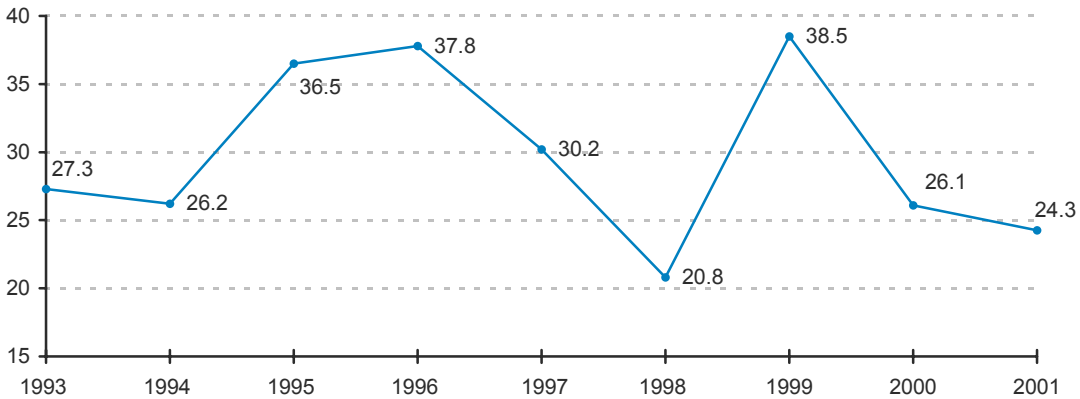


# SELECTED INDICES

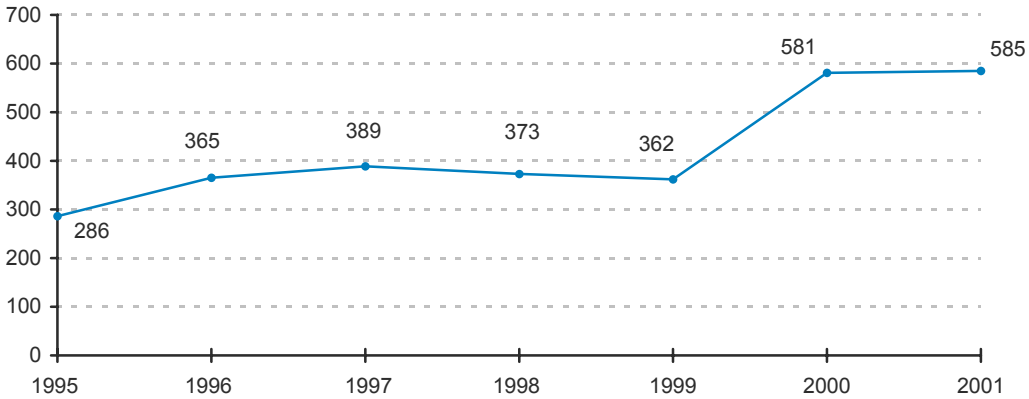
**Economic Result in 1993 - 2001 (CZK million)**



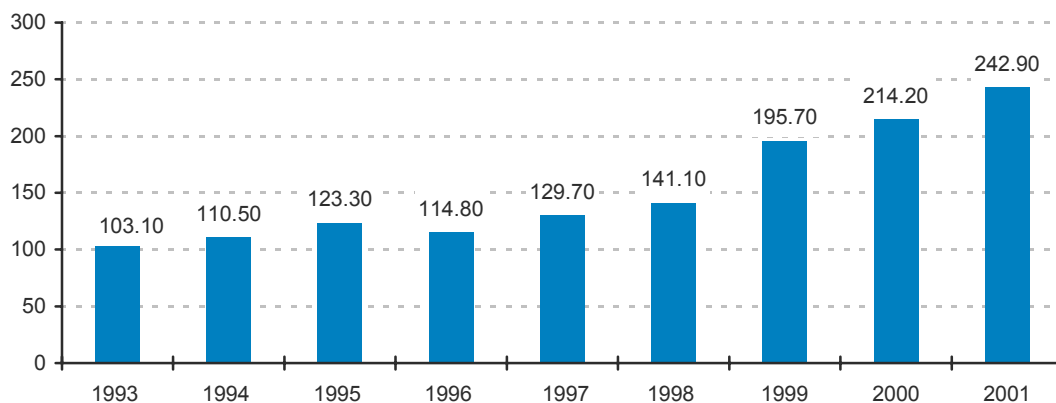
**Capital Adequacy in 1993 - 2001 (%)**



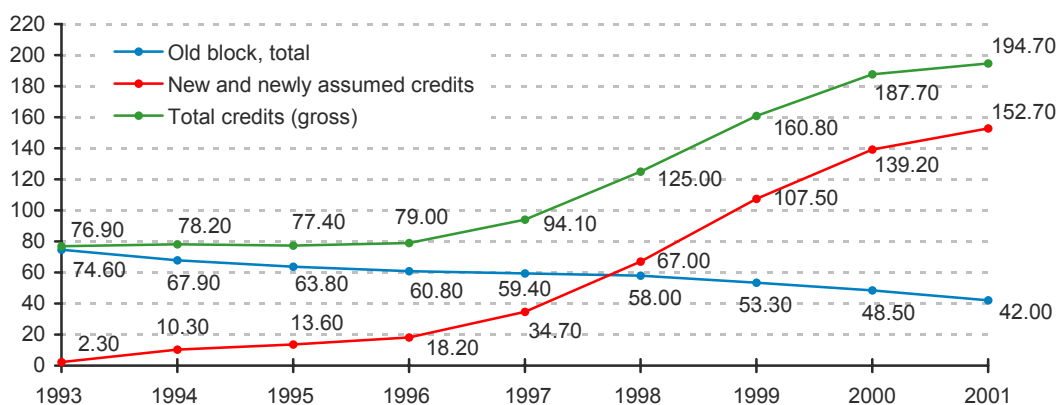
**Average Headcount in 1995 - 2001**



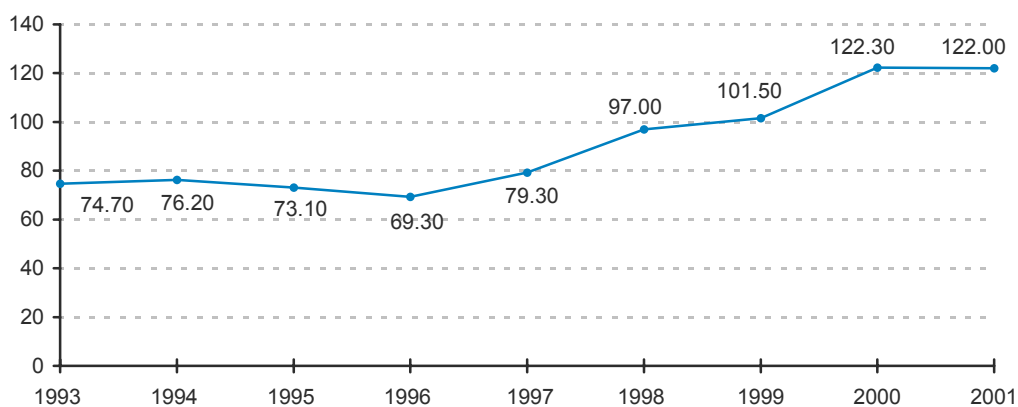
**Development of Balance Sum in 1993 - 2001 (CZK billion)**



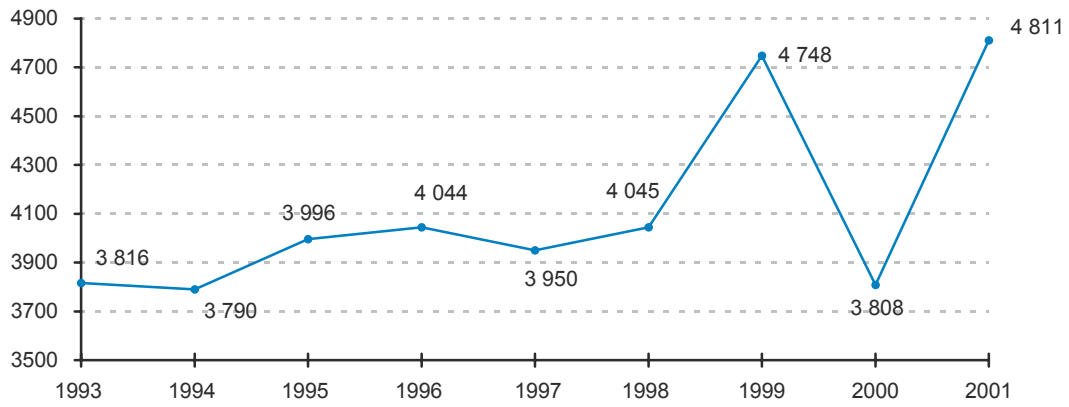
**Credit Receivables in 1993 - 2001 (CZK billion)**



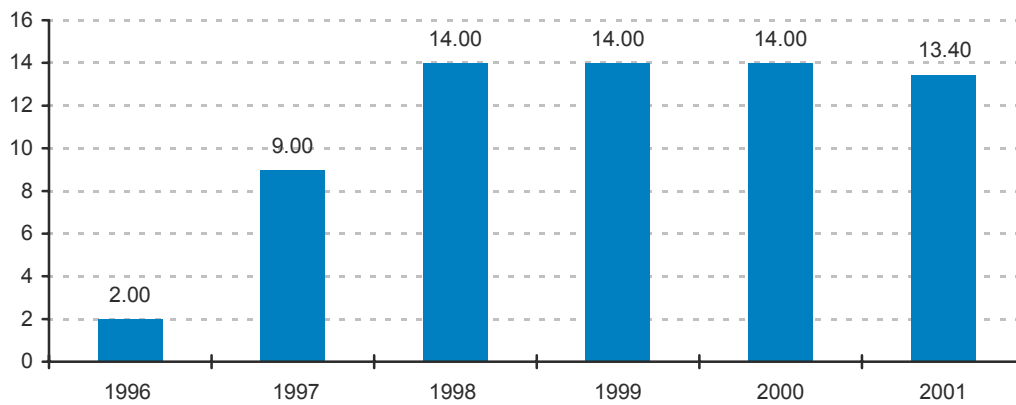
**Credits to clients in 1993 - 2001 (CZK billion)**



**Number of Clients in 1993 - 2001**



**Securities issued in 1996 - 2001 (CZK billion)**





## Development of KOB in 1991 - 2001 in figures

Aggregate Balance Selected Items CZK billion	Czech and Slovak Federal Republic KOB, s.p.ú.				Czech Republic KOB Praha, s.p.ú. (Czech)								ČKA
	1991		1992		1993	1994	1995	1996	1997	1998	1999	2000	2001
	Total	of which Czech share	Total	of which Czech share									
<b>Selected Assets</b>													
Deposits and credits in banks	0.70	0.40	0.70	0.70	2.10	6.90	7.10	7.20	9.50	13.60	15.60	20.90	32.30
Total credits (net)	110.40	80.10	104.80	78.20	74.70	76.20	73.10	69.30	79.30	97.00	101.50	122.30	122.00
Securities (net)	-	-	0.10	0.10	8.10	3.20	18.20	18.80	17.60	15.40	15.40	0.30	0.80
Ownership interests (net)	-	-	-	-	-	10.40	10.60	10.50	8.60	9.10	9.90	5.60	3.90
<b>Selected Liabilities</b>													
Redistribution credit	61.10	38.80	55.50	38.80	38.80	38.80	38.80	36.80	36.80	32.40	28.30	12.80	11.70
Liabilities towards banks	49.50	31.80	28.10	28.10	29.10	27.20	26.20	25.60	41.00	57.40	101.10	110.90	100.00
Liabilities towards clients	-	-	12.70	9.00	7.60	12.30	9.50	8.50	5.90	3.80	4.50	11.70	29.20
Issued securities	-	-	-	-	-	-	-	2.00	9.00	14.00	14.00	14.00	13.40
Reserves	0.90	0.50	1.50	1.50	1.80	5.80	6.10	6.30	6.30	6.30	7.40	13.00	44.00
Reserve funds	0.40	0.30	0.40	0.40	17.10	17.40	32.40	32.20	31.50	31.40	31.40	31.40	29.30
Registered capital	-	-	1.00	1.00	5.00	5.90	5.90	5.90	5.90	5.90	5.90	5.90	5.90
<b>Total Balance Sum</b>	<b>111.90</b>	<b>83.50</b>	<b>107.20</b>	<b>79.90</b>	<b>103.10</b>	<b>110.50</b>	<b>123.30</b>	<b>114.80</b>	<b>129.70</b>	<b>141.10</b>	<b>195.70</b>	<b>214.20</b>	<b>242.90</b>
<b>Credit Portfolio, CZK billion</b>													
- Credits for TOZ	110.40	80.10	92.70	66.10	62.30	55.70	49.70	42.30	39.40	37.70	33.00	29.50	25.90
- Purchased credits (KB, IB)	-	-	15.10	15.10	12.30	12.20	11.40	9.90	9.20	9.10	8.40	8.00	6.00
- Restructured credits	-	-	-	-	-	-	2.70	8.60	10.80	11.20	11.90	11.00	10.10
<b>Old block, total</b>	<b>110.40</b>	<b>80.10</b>	<b>107.80</b>	<b>81.20</b>	<b>74.60</b>	<b>67.90</b>	<b>63.80</b>	<b>60.80</b>	<b>59.40</b>	<b>58.00</b>	<b>53.30</b>	<b>48.50</b>	<b>42.00</b>
<b>New and newly assumed credits</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.30</b>	<b>10.30</b>	<b>13.60</b>	<b>18.20</b>	<b>34.70</b>	<b>67.00</b>	<b>107.50</b>	<b>139.20</b>	<b>152.70</b>
of which: credits assumed to DBV										15.00	13.70	12.60	11.50
EIB development credits										12.90	18.00	-	-
<b>Total credits (gross)</b>	<b>110.40</b>	<b>80.10</b>	<b>107.80</b>	<b>81.20</b>	<b>76.90</b>	<b>78.20</b>	<b>77.40</b>	<b>79.00</b>	<b>94.10</b>	<b>125.00</b>	<b>160.80</b>	<b>187.70</b>	<b>194.70</b>
Adjusting entries	-	-	-3.00	-3.00	-2.20	-2.00	-4.40	-9.70	-14.80	-28.10	-59.30	-65.40	-72.70
<b>Total credits (net)</b>	<b>110.40</b>	<b>80.10</b>	<b>104.80</b>	<b>78.20</b>	<b>74.70</b>	<b>76.20</b>	<b>73.00</b>	<b>69.30</b>	<b>79.30</b>	<b>97.00</b>	<b>101.50</b>	<b>122.30</b>	<b>122.00</b>



**Number of Credit Clients**

TOZ clients	5 500	3 703	6 192	3 666	3 711	3 715	3 839	3 752	3 625	3 655	3 246	2 164	1 809
<b>Total Clients (w/o DBV)</b>	<b>5 500</b>	<b>3 703</b>	<b>6 376</b>	<b>3 775</b>	<b>3 816</b>	<b>3 790</b>	<b>3 996</b>	<b>4 044</b>	<b>3 950</b>	<b>4 045</b>	<b>4 748</b>	<b>3 808</b>	<b>4 811</b>

**Security Portfolio, CZK billion**

Bonds (net)	-	-	-	-	3.0	3.1	18.2	18.6	17.4	15.4	15.4	0.3	0.8
Shares	-	-	0.1	0.1	5.1	0.1	0.0	0.2	0.2	0.0	0.0	0.0	0.0
<b>Total Securities</b>	<b>-</b>	<b>-</b>	<b>0.1</b>	<b>0.1</b>	<b>8.1</b>	<b>3.2</b>	<b>18.2</b>	<b>18.8</b>	<b>17.6</b>	<b>15.4</b>	<b>15.4</b>	<b>0.3</b>	<b>0.8</b>

**Ownership Interest, CZK billion**

Ownership interests, gross						10.4	10.6	10.6	14.1	15.4	14.9	11.5	10.8
Adjusting entries						-	-	-0.1	-5.5	-6.3	-5.0	-5.8	-6.9
Ownership interest, net	-	-	-	-	-	10.4	10.6	10.5	8.6	9.1	9.9	5.7	3.9

**Capital Provisions**

Owned capital (CZK billion)	0.4	0.3	1.4	1.4	22.1	23.3	38.3	33.1	26.9	22.9	37.3	48.0	89.6
Reserves (CZK billion)	0.9	0.5	1.5	1.5	1.8	5.8	6.1	6.3	6.3	6.3	7.4	13.0	44.0
Capital adequacy (%)	-	-	2.6	2.6	27.3	26.2	36.5	37.8	30.2	20.8	38.5	26.1	24.3

**Economic Results, CZK million**

Profit/loss before allocation to adjusting entries and reserves			1 505.00		2 671.00	4 047.00	2 597.90	754.30	111.80	-320.10	-4 746.40	339.10	-15900.8
of which: ČKA													-3323
Profit/loss for current period (after deduction of income tax)			2.00		959.80	9.30	2.10	-5 058.60	-10 356.80	-14 389.10	-36 089.20	-12 742.50	-57648.9
of which: ČKA													-16122.5



	1991		1992		1993	1994	1995	1996	1997	1998	1999	2000	2001
	Total	of which Czech share	Total	of which Czech share									
<b>Credit Portfolio (gross) - classification</b>													
Old block, total (CZK billion)	110.4	80.1	107.8	81.2	74.6	67.9	63.8	60.8	59.4	58.0	53.3	48.5	42.0
of which: classified CZK billion / %								50.8/ 83.6	54.6/ 91.9	54.7/94.3	53.3/100	48.5/100	41.9/99.8
loss making CZK billion / %								39.7/ 65.3	44.9/ 75.6	51.8/89.3	52.4/98.3	48.1/99.2	41.7/99.3
New and newly assumed credits (CZK billion)	-	-	-	-	2.3	10.3	13.6	18.2	34.7	67.0	107.5	139.2	152.7
of which: classified CZK billion / %								13.6/ 74.7	14.6/ 42.1	35.5/53.0	72.2/67.2	74.3/53.4	89.9/58.9
loss making CZK billion / %								4.3/ 23.6	9.3/ 26.8	14.3/21.3	52.7/49.0	56.0/40.2	73.0/47.8
<b>Total Credits (CZK billion)</b>	<b>110.4</b>	<b>80.1</b>	<b>107.8</b>	<b>81.2</b>	<b>76.9</b>	<b>78.2</b>	<b>77.4</b>	<b>79.0</b>	<b>94.1</b>	<b>125.0</b>	<b>160.8</b>	<b>187.7</b>	<b>194.7</b>
of which: classified CZK billion / %						46.2/ 59.1	48.3/ 62.4	64.4/ 81.5	69.2/ 73.5	90.2/72.2	125.5/78.0	122.8/65.4	131.8/67.7
loss making CZK billion / %						39.5 / 50.5	41.3/ 53.4	44.0/ 55.7	54.2/ 57.6	66.1/52.9	105.1/65.4	104.1/55.5	114.7/58.9
<b>Bankruptcy</b>													
Volume of receivables in bankruptcy (nominal value), CZK million	-		-		-	2 138.0	5 305.7	10 437.1	16 951.1	28 385.0	53 362.1	65 098.9	89 234.4
Number of clients in bankruptcy	-		-		-	59	108	193	319	511	720	1 019	2 277
<b>Receivables Written Off</b>													
Expenses on receivables written off for clients (CZK million)	-		-		-	0.1	21.2	206.2	827.6	74.3	1 663.1	1 290.5	1217.3
of which: ČKA													253.4

\* KOB/ČKA 1 to 12/01

\*\* ČKA 9 to 12/01



## STATUTORY AND SUPERVISORY BODIES

Pursuant to the requirements of the Law No. 591/1992 Coll., concerning securities, as amended by subsequent regulations, the Issuer hereby declares that none of the members of the Issuer's Supervisory Board, Bank Board or the General Director specified below have ever been sentenced of a crime against property or hold an ownership interest in the Issuer's registered capital. Except for where otherwise specified below, these people pursue no business activities and are neither employed nor appointed members of bodies of other companies.

### Statutory bodies:

#### Konsolidační banka s. p. ú.

##### Bank Board Members up to 31 August 2001:

###### **Kamil Ziegler - Chairman of the Bank Board and General Director**

In 1984, Mr. Ziegler graduated from the Prague School of Economics, Faculty of Trade. Since 1984, he worked for the Czechoslovak State Bank, Liberec branch and since 1990, for Komerční banka, a.s. Liberec branch. In 1992, he moved on to Komerční banka, a.s. Prague Headquarters, head manager of financial division, and since 1997, he worked in Česká spořitelna, a.s., Prague Headquarters. He is a Member of the Board and Deputy General Director, and on 15 March 1999, he was appointed Chairman of the Bank Board and a General Director in KOB, until 28 February 2001.

*Membership in bodies of other companies:* Chairman of the Supervisory Board in Prisko, a.s. and Vice-Chairman of the Board of Revitalizační agentura, a.s.

*Place of residence:* Prague 10, Ukrajinská 1488/10

###### **Ladislav Řezníček - Deputy General Director and Member of Bank Board**

Mr. Řezníček graduated from FEL, Czech Technical University Prague. From 1983 - 1991, he worked as a scientist in the Nuclear Research Institute. From 1991, he worked for the Czechoslovak State Bank, as a specialist in the Debt Management Specialist, and from 1993 -1997 he worked for the Czech National Bank, Deputy Manager of A&L Management Department, later on as a Deputy Division Director and the Head of Risk Management. Since 1997, he worked as a Company Executive in Česká finanční, s.r.o. From 15 July 1999, he was a Member of the Bank Board and Deputy General Director. He is the Deputy General Director and Member of the Bank Board, until 28 February 2001 and Chairman of the Bank Board and General Director of KOB, from 1 March 2001 to 15 May 2001.

*Membership in bodies of other companies:* Vice-Chairman of Supervisory Board in Konpo, s.r.o., Chairman of Supervisory Board in Česká finanční, s.r.o.

*Place of residence:* Prague 5, Geologická 992

###### **Pavel Řežábek - Chairman of Bank Board and General Director**

In 1984, Mr. Řežábek graduated from Prague School of Economics. From 1984 - 1991, he worked in Potraviny SK, Příbram as an Sales Deputy Manager. From 1991 - 1995, he worked in T.IMC s.r.o. Příbram, as a Company Executive and Manager for Administration. In 1995 he worked Agrobanka (auditor), 1996 BSA, a.s. Prague, advisor and consultant, and since 1996 working in KOB as an Internal Audit and Control Manager. Since 16 May 2001 - Chairman of Bank Board and General Director of KOB, since 1 September 2001 - General Director and Member of the Board in ČKA.

*Membership in bodies of other companies:* Prisko, a.s, Chairman of Supervisory Board, Konpo, s.r.o., Vice-Chairman of Supervisory Board, Česká finanční, s.r.o., Vice-Chairman of Supervisory Board, PČRB s.r.o. - Moscow, Member of Supervisory Board.

*Place of residence:* Prague 1, Revoluční 1006/5

###### **Zlata Gröningerová - Member of Bank Board and Managing Director of Business Specialist Division**

Mrs. Gröningerová graduated from Prague School of Economics. From 1982 - 1985, she worked at the Prague School of Economics as a tutor at the Department of Finance and Credit, specialising in finances, and from 1985 - 1990 she worked at the Prague School of Economics as an assistant professor at the



Department of Finance and Credit, specialising in the Corporate Financial Management. From 1990 - 1991, she worked as a bank specialist in Investiční banka, from 1991 - 1993 - SUEZINVESTIČNÍ, a.s., subsidiary of Investiční banka and Compagnie de Suez, France, as a chief clerk, from 1994 - 1995 - IPB, a.s. (bank specialist). Since 1995, she has been working in KOB, since 1996 as a Manager of the Investment Financing Department. Since 1 January 1998, she was a Managing Director of the Business Division and since 1 March 1998, she is a member of the Bank Board.

*Membership in bodies of other companies:* Member of the Board - Prisko, a.s., Chairperson of Supervisory Board in Revitalizační agentura, a.s., Chairperson of Supervisory Board in Konpo, s.r.o.

*Place of residence:* Prague 6, Makovského 1341/12

#### **Miroslav Zámečník - Member of Bank Board and Deputy General Director**

Mr. Zámečník graduated from Prague School of Economics in Prague. Since 1984, he worked in the Czech Press Agency, from 1990 - 91, he was a spokesman of the Federal Ministry of Finance and an advisor of the Minister, from 1991 - 1993 he was the head of the Centre for Economic Analysis in the Office of the President of the Czech and Slovak Federal Republic, and since 1994 he worked as an Assistant Executive Director of the World Bank. From 1998 - 1999, he worked in Arthur D. Little, 1 January 2000 - 2001 in RA, a.s. and from 1 February 2001 in KOB. From 1 March to 23 May 2001, he was a member of the Bank Board and a Deputy General Director.

*Membership in bodies of other companies:* Member of Supervisory Board in Konpo, s.r.o. and Vice-Chairman of Supervisory Board in Česká finanční, s.r.o.

*Place of residence:* Prague 4, Bítovská 1216/20

#### **Jan Liška - Member of the Board and Head Manager of Restructuring Division**

Mr. Liška graduated from Prague School of Economics in 1984. He then worked in Správa dálkových kabelů Praha as an analyst. From 1987 -1991 he worked at the Institute of Sera and Vaccines, Prague, as a head of the Planning and Pricing Department; from 1991 - 1993 he worked in Poštovní banka, a.s. - as a team leader. Since 1993, he has been working in KOB, as a head of department and then as a Member of the Bank Board and Deputy General Director. From 24 May 2001, he was a Member of the Bank Board and Deputy General Director.

*Place of residence:* Kolářova 684/19, Prague 4,

**Members of statutory boards in KOB - i.e. Bank Board and Supervisory Board received no monetary emoluments for their services.**

## Česká konsolidační agentura

### Members of the Board:

#### **Pavel Řežábek, Chairman of the Board and General Director**

In 1984, Mr. Řežábek graduated from Prague School of Economics, from 1984 - 1991 he worked in Potraviny SK, Příbram as an Sales Deputy Manager. From 1991 - 1995 T.IMC s.r.o. Příbram, a Company Executive and Manager for Administration. In 1995 Agrobanka (auditor), 1996 BSA, a.s. Prague, advisor and consultant, since 1996 working in KOB as an Internal Audit and Control Manager. Since 16 May 2001, he is Chairman of the Bank Board and General Director of KOB. Since 1 September 2001 he is General Director and Member of the Board in ČKA.

*Membership in bodies of other companies:* Prisko, a.s, Chairman of Supervisory Board, Konpo, s.r.o., Vice-Chairman of Supervisory Board, Česká finanční, s.r.o., Vice-Chairman of Supervisory Board, PČRB s.r.o. - Moscow, Member of Supervisory Board.

*Place of residence:* Revoluční 1006/5, Prague 1

#### **Zlata Gröningerová - Member of Bank Board and Managing Director of Business Specialist Division**

Mrs. Gröningerová graduated from Prague School of Economics. From 1982 - 1985, she worked at the Prague School of Economics as a tutor at the Department of Finance and Credit, specialising in finances. From 1985 - 1990, she worked at the Prague School of Economics as an assistant professor at the Department of Finance and Credit, specialising in the Corporate Financial Management. From 1990 - 1991 she worked as a bank specialist in Investiční banka. From 1991 - 1993 - SUEZINVESTIČNÍ, a.s., subsidiary of Investiční banka and Compagnie de Suez, France as a chief clerk, in 1994 - 1995 IPB, a.s. (bank specialist).



Since 1995, she has been working in KOB, since 1996 as a Manager of the Investment Financing Department. Since 1 January 1998 she was a Head Manager of the Business Division, since 1 March 1998, she is a member of the Bank Board of KOB and since 1 September 2001, she is a Head Manager of the Commercial Specialist Division.

*Membership in bodies of other companies:* Member of the Board - Prisko, a.s., Chairperson of Supervisory Board in Revitalizační agentura, a.s., Chairperson of Supervisory Board in Konpo, s.r.o., ČKD DIZ Chairman of Supervisory Board, Chairman of Supervisory Board in ŠKODA HOLDING a.s.

*Place of residence:* Makovského 1341/12, Prague 6

**Jan Liška - Member of the Board and Managing Director of Restructuring Division**

Mr. Liška graduated from Prague School of Economics in 1984. He then worked in Správa dálkových kabelů Praha as an analyst. From 1987 -1991 he worked at the Institute of Sera and Vaccines, Prague, as a head of the Planning and Pricing Department; from 1991 - 1993 he worked in Poštovní banka, a.s. - as a team leader. Since 1993, he has been working in KOB, as a head of department and then as a Member of the Bank Board and Deputy General Director. From 5 September 2001, he is a member of the Board of Directors of ČKA and a Head Manager of the Restructuring Division.

*Membership in bodies of other companies:* Aliachem, a.s. Chairman of Supervisory Board, Konpo, s.r.o., Member of Supervisory Board

*Place of residence:* Kolářova 684/19, Prague 4,

**Libor Svoboda - Member of the Board and Managing Director of Methodology and Finance Division**

Mr. Svoboda graduated from Prague School of Economics in 1985 and later on occupied the positions of tutor, assistant professor and Deputy Head of the Department of Statistics (until 1994). From 1994, he worked at the Ministry of Education, Youth and Sports, as a Head of Department, Head Manager and Deputy Minister. From 1997 to 1998, he worked as the Deputy Minister of Finance, from 1999 - 2001, the Economic Manager of Praha - evropské město kultury 2000, o.p.s. (Prague - European City of Culture 2000). From May 2001, he was a Head Manager of the Risk Assessment and Methodology Department (in KOB). From 1 September 2001, he is a member of the Board of ČKA and Head manager of the Financing and Methodology Division.

*Membership in bodies of other companies:* Česká finanční, s.r.o. Chairman of Supervisory Board

*Place of residence:* Malešická 1861/13, Prague 3

**Jiří Jurán - Member of the Board and Managing Director of Receivable and Asset Administration Division**

Mr. Jurán graduated from the Mining College, Faculty of Economy, in 1988. From 1988, he worked as an auditor and inspector of the Czechoslovak State Bank. In 1990, he was an investigator at the OÚV, Bruntál (economic criminality), and an Economic Deputy General Director in Kovohutě Břidličná, state enterprise. After its transformation to a joint-stock company, he was a Finance Director. From February 1994, he worked in Komerční banka, a. s., Bruntál Branch, as Head of the Commercial Department. From 1996 - 1997, he was a Deputy Director of the Olomouc Branch of KB, a.s., and then a Risk Debt Department Manager in KB, a.s., Opava. In 2000, he was appointed a managing director of the Risk Debt Division in KB, a.s. and participated in the establishment of KONPO, s.r.o., supervising the transfer of assets at a volume of CZK 60 billion to Konsolidační banka Praha, st. p. ú. From June 2000, he was a Risk Debt Division Manager at the headquarters of KB, a.s., based in Opava. In KB, a.s., he passed the programme of Complex Preparation of Young Managers. In 2000, he took an M.B.A. course at Scheffield Hallam University. In Komerční banka, a.s., he participated in the implementation of several projects, in cooperation with the consultancy firm Mc.Kinsey, including the "Workout" project. From 5 September 2001, he is a member of the Board of ČKA and the Head Manager of the Receivable and Asset Administration Division.

*Membership in bodies of other companies:* Member of Supervisory Board in NOVÁ HUŤ, a.s.

*Place of residence:* Hybešova 4, 792 01 Bruntál



## Supervisory bodies:

### Konsolidační banka s. p. ú.

#### Supervisory Board, until 31 August 2001:

**Eduard Janota - Chairman of Supervisory Board** (from 30 November 1998)

Mr. Janota graduated from Prague School of Economics in 1975, and worked in the Czech State Insurance Company. Since 1979, he worked at the Ministry of Finance of the Czech Republic. From 1992-1999, he worked as Director of the National Budget Department, Deputy Minister (from August 1999)

*Membership in bodies of other companies:* Since 1992 Supervisory Board of Českomoravská záruční a rozvojová banka, a.s., since 1999 Member of Supervisory Board of Severomoravská plynárenská, a.s. (North-Moravian Gas), representative of the owner in Česká inkasní, s.r.o. since 1999

*Place of residence:* N. Vapcarova 3267, 140 00 Prague 4

**Ivan Salinger - Vice-Chairman of Supervisory Board** (from 30 November 1998)

Mr. Salinger graduated from Prague School of Economics, then worked in the area of prices and information systems (Stavební izolace Praha, since 1976 - Stavební stroje Praha). Since 1990, he worked as a section manager at the Federal Ministry of Finance of the Czech and Slovak Federal Republic, later on taking over the position of head of department. At present, he works as the section head and deputy head of department at the Ministry of Finance of the Czech Republic.

*Membership in bodies of other companies:* he is not a member in any bodies of other companies

*Place of residence:* Verdunská 6/533, 160 00 Prague 6 Bubeneč

**Pavel Balek - Member of Supervisory Board** (from 21 October 1994)

After graduating from Czech Technical University, Prague, Mr. Balek worked in the Dodavatelský závod (Supply Plant) of ČKD Prague for five years. Since 1971, he has been working for the public administration (1971-1987 Federal Ministry for Technical and Investment Development, later on State Committee for Scientific & Technical and Investment Development, Section Manager). From 1988-1992, he had the the same position at the Federal Government Office and since 1993. he was Head Secretary at the Presidium of the National Property Fund).

*Membership in bodies of other companies:* Supervisory Board of Škoda Praha, a.s. and since 1997 Member of Supervisory Board in Nadační a investiční fond (Endowment and Investment Fund)

*Place of residence:* Brdlíkova 3/188, 150 00 Prague 5 Motol

**Ladislav Zelinka - Member of Supervisory Board** (from 13 April 2000)

Deputy Minister of Finance of the Czech Republic

Mr. Zelinka graduated from Prague School of Economics, Faculty of Management, in 1985. Since 1 April 2000, he has been working for the Ministry of Finance of the Czech Republic.

*Membership in bodies of other companies:* Board of Directors of SDF, since 2000, a.s., Supervisory Board of ČEZ a.s. since 2000, Board of Directors in ČEB, a.s. and EGAP, a.s., since 2000, since April 1999 - association of Insol International.

*Place of residence:* Žišov 56, 285 04 Uhlířské Janovice

**Jiří Šiman - Member of Supervisory Board** (from 13 April 2000)

Delegated Head of Department 111 of the Czech Ministry of Finance

Mr. Šiman graduated from Czech Technical University - Faculty of Civil Engineering, Prague, in 1982, and he has been working for the Ministry of Finance since 1986.

*Membership in bodies of other companies:* since 1999 - Supervisory Board of ČEB, a.s. and Supervisory Board of EGAP, a.s.

*Place of residence:* Jičínská 17, 130 00 Prague 3



### Members of Supervisory Board in ČKA:

#### **Vlastimil Tlustý - Chairman of Supervisory Board**

Mr. Tlustý graduated from the College of Agriculture, Prague in 1979. From 1980 to 1990, he was an aspirant and a research worker at the Research Institute of Agricultural Engineering, Prague. After a short assignment at the College of Agriculture (1990-1991), he was appointed a 1st Deputy Minister of Agriculture. In 1992, he was elected as member of the Chamber of Deputies for ODS. Until 1996, he was a member of the Agricultural Committee, since 1996 a vice-chairman of the Budget Committee and since 1998 he has been the Chairman of the Budget Committee.

*Membership in bodies of other companies:* He is not a member in any bodies of other companies

*Place of residence:* Pod horou 423, Slaný (district of Kladno)

#### **Michal Doktor**

After graduating from a grammar school (1985), he worked at the State Farm in Třeboň, and then at various positions in PZO Pragoinvest Prague, VD Jipro Lomnice nad Lužnicí and BST České Budějovice. He has been a member of the Chamber of Deputies since 1998. He is a member of the Committee of Foreign Affairs and a member of the Permanent Committee of the Chamber of Deputies for Banking.

*Membership in bodies of other companies:* Chairman of the Board in unincorporated association Horizont 3000, Lomnice nad Lužnicí (from 19 December 1999)

*Place of residence:* Dr. Fr. Kuny 593, Lomnice nad Lužnicí

#### **Vladimír Doležal**

After graduating from the Czech Technical University, Prague, in 1988, he worked as a design engineer in ČKD Praha, Engine Works. Since 1993, he was a business manager of ATTL and a deputy mayor of Dolních Měcholupy. He was elected a member of the Chamber of Deputies in 1998 for ODS and is a member of the Budget Committee and a member of the Permanent Committee of the Chamber of Deputies for Banking.

*Membership in bodies of other companies:* He is not a member in any bodies of other companies

*Place of residence:* Kutnohorská 162/22, Prague 10

#### **Josef Hojdar**

Until 1991, Mr. Hojdar was an employee of Severočeské hnědohnělné doly (North-Bohemian Brown-Coal Mines). He graduated from the Mining College in Ostrava (1980). In addition to his business activities, he was a 1st deputy of the mayor in Most from 1994 - 1996. He was elected a member of the Chamber of Deputies for ČSSD in 1996. From 1996 - 1998, he was a member of the Budget Committee, and since 1998 he has been a member of the Economic Committee. Since April 2000, he is a chairman of the Economic Committee.

*Membership in bodies of other companies:* He is not a member in any bodies of other companies

*Place of residence:* J. Žižky 1460/5, Most

#### **Libor Ježek**

Mr. Ježek graduated from the Czech Technical University, Prague, in 1985. From 1986 - 1991 he worked for ZSE Elektro-Praga Jablonec. From 1991 to 1993, he was a director of the Revenue Office in Tanvald and then, until 1995, an Economic Manager of Jablotron Jablonec. He was also involved in auditing and tax consultancy. He was elected a member of the Chamber of Deputies in 1998 and is a member of the Budget Committee and chairman of the Subcommittee for Control.

*Membership in bodies of other companies:* He is not a member in any bodies of other companies

*Place of residence:* U lesíka 615, Tanvald

#### **Miloslav Vlček**

Mr. Vlček graduated from the College of Agriculture, Brno, in 1989. Up to 1991, he occupied economic positions in Ludmírov Farm. From 1991, he worked at the tax administration department at the Revenue Office, Konice. In 1996, he was elected a member of the Chamber of Deputies for ČSSD. At first, he was a member of the Committee for Public Administration and Environment. Since 1998, he is a member of the Budget Committee.

*Membership in bodies of other companies:* Chairman of Supervisory Board in REGIO INVEST o.p.s., Orebitská 616/9, Prague 3 (from 3 May 2001)





*Place of residence:* Jiráskova 33, Konice, district of Prostějov

**Milan Urban**

Mr. Urban graduated from Mining College, Ostrava, in 1982. He occupied various positions in ČKD Kutná Hora and ČSAO Čáslav. In 1995 - 1998, he pursued his own business activities. In 1998, he was elected a member of the Chamber of Deputies for ČSSD and is a member of the Budget Committee.

*Membership in bodies of other companies:* He is not a member in any bodies of other companies

*Place of residence:* Chitussiho 941, Čáslav

**Pavel Tollner**

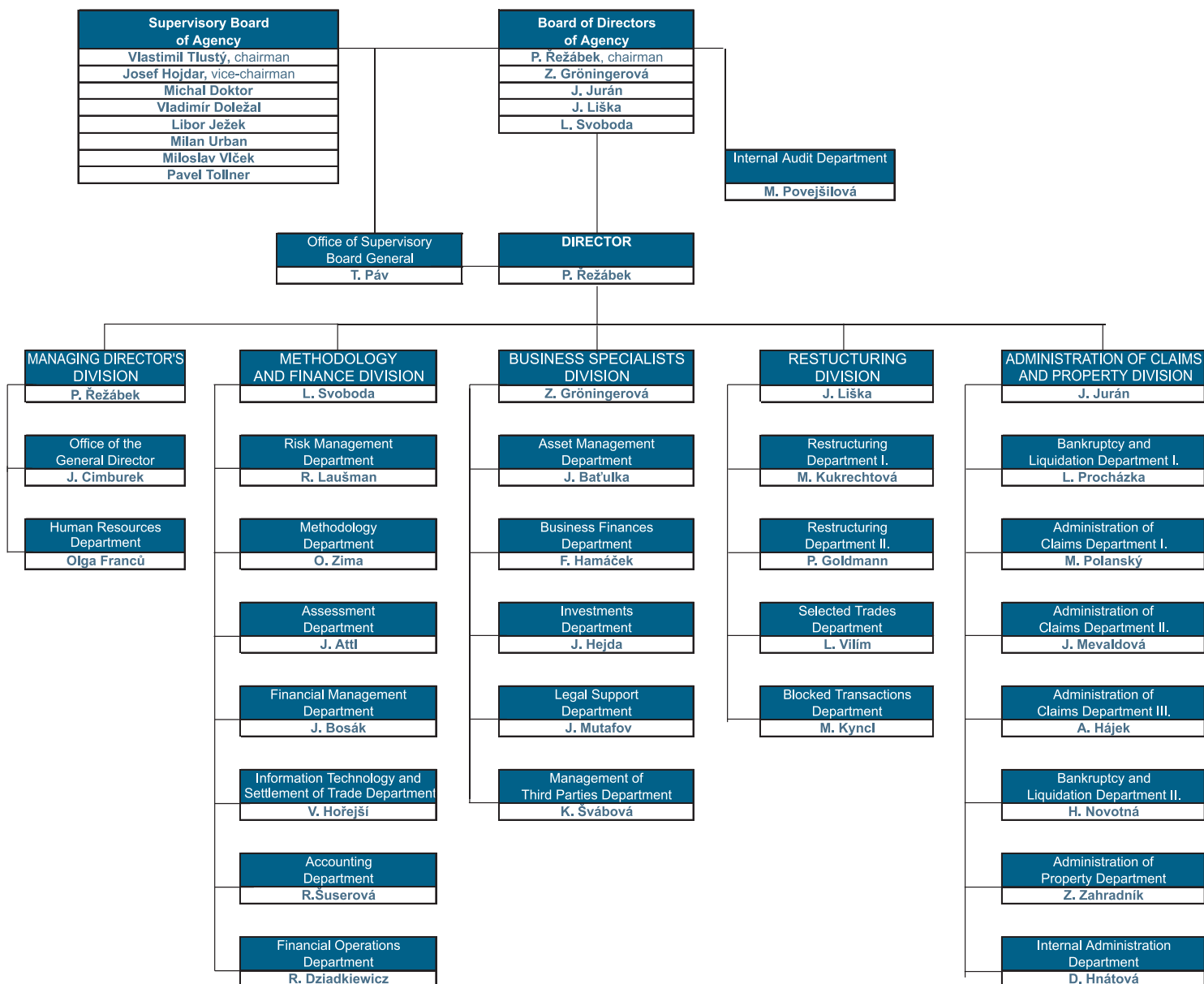
Mr. Tollner graduated from the Technical University, Brno, Faculty of Civil Engineering. Up to 1974, he worked as a design engineer in DRUEXPO, a Brno producer cooperative. From 1974 to 1977 he worked as a design engineer in Investprojekt Brno, from 1978 to 1980 as a design engineer in Brnoprojekt Brno, from 1980 to 1982 as an investment official in Podnik výpočetní techniky, and from 1982 to 1990 as a planning engineer, a site manager, and an official in charge of the Foreign Trade Department, Průmyslové stavby Brno. From June 1990 to October 2001, he was a member of the Czech National Council or the Chamber of Deputies of the Czech Parliament. He graduated from the Theological Faculty of Charles University in Prague, majoring in Religion Theory. He is studying at the Bank Institute in Prague. At present, he is an assistant of a Parliamentary Representative and of a Senator. He has been a Member of the Supervisory Board of ČKA from 31 October 2001.

*Membership in bodies of other companies:* Member of Supervisory Board in Česká finanční, s.r.o., Member of Supervisory Board in Konpo, s.r.o.



# ORGANIZATIONAL CHART OF ČESKÁ KONSOLIDAČNÍ AGENTURA CONCERN

## STRUCTURE OF ČESKÁ KONSOLIDAČNÍ AGENTURA AS AT AUGUST 1, 2002



## PHOTO-GALLERY

### MANAGEMENT OF ČESKÉ KONSOLIDAČNÍ AGENTURY



P. Řežábek



J. Liška



Z. Gröningerová



J. Jurán



L. Svoboda





J. Attl



J. Baťulka



J. Bosák



J. Cimburek



O. Franců



P. Goldmann



F. Hamáček



A. Hájek



J. Hejda





D. Hnáťová



V. Hořejší



M. Kukrechtová



M. Kyncl



R. Laušman



J. Mevaldová



H. Novotná



T. Páv



M. Polanský





M. Povejšilová



L. Procházka



R. Šuserová



K. Švábová



L. Vilím



R. Dziadkiewicz



Z. Zahradník



O. Zima



## BASIC DATA

### 1) KONSOLIDAČNÍ BANKA PRAHA, S.P.Ú.

<b>Trade Name:</b>	Konsolidační banka Praha, s.p.ú.
<b>Registered Office:</b>	Janovského 438/2, 170 06 Praha 7
<b>Organisation Identification Number:</b>	48118672
<b>Incorporated on:</b>	23 February 1993
<b>Register Court:</b>	Regional Commercial Court in Prague Section A, Insert 7765 FIRM 29731/92
<b>Legal Form:</b>	state-owned financial institution
<b>Promoter:</b>	Ministry of Finance of the Czech Republic
<b>State Guarantee:</b>	The liabilities of KOB are guaranteed by the Czech Republic, pursuant to the provisions of Section 44a of the Law No. 21/1992 Coll., concerning banks, as amended (hereinafter the "Bank Act").

KOB was founded by the Ministry of Finance of the Czech Republic on 22 December 1992 as a special bank for the administration of state long-term receivables.

### Characteristics of the Management of KOB

Pursuant to the Bank Act and the Statutes, KOB was managed by the Bank Board. The KOB Bank Board assumed the competencies of a statutory and primary managing board regarding creating strategies and business policies. It is comprised of three members of the top management of KOB (members, including the chairman, were appointed by the promoter of KOB, Ministry of Finance of the Czech Republic for a three-year term of office).

The General Manager was the supreme executive body, managing the activities of KOB. He was appointed and removed by the promoter of KOB (Ministry of Finance of the Czech Republic) and also assumed the competencies of the Bank Board Chairman.

The Supervisory Board, supervising the execution of powers by the Bank Board, was a control body of economic issues and implementation of the overall business strategy.

### History and Legal Status of KOB

#### I. History

Konsolidační banka (Consolidation Bank) was founded during the era of the Czech and Slovak Federal Republic as a financial institute with federal powers ("federal Konsolidační banka").

With the separation of the Czech and Slovak Federal Republic in 1992 and the subsequent division of public property between the successors, Czech Republic and Slovakia, the federal Konsolidační banka ceased to exist. As of 22 December 1992, the Ministry of Finance founded Konsolidační banka Praha, s.p.ú. (which opened for business on 23 February 1993) as a special-purpose bank. Subsequently the bank's portfolio was created with the assets and liabilities of the former federal Konsolidační banka, on the basis of the assignment deed. The remaining part of the assets and liabilities of the federal Konsolidační banka was similarly transferred to the portfolio of Konsolidační banka Bratislava, s.p.ú., established by the Ministry of Finance of Slovakia, and subsequently the federal Consolidation Bank entered liquidation procedures.

The scope of KOB's authorization for banking operations, originally limited to the administration of assumed credit portfolios, gradually increased along with the scope of activities offered by KOB. Concerning operations in Czech Crowns, this process was completed in December 1995, when KOB acquired a full license for banking operations in Czech Crowns: Regarding foreign currency operations, the Central Bank granted KOB a further grade of foreign exchange license. In June 1997, concerning the provision and acceptance of foreign-exchange credits and guarantees, KOB thus obtained a full foreign-exchange license,



except for the license related to foreign-exchange security trading, which the bank had no intention to acquire with respect to its orientation.

## II. Legal Status

KOB was founded by the Ministry of Finance of the Czech Republic, acting in the capacity of a central state administration body, pursuant to the Bank Act. It was the only bank in the Czech Republic established in the form of a state-owned financial institution. The establishment, cancellation and basic organisation principles of KOB were defined in the Bank Act. Pursuant to the provisions of the Bank Act, KOB was incorporated in the Commercial Register and, as an entity incorporated in the Commercial Register, KOB is subject to the provisions of the Commercial Code, defining general principles of activities pursued by entrepreneurs, with an exception of special legal regulations related to the activities of banks in the Czech Republic. The legal status of KOB as a state-owned financial institution brings along some specific aspects, particularly related to the management of property, in which KOB differs from other banks involved in the Czech Republic. The business activities pursued by KOB were subject to the terms and limitations related to the management of state property of the Czech Republic. This particularly concerns the Law No. 92/1991 Coll., concerning large privatisation, as amended, and the Decree No. 119/1988 Coll., concerning the management of national property, as amended, and some other valid provisions of the Economic Code. According to these regulations, it was forbidden to transfer ownership interests in KOB, establish subsidiaries and transfer assets to such companies without a prior consent of the Czech Government. In addition, the receivables and other assets of KOB may be transferred in a limited extent, with a majority of transactions, related to the manipulation with the bank's assets, subject to an approval of the Ministry of Finance of the Czech Republic. From 1 January 2001, the management of KOB assets is subject to the Law No. 219/2000 Coll., concerning the property of the Czech Republic and its entering legal relations.

Based on the Czech Government Edict No. 249 of 23 April 1997, KOB was granted an exception concerning its disposal of ownership interests in legal entities, entering assets in third parties and setting up new ownership interests, with the value of such transactions limited to CZK 500 million in each individual operation. The purpose was to help simplify some operations and bring them to a more effective level. Each transaction must be discussed in advance with the promoter and the Supervisory Board.

The assets of KOB were not part of the state budget of the Czech Republic. Concerning the character of activities pursued by KOB, the Czech Government was authorised, on the basis of the Law No. 171/1991 Coll., concerning the Czech National Property Fund, as amended, to make use of the assets of the Czech National Property Fund to strengthen the sources of KOB in the context of its involvement in the bankruptcy and settlement proceedings and the settlement of losses incurred by KOB as a consequence of its fulfilment of tasks stipulated by the Czech Government. The Government has made use of this mandate three times, strengthening the assets of KOB by almost CZK 34 billion. Additionally, KOB liabilities have been secured with a statutory guarantee provided by the Czech Republic.

The legal status of KOB has witnessed some crucial changes over time. According to the Law No. 165/1998 Coll., amending the Law No. 21/1992 Coll., concerning banks, as amended, effective 1 September 1998, state-owned financial institutions, established prior to the effective date of this Law (i.e. KOB) shall abide by the provisions of the Bank Act only until a special law is adopted, however not longer than until 1 September 2001. This meant that it was necessary to define the position, situation and activities of KOB in the form of a new law other than the Bank Act by 1 September 2001 at the latest, in order to make sure that the state guarantee for the liabilities assumed by the new entity - Czech Consolidation Agency - is stipulated in a separate legal act. In consequence hereof, the organisation involved in the transformation of KOB to ČKA ceased to exist as a bank subject to the regulation of the Czech Bank Act, and the scope of business activities was further restricted in connection with the aforesaid changes. KOB was erased from the Commercial Register as of 1 September 2001.

## Scope of business activities pursued by KOB

Pursuant to the Statutes of Konsolidační banka Praha, s.p.ú., the scope of business activities is as follows:

- Acceptance of deposits from legal entities;
- Provision and administration of credits within the scope of the business plan and bank's balance approved by the Czech National Bank;
- Payments and clearance without payments with foreign entities;
- Business consultancy services;
- Provision of bank information;
- Purchase and sale of state treasury bills;
- Purchase and sale of Czech National Bank bills;
- Purchase and sale of medium/long-term government bonds;





- Provision of guarantees in Czech Crowns in favour of banks licensed for banking operations in the Czech Republic;
- Trading on the bank's own account with convertible securities (shares, bonds) issued by banks licensed for banking operations in the Czech Republic;
- Operation of checking accounts for the bank staff.

## 2) ČESKÁ KONSOLIDAČNÍ AGENTURA

<b>Trade Name:</b>	Česká konsolidační agentura
<b>Registered Office:</b>	Janovského 438/2, 170 06 Prague 7
<b>Organisation Identification Number:</b>	70109966
<b>Incorporated on:</b>	1 September 2001
<b>Register Court:</b>	Municipal Court in Prague Section A, Insert 45993
<b>Legal Form:</b>	Other organisations, organisations founded by virtue of special law
<b>State Guarantee:</b>	The liabilities of ČKA are guaranteed by the Czech Republic, pursuant to the provisions of Section 1, Paragraph 3 of Law No. 239/2001 Coll., concerning Česká konsolidační agentura and on the amendment of some laws (hereinafter the "ČKA Act").

ČKA was founded by virtue of the ČKA Act as a financial institution of the non-banking type, a special-purpose organisation for the administration of long-term state receivables. ČKA is involved in the implementation of government stabilisation and restructuring projects for the Czech economy.

### Characteristics of the Management of ČKA

The primary management and statutory body in ČKA is a five-member Board of Directors, whose Chairman also holds the title of General Manager of ČKA. The Supervisory Board, elected by the Chamber of Deputies of the Czech Parliament, holds particularly supervisory and control competences. It approves the Statutes and the Financial Statement, financial and property transactions with volumes exceeding CZK 500 million, establishment of corporations, etc. Its objective is also to supervise the strategies of the Agency and the execution of the Agency's ownership rights in legal entities where the Agency holds an ownership interest. Additionally, the Supervisory Board proposes measures to the Ministry or the Board of Directors concerning personnel, organisational or other measures.

ČKA is divided into five departments, managed by head managers, who hold the positions of members of the Board. For purposes of making qualified decisions regarding vital issues pertaining particularly to financial or other significant transactions of ČKA, advisory collective bodies were established, essentially committees and working teams without any decision-making powers. Departments are further divided into divisions. On 18 October 2001, a new division was established within the organisation structure of ČKA - the Supervisory Board Office.

### History and Legal Status of ČKA

In 2001, KOB witnessed a unique process of transforming itself from a banking institution into a non-banking entity, ČKA. The discharge of KOB and establishment of ČKA (as of 1 September 2001) was the consequence of the adopted laws. Pursuant to the Law No. 165/1998 Coll., amending the Law No. 21/1992 Coll., concerning banks, KOB could exist and pursue its activities until 31 August 2001 at the latest. A new law was adopted, No. 239/2001 Coll., concerning ČKA, safeguarding legal continuity between the state-owned financial institution KOB and ČKA, including legal and process succession and the transfer of all rights and obligations. Pursuant to the new law, ČKA is a legal entity managing state property and property to which it becomes entitled during the course of its activities, or with respect to such activities. ČKA is incorporated in the Commercial Register and the entry has a declaratory character. Pursuant to the law, ČKA shall cease to exist on 31 December 2011, without liquidation. Except for certain exceptions, ČKA is not subject to the Bank Act, as it does not have a bank license.

The Czech National Bank declared the status of ČKA as a financial institution and allocated it a zero risk rate (liabilities of ČKA are guaranteed by the state, according to the pertinent law). After its establishment, ČKA concluded a contract with the Czech National Bank, concerning the access of ČKA in the clearing centre.



Within the changes arising from the ČKA Act, KOB and subsequently ČKA, ceased to carry out certain bank operations. This concerns particularly the termination of credit services, as ČKA no longer has the status of a bank (pursuant to the Law No. 239/2001 Coll.) and therefore cannot provide new loans and accept deposits. As of the termination of its activity, KOB repudiated the checking accounts of its staff. Based on selection procedures, documentary payments have been outsourced. As such, ČKA no longer executes documentary payments. According to a decision adopted by the Ministry of Finance, concerning its further activities, ČKA may carry out payments without any limitations (however, only until the end of 2002).

The law clearly defines the scope of activities pursued by ČKA as follows: purchase, sale and administration of receivables and selected assets, restructuring of corporations; and the purchase, sale and administration of securities and other activities, including activities arising from a decision adopted by the Ministry of Finance, related to the execution of the aforesaid activities. ČKA is a securities trader and is entitled to issue bonds. Additionally, ČKA is entitled to acquire ownership interests in corporations or establish such corporations, with a prior approval by the Government. The income and expenditure of ČKA are not part of the state budget.

After an approval by the Supervisory Board, the Ministry of Finance approves the Statutes of ČKA and the financial statement, assigns tasks to ČKA and makes decisions concerning the coverage of loss, etc. Upon a request, ČKA shall provide information concerning its activities to the Minister of Finance and through him/her to the Government and other state authorities.

ČKA carries on with the administration and recovery of receivables, using all means previously available to KOB. Pursuant to the pertinent law, ČKA became entitled to manage the state assets to which KOB was entitled as of the aforesaid date. All rights and duties of KOB were transferred to ČKA. ČKA shall complete all activities and transactions assumed from KOB. In this respect, it is entitled to apply all rights, possibilities and tools which were available to KOB. The major objective of revitalisation and restructuring projects carried out within selected companies is to seek a strategic partner and make necessary preparations for its entry, while making active use of all available means.

In regards to human resources, the provision concerning legal succession and transfer of all rights and liabilities meant that all rights and duties of employees arising from the labour relations were assigned to ČKA as of 1 September 2001. Pursuant to standards applicable to banks, an extraordinary financial statement and overall inventory taking of KOB assets and liabilities were carried out as of 31 August 2001. Subsequently, KOB management results were subject to an audit, reflecting the first eight months of the year 2001, carried out by PricewaterhouseCoopers Audit, s.r.o.

The transformation of KOB into ČKA was pursued in line with the legal regulations, the needs of the institution itself and requirements expressed by external entities. The changes in the legal form were reflected in the organisation, the scope of services rendered and relations with the institution's environment, without having any negative effect on the state property management efficacy. The continuity of all vital processes was guaranteed, in regards to the reduction of the volume of loss-making and otherwise bad assets. Soon after its establishment, ČKA became a respected partner in the financial market.

## Scope of business activities pursued by ČKA

- Purchase, sale and administration of receivables and other selected assets;
- Restructuring of corporations and other legal entities, pursuant to Government decision;
- Purchase, sale and custody of securities;
- Custody of pledges for movables;
- Operation of accounts for legal and physical entities with liabilities towards the agency, up to the overall amount of their liabilities;
- Financial and economic counselling;
- Acquisition of financial sources from financial markets;
- Other activities pursuant to decisions adopted by the Ministry of Finance, related to the execution of the activities defined above.



## SUBSIDIARIES

### Konpo, s.r.o.

**Registered office:**

Na Příkopě No. 390/3  
Prague 1, ZIP 111 21

**Structure of partners:**

ČKA is the sole partner

**Acquisition of share:**

In March 2000, acquisition of a 100% ownership interest from Komerční banka, a.s.

**Company Executives**

**Pavel Obruča** - General Manager (from 30 November 2001)

**Vladimír Franc** - 1st Deputy General Manager (from 12 February 2002)

**Zdeněk Čáp** - Deputy General Manager

***The following changes were reported during the course of the year:***

As of 29 November 2001 - Štěpán Pecka removed

As of 7 December 2001 - Petr Smejkal removed

**Main Scope of Business Activities**

The mission of Konpo, s.r.o. is to minimise the negative impact on the public expenditure, arising from the privatisation of Komerční banka, a.s., with respect to the assumption of bad-quality receivables equalling CZK 60 billion.

After the acquisition of receivables from Komerční banka, a.s., the company's basic objective is to ensure their administration. This is performed through the execution of tasks related to the stabilisation of the claim portfolio, activities pertaining to the restructuring of trade accounts receivable, financial analyses of the assumed receivables, evaluation of receivables and real estates, and administrative recovery of debts until their final settlement, and assignment or final judicial settlement. A separate scope of activities comprises the implementation of assets.

**2001 Record**

- Improvement of claim portfolio in the form of the exchange of claims with objections with Komerční banka, a.s.
- Initiation of the process of assignment, in the form of public selection procedure
- Reduction of the most significant balance sheet item, receivables with a book value of CZK 5.4 billion, total collection of CZK 2.3 billion.

### Česká finanční, s.r.o.

**Registered office:**

Hybernská 1006/18  
Prague 1, ZIP: 111 21

**Structure of partners:**

ČKA is the sole partner

**Acquisition of share:**

In June 2000, acquisition of a 100% ownership interest from the Czech National Bank.

**Company Executives**

**Vladimír Franc** - General Manager (from 12 June 2001)

**Pavel Obruča** - 1st Deputy General Manager (from 12 June 2001)

**Jiří Pivrnec** - Deputy General Manager (from 30 November 2001)

***The following changes were reported during the course of the year:***



As of 11 June 2001 - Libor Táborský resigned  
As of 11 June 2001 - Radka Kafková removed  
As of 29 November 2001 - Petr Štýbr removed

#### **Main Scope of Business Activities**

The major scope of activities comprises the management of assets such as credit receivables, securities and investments assumed by Česká finanční, s.r.o. within the programme aimed at strengthening the stability of the banking sector in the Czech Republic, based on Czech Government Decree No. 539 of 16 October 1996 (the so-called Stabilisation Programme) and the programme declared by the CNB for the consolidation of smaller banks in the banking sector, particularly with respect to their mergers (the so-called Consolidation Programme). Regarding the management of assets assumed with respect to both programmes, Česká finanční, s.r.o. carries out particularly the following: receivable portfolio management, debt recovery, transfer of receivables, cooperation with external firms aimed at contractual management of receivables, cooperation with other creditors, management and implementation of guarantees and security management.

#### **2001 Record**

- Currently, the most extensive monitoring of the company's credit portfolios is being performed in order to clear the portfolio of selected deteriorated or low-liquidity assets.
- Reduction of the balance sheet balance of receivables and securities, in book value by CZK 1.9 billion, for a total collection of CZK 2 billion.

## **Revitalizační agentura, a.s.**

#### **Registered office:**

Hybernská 18a  
Prague 1, ZIP 110 00

#### **Structure of shareholders:**

ČKA is the sole shareholder

#### **Acquisition of share:**

In May 1999, following the establishment by Konsolidační banka Praha, s.p.ú. as a sole promoter

#### **Board of Directors**

**Bohuslav Kratěna (ČKA)** - Chairman (from 17 August 2001)

**Pavel Třenda (ČKA)** - Vice-Chairman (from 17 August 2001)

**Lenka Danielisová (ČKA)** - Member (from 17 August 2001)

#### ***The following changes were reported during the course of the year:***

As of 29 May 2001 - Alice Undusová resigned

As of 18 July 2001 - Josef Čihák resigned

As of 18 July 2001 - Michaela Rösslerová resigned

#### **Main Scope of business Activities**

After the former administrator of Revitalizační agentura closed down, all contracts which are not necessary for its activity were repudiated in February 2001. The company is technically ready for incorporation in ČKA, in the form of its transfer.

## **PRISKO, a.s.**

#### **Registered office:**

Janovského 438/2  
Prague 7

#### **Structure of shareholders:**

100% of shares owned by ČKA

#### **Acquisition of share:**

In April 1996, acquisition of shares from the Czech National Property Fund

#### **Board of Directors**

**Olga Mihalčíková** - Chairwoman



**Blanka Knyblová** - Vice-Chairwoman  
**Zlata Gröningerová (ČKA)** - Member

**Main Scope of business Activities**

The mission of PRISKO a.s. is to ensure, on behalf of the Government, implementation of the Transaction Documents concluded between the Czech Government and the company VOLKSWAGEN AG on 16 April 1991, and the Amendment to the Transaction Documents of 19 December 1994. In 2001, the company aimed particularly at solving the ownership rights (rights imposed by third parties and restitutions) to immovable assets, entered by the Czech party in the privatised company.

**SANAKON, s.r.o.**

**Registered office:**

Janovského 438/2  
Prague 7, ZIP 170 06

**Acquisition of share:**

In February 2000, following the establishment by Konsolidační banka Praha, s.p.ú. as a sole promoter

**Structure of partners:**

49% stake held by ČKA, 51% by Česká inkasní, s.r.o.

**Company Executive**

**Vlastimil Horkel** (from 1 April 2001)

**Main Scope of business Activities**

The company was founded in order to provide solution to problematic assets of Komerční banka, a.s. Due to the fact that further solution was carried out through Konpo, s.r.o., this company was being made ready for further use in the process of restructuring industrial enterprises. After the transformation of Konsolidační banka Praha, s.p.ú. to Česká konsolidační agentura, the company's existence is no longer effective and it is expected to be closed down.



## ACCOUNT OF EVENTS

### January

On 10 January 2001, KOB subscribed, following the Czech Government Decree No. 1315 of 18 December 2000, a total of 2,198,472 shares of Spolana a.s., at a total nominal value of CZK 1.4 billion. Considering the fact that the registered capital of this company was also increased by Česká inkasní s.r.o., the ownership interest of KOB in the registered capital of Spolana a.s. remained stabilised under 50%, even after the subscription carried out in line with the pertinent provision of the Law No. 21/1992 Coll., concerning banks.

Pursuant to Czech Government Decree No. 777 of 26 July 2000, KOB granted a loan for the removal of a temporary financial deficit of the Czech National Property Fund, at an amount of CZK 12.2 billion.

### February

Finalisation of the project for the sale of the so-called pilot portfolio of receivables, at a total approximate value of CZK 20 billion, was offered for transfer to an investor company. The outcome of the "due diligence" process and the transaction plan was discussed by the Czech Government on 7 February 2001. The Government decided to carry out the transaction in the form of direct sale to the highest offer. The successful bidder was CDV - 1, Ltd., a member of the Goldman Sachs investment group.

### March

Following Item 3, Article II of the Czech Government Decree No. 1264/2000, KOB granted a credit to the Czech National Property Fund at an amount of CZK 2.0 billion, for the State Fund of Traffic Infrastructure.

Ing. Ladislav Řezníček was appointed the General Manager and the Chairman of the KOB Bank Board, replacing the former General Manager, Ing. Kamil Ziegler.

### April

KOB assumed from ČSOB a.s. considerable involvement volumes in Termizo a.s. and Vítkovice a.s., pursuant to a Contract on the Transfer of IPB, the Indemnity Contract concluded between the Czech National Bank and ČSOB and the State Guarantee Deed concluded between ČSOB and the Czech Republic, represented by the Ministry of Finance.

On 30 April 2001, the Municipal Court in Prague registered the increase in the registered capital of Revitalizační agentura, a.s. in the Commercial Register. KOB thus acquired further ownership interest in the company, equaling CZK 170 million, while the overall share in the registered capital remained unchanged, i.e. 100 %. The aforesaid transaction was carried out in line with the Czech Government Decree no. 1200 of 27 November 2000.

Pursuant to Czech Government Decree No. 117 of 7 February 2001, KOB began to acquire long-term receivables of health-insurance companies against insurance payers in bankruptcy at an estimated book value of CZK 4.2 billion.

### May

On 9 May 2001, the Municipal Court in Prague registered the increase in the registered capital of SPOLANA, a.s. Following the Czech Government Decree No. 1315 of 18 December 2000, KOB thus acquired additional ownership interest at of CZK 1.4 billion and its total share in the registered capital reached 47.55 %.

Pursuant to a resolution adopted by the Supervisory Board of KOB on 24 May 2001, concerning the Annual Financial Statement of KOB for the year 2000 and according to the provisions of the Law No. 21/1992 Coll., concerning banks, as amended, in line with the Statutes of KOB, the Minister of Finance of the Czech Republic approved the Annual Financial Statement of the bank for the year 2000, the loss of KOB for the year 2000 ended, equaling CZK 12.7 billion and its settlement from the reserve fund of KOB, funds provided by the Czech National Property Fund and the issue of government bonds.



Ing. Pavel Řežábek was appointed the General Manager and Chairman of the KOB Bank Board, replacing the former General Manager, Ing. Ladislav Řezníček.

In line with the terms and conditions, KOB repaid CZK 2.0 billion of the nominal value of its bonds.

## June

On 13 June 2001, the Municipal Authority of Košice transferred shares in České aerolinie, a.s. to KOB, at a nominal value of CZK 13.4 million. The transaction was carried out in line with the resolution adopted by the KOB Bank Board on 27 February 2001. Based on the transaction, KOB acquired a 0.49 % share in the registered capital of the aforesaid company, i.e. its total share reached 34.59 %.

On 26 June 2001, shares of Bankovní institut vysoká škola, a.s. were transferred to COGNOS AG, according to Czech Government Decree No. 369 of 18 April 2001. The shares, with a nominal value of CZK 1 million, represented a 2.29 % stake in the registered capital.

Following the Government's approval on 7 February 2001, KOB sold a block of 503 receivables against 294 clients to Goldman Sachs on 5 June 2001, at a total book value of CZK 12.1 billion.

Pursuant to a Contract concerning Restructuring and Guarantee, concerning the assumption of credit risks arising from low-quality assets in the financial group of Česká spořitelna a.s., KOB, ČS a.s. and Corfina, a.s. concluded on 1 March 2000, ČS, a.s., and KOB applied a put and call option on 30 June 2001, on the basis of which KOB transferred bad-quality receivables into its portfolio.

## July

Succession of the first batch of receivables (approx. 1,160 receivables) from ČS, at a nominal value of CZK 7,905.9 million. The price for these receivables equalled CZK 4,670.5 million in book value.

## August

On 31 August 2001, ČSOB a.s., KOB and the Czech Republic, represented by the Ministry of Finance, concluded a Contract concerning the Restructuring Plan. Pursuant to this contract, ČKA, a legal successor of KOB, will assume the so-called "black assets" from ČSOB, at a total book value of CZK 45.9 billion.

After preliminary assessment of the quality of the transferred assets and the return risk assessment, KOB created a provision for the so-called "black" assets transferred from ČSOB a.s. as of 31 August 2001, at an amount of CZK 32.1 billion.

In August 2001, KOB and NH, a.s. concluded a general contract concerning the withdrawal of the 2nd and 3rd tranche, at a total amount of CZK 1.5 billion, pursuant to a Czech Government Decree of 7 June 2000, No. 589. The withdrawal requires prior approval by the Office for the Protection of Economic Competition.

## September

As of 1 September 2001, ČKA became a legal successor of KOB, in line with the Law No. 239 of 12 April 2001. With respect to the process of KOB transformation, new members of the statutory bodies were appointed.

## October

On 5 October 2001, ČKA acquired, according to the Czech Government Decree No. 485/2000, an ownership interest in WALTER a.s., equalling 45.91% of the registered capital of the company.

Making use of the funds raised from the state bond programme, the Ministry of Finance of the Czech Republic covered the loss reported by KOB for the year 1999, equalling CZK 10.0 billion.



## November

On 2 November 2001, a Contract of Purchase was concluded, concerning shares of Západočeská energetika, a.s. (West-Bohemian Power) at a nominal value of CZK 31.8 million, acquired by ČKA from the Plzeň City Authorities, i.e. a 1.98 % share in the registered capital of the company. This Contract was concluded in line with the Czech Government Decree No. 940 adopted on 17 September 2001.

On 27 November 2001, following a Contract concerning the Restructuring Plan, concluded between ČSOB, a.s., ČKA and the Ministry of Finance of the Czech Republic, ČKA acquired bills of exchange, issued by Válcovny trub Chomutov, a.s., at a total bill amount of CZK 130 million.

On 28 November 2001, ČKA acquired shares in Zetor, a.s. from Revitalizační Traktor s.r.o., at a nominal value of CZK 2 million, representing a 47.74 % share in the registered capital of the company. ČKA thus controlled an overall stake of 97.74 %.

On 30 November 2001, shares of TATRA, a.s. were transferred from KRAS, a.s., Brno to ČKA, at a nominal value of CZK 2.2 billion, i.e. a 41.63 % share in the registered capital of the company. Based on this transaction, ČKA acquired a total share of 91.62 %. In addition, a contract was signed with SDC INTERNATIONAL, INC. and SDC Prague, s.r.o., concerning the sale of the entire stake in TATRA, a.s. held by ČKA.

Making use of the funds raised from the state bond programme, the Ministry of Finance of the Czech Republic covered another CZK 10.0 billion of loss reported by KOB for the year 1999.

With respect to the Czech Government Decree of 29 August 2001, No. 840, the put option for all receivables held by Komerční banka, a.s. against NH, a.s. was applied in November, at a total amount exceeding CZK 3 billion.

## December

On 17 December 2001, the Office for the Protection of Economic Competition decided not to grant an exception from the ban on public aid for the benefit NOVÁ HUŤ, a.s. in the form of a loan for operations provided by KOB, at a total amount of CZK 750 million.

During December 2001, securities were gradually transferred from ČSOB, a.s. to ČKA, following a Contract concerning the Restructuring Plan, concluded between ČSOB, a.s., ČKA and the Ministry of Finance of the Czech Republic. These securities comprised company shares at a total nominal value of CZK 696.4 million, participation certificates at a total nominal value of CZK 891.1 million and corporate bonds at a nominal value of CZK 868.1 million.

On 19 December 2001, following Czech Government Decree No. 487 of 14 May 2001 and No. 1186 of 14 November 2001, shares of SPOLANA, a.s. were sold at a nominal value of CZK 2.4 billion, representing a 47.55 % share in the registered capital of the company. The shares were acquired by UNIPETROL, a.s.





## ACTIVITY INDICATORS

### Patents, licences

ČKA neither acquired nor owns any patents or licences which would have a significant impact on its business activities. At present, ČKA registers the following combined trademarks: KOB, ČKA and RA, protected on the basis of industrial law protection.

### Legal, Administrative or Arbitration Proceedings

In 1999, 2000 and 2001, no active or passive disputes were initiated which may have a significant impact on the financial situation or economic standing of KOB/ČKA, or which may have a negative impact on the ability to meet its liabilities arising from bonds.

### Exceptional Events and Data concerning Financial and Business Contracts

At present, ČKA is involved in a large number of business transactions which are associated with a considerable number of contracts. Concerning the fact that ČKA in many cases follows the decrees of the Czech Government, all such contracts may most likely be considered significant with respect to the Securities Act. As it would be rather complicated and difficult to publish and further update the database of the specified contracts concluded by ČKA, we indicate only those contracts concluded in 2000 and 2001 which we consider to be the most significant:

#### I. Guarantee Contract concluded between KOB and Komerční banka, a.s.

The Guarantee Contract was concluded in connection with the process of privatisation of Komerční banka, a.s. on 29 December 2000, between KOB and Komerční banka, a.s., pursuant to the provisions of Item 2), Article III of the Czech Government Decree No. 1334, adopted on 18 December 2000. On the basis of the Guarantee Contract, Konsolidační banka Praha, s.p.ú. provides a guarantee for the risk assets of Komerční banka, a.s.; however, this guarantee applies only to assets classified as non-standard, doubtful or loss-making, according to the methodology of the Czech National Bank.

#### II. Contract concerning restructuring and guarantee concluded between Česká spořitelna, a.s., Corfina, a.s. and KOB

This contract was concluded on 1 March 2000 in connection with the privatisation of Česká spořitelna, a.s. in order to provide the terms and conditions on the basis of which KOB undertook to purchase selected assets from Česká spořitelna, a.s. In addition, KOB shall assume the guarantee for selected assets of Česká spořitelna, a.s.

#### III. Contract and state guarantee, concluded between the Czech Republic, represented by the Ministry of Finance of the Czech Republic and Československá obchodní banka, a.s.

This contract and state guarantee were concluded on 19 June 2000 (full version on 27 July 2000). Pursuant to an authority rendered by the Minister of Finance, KOB pursues the rights and obligations arising from this contract and state guarantee on behalf of the Ministry of Finance of the Czech Republic, until the "Restructuring Plan" is concluded directly between KOB and ČSOB a.s.

On 31 August 2001, the Contract of Restructuring Plan was concluded between ČSOB a.s., KOB and the Czech Republic, represented by the Ministry of Finance of the Czech Republic. The contract defines the rights and obligations of the contracting parties arising from the transfer of assets of IPB from ČSOB a.s. to ČKA. By virtue of this contract, ČKA shall assume from ČSOB a.s., during the period from 1 January to 30 June 2002, selected bad-quality assets of IPB, at a total amount exceeding CZK 100 billion.



#### **IV. Contract concerning the financing of SANAKON, s.r.o. by KOB, concluded pursuant to the provisions of Section 269, Paragraph 2 of the Commercial Code**

The contract was concluded on 31 October 2000 and KOB agreed to cover the operating costs and eventual losses arising from the fulfilment of the liabilities of SANAKON, s.r.o. during the course of its business operations, approved in advance by the bank committee of KOB.

### **Major Financial Investments**

Since 1997, KOB has made investments, in most cases following government decrees, in ownership interests or obligations in companies where the stabilisation or restructuring projects are pursued, in order to avoid the disadvantageous financial situation of these companies and recover their economic balance and competitiveness within the Czech and international markets. Following government decrees, KOB has made some further investments into companies incorporated in the Financial Group of KOB, concerning the transfer of receivables from commercial banks and their recovery. In addition, KOB established the specialised Revitalizační agentura, a.s. (Revitalising Agency).

#### **The following investments were made into shares and bonds of other Issuers:**

##### **Year 1997**

- In September, shares of České aerolinie, a.s. (Czech Airways) were purchased at a nominal value of CZK 446.3 million, representing a share in the registered capital equalling 16.32 %.
- In October, KOB acquired a 28.98 % stake in the registered capital of AERO Vodochody a.s., following a subscription of shares at a total value of CZK 780 million.
- In October, KOB got hold of a stake in Zetor, a.s. at a nominal value of CZK 3,686 million, representing an 89.05 % share in the registered capital.

##### **Year 1998**

- In August, the share held by KOB in LET, a.s. was transferred to AYRES, an aerospace manufacturer based in the US, at a nominal value of CZK 349 million, representing a 22.36 % share in the company's registered capital. In connection with the process of financial restructuring of this company, 339,000 inscribed shares were acquired at a nominal value of CZK 1,000.00 in October 1998, i.e. at a total nominal value of CZK 339 million, which were subsequently sold to the aforesaid strategic partner in December 1998. These shares represented a 17.84 % share in the registered capital of the company.
- During the course of the year, KOB sold its 34% share in the registered capital of Zetor, a.s. to Motokov International, a.s., i.e. equalling the nominal amount of CZK 1,407.3 million.

##### **Year 1999**

- In January, another tranche of shares in Zetor, a.s. was sold, at a nominal value of CZK 568.8 million, representing a 13.74 % share in the registered capital of the company.
- In May, Revitalizační agentura, a.s. was founded and the deposit of KOB, representing a 100 % share in the registered capital of the company, equalled CZK 100 million.
- In August, KOB acquired a 49.90 % share in the registered capital of ČKD DOPRAVNÍ SYSTÉMY, a.s., i.e. at a total nominal value of CZK 462.1 million.
- In September, KOB acquired shares in TATRA, a.s. at a total nominal value of CZK 480.4 million, representing a 43.50 % share in the registered capital (after a decrease in the registered capital carried out in 2000, the share equalled 9.28 %).
- In November, bonds at a total nominal value of CZK 209 million were transferred to KOB within the process of improving the portfolio of assets held by Česká spořitelna, a.s.
- In December, a 1.47 % share was acquired in the registered capital of České aerolinie, a.s.

##### **Year 2000**

- In February, KOB established a subsidiary - SANAKON, s.r.o., with a registered capital equaling CZK 100 thousand
- In March, KOB purchased a 100 % share in the registered capital of Konpo, s.r.o., at a nominal value of CZK 100 thousand.



- In May, shares in ŠKODA AUTO a.s. were sold at a nominal value of CZK 5,012.7 million, representing a 30 % share in the registered capital of the company.
- In June, KOB acquired Česká finanční, s.r.o. and its deposit equalling to CZK 13,833.5 million represented a 100 % share in the registered capital of the company.
- In June, KOB acquired shares in ŠKODA HOLDING a.s., at a total nominal value of CZK 1,050 million, i.e. a 48.36 % share in the registered capital of the company.
- In October, a stake of 761,723 shares was acquired (followed by 7,663,265 shares in December) in TATRA, a.s., at a nominal value of CZK 250.00 per share, i.e. at a total nominal value of CZK 2,106.2 million, representing a 40.71 % share in the registered capital of the company.
- In November, KOB got hold of a 34.2 % stake in KORADO, a.s., in the form of the capitalisation of receivables.
- In December, shares in SPOLANA, a.s. were transferred to KOB, at a total nominal value of CZK 936.7 million, i.e. representing a 49.78 % stake in the registered capital of the company.
- In December, KOB sold its 51 % ownership interest in SANAKON s.r.o.

#### Year 2001

- Sale of shares in TATRA, a.s., at a nominal value of CZK 4.7 billion (91.62 % share in the registered capital) to a strategic investor - SDC INTERNATIONAL, INC. and SDC Prague, s.r.o. Prior to this transaction, shares at a nominal value of CZK 2.2 billion in TATRA, a.s. were transferred from KRAS, a.s. to ČKA (KRAS, a.s. a subsidiary of the Czech National Property Fund). These shares were acquired on the basis of capitalisation of the receivables held by ČKA, as a part of the overall financial restructuring of the company.
- Sale of shares in SPOLANA, a.s., at a nominal value of CZK 2.4 billion (47.55 % share in the registered capital) to UNIPETROL, a.s. Within the process of financial restructuring, an ownership interest was acquired in 2001 at a total amount of CZK 1.4 billion, based on an increase in the registered capital in the form of receivable capitalisation.
- Acquisition of an ownership interest in WALTER a.s., at a total amount of CZK 1.5 billion (45.91 % share in the registered capital), which shall be gradually transferred to a strategic partner in 2002, following the concluded contracts.
- Increase in the registered capital of Revitalizační agentura a.s. by CZK 170 million.
- Acquisition of shares held by Zetor, a.s., at a nominal value of CZK 2 million (47.74 % share in the registered capital) from Revitalizační Traktor s.r.o., as part of the operations pertaining to the anticipated entry of a strategic investor in the company.

### Non-financial Investment

Pursuant to the Securities Act, as amended, a summary of the investment assets acquired by the Issuer of securities is provided below, for the years 1997 - 2001. These are common and necessary investments in the operation of KOB/ČKA, reconstruction of buildings and/or provision of buildings for the dislocation of operating premises, necessary for the operation of subsidiary companies.

(CZK 1 000,000)

	31.12.1997	31.12.1998	31.12.1999	31.12.2000	31.12.2001
Total investments	165	50	47	196	1 724
Consist of:	****	***	***	***	***
Buildings and constructions	5	8	12	0	589
Other investments	160	42	35	196	1 135



**List of Real Estate Owned by the Czech Republic and Operated by ČKA**

(as of 31 March 2002)

	Premises	Number	Lot Number	Area (sq.m)	Acquisition price (CZK 1 000)
1.	Prague 1, Na Příkopě 3-5	390	484	1 271	101 599
2.	Prague 7, Janovského 2	438	1255	4 433	442 094
3.	Prague 7, Náb. Kpt. Jaroše	1000	1260	6 808	149 480
4.	Dolní Dvůr	21	85/1,425	956	23 556
5.	Koloděje nad Lužnicí	66, 105	127,129,502,485/2,485/10,1276/13,1311	1 765	6 800
6.	Ostrava	1448	470/13	243	17 417
7.	Břeclav, J. Palacha 17a	3152	3374/2	518	33 789
8.	Jablonec n. Nisou	397	44/1	503	29 645
9.	Kraslice, Poh. stráže 341	341	472, 257/7	1 063	15 357
10.	Liberec, Tř. 1. máje 26	858	4147/2,4146,4148	1 712	112 909
11.	Malšovice u HK, Úprkova	30	22/4. 22/2	1 055	10 109
12.	Prague 1, Jindřišská 34	967	129.130	630	84 637
13.	Prague 8, Voctářova 5,7,9,11	2145,1477	3996/2,3996/2,3959/2,3959/5,3997/21,3997/10	11 217	323 150
14.	Tábor	348	602/1	447	12 903
15.	Land in Letňany		544/50,52,54,55,84,85,86,87,547/9,808/2	29 808	26 473
16.	Land in Trutnov		255/2,254	742	2 274
17.	Land in Kladno		4864	402	1 462
18.	Garage in Chomutov		654/9	22	81

**Real estate acquired before 31 December 2001 which are not incorporated in the Land Register**

	Premises	Number	Lot Number	Area (sq.m)	Acquisition price (CZK 1 000.000)
1.	Prague 1. Václavské nám.19	832	574	2 030	365 927
2.	Králiky, Dlouhá 284	284	163.293	707	12 147

The Agency has no branches within the meaning of Section 7 of the Law No. 513/1991 Coll., Commercial Code.



## Average headcount:

Year	Number of employees
1997	379
1998	369
1999	399
2000	581
2001	585

As of 31 March 2002, ČKA reported 574 employees.

## Major Scope of Activities

### Financial Activities

#### KOB Portfolio

As of 31 December 2001, the credit portfolio of ČKA reached a gross book value of CZK 194.7 billion. The structure of portfolio is to a great extent influenced by the mission of KOB and ČKA as a legal successor of the former bank, i.e. in the form of specific consolidation institutions focusing particularly on the acquisition, sale and administration of bad-quality credit receivables and other bank assets, accepted for a consideration pursuant to the Czech Government Decrees from commercial banks or in connection with the solution of the adverse financial standing of the clients of these banks.

Of the aforesaid total sum of credit receivables registered by ČKA, there were receivables from credits assumed in the early 1990's equalling CZK 42.5 billion, particularly with respect to credits for the so-called permanently revolving stock (CZK 25.9 billion), or receivables gradually restructured from such claims (CZK 10.1 billion), or low-quality receivables, purchased during the aforesaid period from Komerční banka and Investiční banka (CZK 5.9 billion) and some other banks (CZK 0.6 billion). Other credits, provided usually by KOB as a legal predecessor of ČKA reached CZK 73.5 billion as of 31 December 2001.

Other credits administered by ČKA, with a total balance reaching CZK 78.7 billion as of 31 December 2001, were gradually assumed on the basis of Government Decrees from ČS a.s. (CZK 25.2 billion), KB a.s. (CZK 14.5 billion) and ČSOB a.s. (CZK 23.3 billion) or they are receivables from credits for cooperative housebuilding, assumed from IPB a.s. (CZK 11.5 billion), or receivables held by health insurance companies against debtors in bankruptcy (CZK 4.2 billion).

During the year 2001, reserves of CZK 32.1 billion were created in compliance with the auditor's statement, for the settlement of potential losses from the assumed portfolio of the so-called "black" assets from ČSOB a.s., as of 31 August 2001. For the covering of potential losses from the fulfilment of leasing contracts and guarantees issued to ČS, a.s., as well as the coverage of loss risks from adjusting entries to the portfolio in ČS a.s., limited within the ring-fencing according to the concluded Contract of Restructuring and Guarantee, reserves were created in 2001 totaling CZK 1.3 billion.

Regarding the release or utilisation of considerable amounts of created provisions, KOB made use of the provisions created in 2000 to the portfolio of ČS a.s., limited within the ring-fencing according to the concluded Contract of Restructuring and Guarantee, in connection with the transfer of a part of these assets to KOB carried out in July 2001 and replaced the released provisions with adjusting entries. Subsequently, ČKA released part of the reserves created by KOB as of 31 August 2001 for the coverage of potential loss from the assumed portfolio of the so-called "black" assets from ČSOB a.s., with respect to the transfer of a part of these assets to ČKA carried out from 1 September to 31 December 2001 and replaced the released provisions with adjusting entries.



## **Interbank and Capital Market - Position of KOB within Markets**

The Law concerning the Czech Consolidation Agency regulates the position of ČKA in the interbank and capital markets, which is now different compared to the position of KOB prior to its transformation to ČKA. The new position of ČKA within the interbank market was explained to other market traders duly in advance and it had no negative impact on the smooth operation of the Agency. One of the advantages in the position of ČKA within the interbank market is the preservation of the clearing account with ČNB.

## **Deposit Transactions**

Deposit transactions were to a great extent limited by the wording of the Law concerning the Czech Consolidation Agency, stipulating also the terms and conditions under which checking and deposit accounts are operated for legal and physical entities.

At the beginning of December, ČKA accepted from the Czech National Property Fund a EUR deposit in an amount equivalent to CZK 19.6 billion, in line with the Government Decree No. 661/01, with respect to the privatisation of Komerční banka a.s. Additionally, this transaction supported the intention to avoid strengthening of the CZK against EUR, as an adverse consequence of the inflow of direct foreign investments in the Czech Republic.

## **Impact of Monetary Policy on KOB Transactions**

Monetary policy pursued by the Czech National Bank had no significant impact on the economic position of ČKA.

## **Liquidity Management**

The liquidity management in ČKA focussed on the financing of the transfer of receivables assigned from ČSOB, a.s. and Česká spořitelna, a.s. within the so-called ring-fencing. Additionally, ČKA worked closely with the needs and possibilities of the Ministry of Finance of the Czech Republic and Government agencies, particularly the Czech National Property Fund (e.g. allocation of the liquidity surplus at the Czech National Property Fund, sale of EUR currency to the Czech Ministry of Finance, based on the funds acquired from the transfer of a share in ŠKODA Auto, a.s.).

## **KOB Bond Issue, Syndicated Loans**

Pursuant to a decision adopted by the Czech Securities Commission, which became effective on 4 May 2001, the Konsolidační banka Praha, s.p.ú. stipulated a bond issue programme, in cooperation with the head arranger of ING Bank N.V., on 3 August 2001. During the period of this programme, i.e. during 15 years, ČKA, acting in the capacity of the successor of KOB, is entitled to issue bonds, with a maximum unpaid volume not exceeding CZK 20 billion and a maturity not exceeding 15 years.



## Ownership Interests

### Ownership Interests of ČKA as of 31 December 2001 (over 10 % involvement)

	Trade name	Registered capital (CZK 1 000)	Share in the registered capital held by ČKA (%)	
Direct share	Česká finanční s.r.o.	13 833 540	100	
	Konpo, s.r.o.	100	100	
	PRISKO, a.s.	794 760	100	
	Revitalizační agentura, a.s.	270 000	100	
	Zetor, a.s.	4 139	97.74	
	VSM ČR, a.s.	1 000	50	
	ČKD Dopravní systémy, a.s.	925 989	49.9	
	Sanakon, s.r.o	100	49	
	Škoda Holding, a.s.	2 171 000	48.38	
	Walter, a.s.	3 136 689	45.91	
	Korado, a.s.	840 700	34.22	
	ČSA, a.s.	2 735 510	34.59	
	Letov, a.s.	1 798 833	31.46	
	VZLÚ, a.s.	750 968	31.46	
	Aero Vodochody, a.s.	2 691 926	29	
	ZVVZ, a.s.	677 011	13.92	
	Českomoravská zár. a roz. banka, a.s.	1 399 970	12.66	
	Indirect share (via Česká Finanční)	BASKA, a.s. in liquidation	570 500	100
		COOP BANKA, a.s. in liquidation	501 000	99.8
EKOAGROBANKA, a.s. in liquidation		501 200	99.76	
Banka Bohemia, a.s. in liquidation		800 290	65.5	
COLORLAK, a.s.		187 894	38.67	
Spolek pro chem. a hut. výr., a.s.		1 939 408	53.73	
H-Systém, a.s. v konkurzu		1 738 501	24.89	
H-Systém Luxus, a.s.		439 800	24.78	
1. čs. amer. real. spol., a.s.		463 200	21.37	
Pivovar Litovel, a.s.		421 000	18.29	
Česká banka a.s. Praha in liquidation		1 200 000	11.71	
Integra Service, a.s.		1 000	10	
Tepna, a.s.		350 000	10	
Indirect share (via Revitalizační agentura)		RA Traktor, s.r.o.	100	100
		Revitalizační traktor s.r.o.	100	100



## Information concerning companies in which ČKA held a direct share as of 31 December 2001

### **Aero Vodochody, a.s., Letov, a.s., in bankruptcy, VZLÚ, a.s.:**

All ownership interests in aerospace corporations followed a decree adopted by the Government in 1994, on the basis of which KOB purchased the receivables and guarantees held by banks against Aero Holding, a.s. and subsequently Aero Holding settled its liability against KOB with shares in its subsidiaries, Letov, Aero Vodochody, VZLÚ and Technometra Radotín. In conclusion, KOB acquired an equal ownership interest in all these companies, i.e. 31.46 % of their registered capital. After successful restructuring, the share in Technometra Radotín was later sold.

Within the process of restructuring and stabilisation of AERO Vodochody, a.s., the registered capital of the company was reduced by approx. CZK 960 million and subsequently it was increased by CZK 1.74 billion, of which CZK 780 million was subscribed by KOB. After the inscription of the increased registered capital and the issue of shares, the stake controlled by KOB in Aero Vodochody, a.s. increased to 44.8 % of the registered capital. The objective of the transaction was to relieve the company of its debts and to strengthen its economic position prior to the entry of a strategic partner. After the capital entry of Boeing Česká in 1998, the ČKA holds a 29% share in the registered capital, as of 31 December 2001.

Pursuant to a proposal of the Board of Directors in Letov, a.s. and Komerční banka, a.s. the Regional Commercial Court in Prague declared bankruptcy on the assets of Letov, a.s. as of 2 February 1998.

Pursuant to the decision adopted by the Board of Directors in AERO Holding a.s. concerning its entry into liquidation (December 2000), the share held by AERO Holding, a.s. in VZLÚ, a.s. was transferred towards the end of 2000 to PAL, a.s., with a sole owner, the Czech National Property Fund. Thus, the first stage of the transformation of the company shareholder structure was successfully completed, arising particularly from the need to ensure a significant share of the state in the shareholder structure, with respect to the possibility of obtaining international grants in aerospace and military engineering.

### **Česká finanční, s.r.o.:**

KOB acquired Česká finanční, s.r.o. on 30 June 2000, after purchasing a 100% ownership share from the Czech National Bank Czech Government Decree of 31 May 2000 No. 529, concerning the transfer of an ownership interest in Česká finanční, s.r.o. to KOB.

The major scope of activities comprises the management of assets, i.e. credit receivables, securities and investments assumed by Česká finanční, s.r.o. within the programme aimed at strengthening the stability of the banking sector in the Czech Republic, based on Czech Government Decree No. 539 of 16 October 1996 (the so-called Stabilisation Programme) and the programme declared by the CNB for the consolidation of smaller banks in the banking sector, particularly with respect to their mergers (the so-called Consolidation Programme). Regarding the management of assets assumed with respect to both programmes, Česká finanční, s.r.o. carries out particularly the following: receivable portfolio management, debt recovery, transfer of receivables, cooperation with external firms aimed at contractual management of receivables, cooperation with other creditors, management and implementation of guarantees and security management.

### **České aerolinie, a.s.:**

The investment in České aerolinie, a.s., the largest Czech airlines, followed the decree adopted by the Czech Government in connection with the retirement of Air France from Československé aerolinie, a.s. in 1994. This year, KOB purchased from Air France CS Participation S.A. its equity share, representing 19.10 % of the registered capital. After an increase and subsequent decrease in the company's registered capital in 1995, carried out for the purpose of covering the retained loss, the share of KOB decreased to 16.32 %. Based on a contract concluded between KOB and the European Bank for Reconstruction and Development, concluded in 1994, also on the basis of a Czech Government Decree, EBRD applied its put option in September 1997, pursuant to which KOB purchased from it shares of České aerolinie, a.s., representing another 16.32 % of the registered capital. In 1999 and 2001, KOB applied its pre-emption right with respect to the sale of the company shares by some original shareholders and acquired an additional 1.96 % of the registered capital. At present, the bank's share in the registered capital equals 34.59 %.

### **ČKD DOPRAVNÍ SYSTÉMY, a.s., in bankruptcy:**

The investment of ČKA in the company, a prestigious manufacturer of railway engineering facilities, was based on the Czech Government Decree adopted in August 1999. The objective of acquiring a share of almost 50 % was to create conditions for the proper functioning of the joint-stock company, fulfilment of its contracts and an entry of a strategic partner.

On 28 January 2000, bankruptcy was declared on ČKD Dopravní systémy, a.s., and subsequently, the trustee in bankruptcy, credit committee and the court decided that the bankrupt would continue its activities in order to finalise orders and sell the assets in bankruptcy to a strategic partner within the terms and conditions of the bankruptcy proceedings.





**Konpo, s.r.o.:**

KOB acquired Konpo, s.r.o. on 16 March 2000, after purchasing a 100% ownership interest from Komerční banka, a. s. - Czech Government Decree of 16 February 2000 No. 187, concerning the restructuring of assets in Komerční banka, a.s., carried out with respect to the privatisation process.

The objective of Konpo, s.r.o. is to minimise the negative impact on the public expenditure, arising from the privatisation process in Komerční banka, a.s., in connection to the acquisition of bad-quality receivables equalling CZK 60 billion.

After the acquisition of receivables from Komerční banka, a.s., the company's basic objective is to ensure their administration, i.e. execution of tasks related to the stabilisation of the claim portfolio, activities pertaining to the restructuring of trade accounts receivable, financial analyses of the assumed receivables, evaluation of receivables and real estates, and administrative recovery of debts until their final settlement, assignment or final judicial settlement. A separate scope of activities comprises the implementation of assets.

**KORADO, a.s.**

KORADO, a.s., is one of the largest independent European manufacturers of steel heating elements with a strong export orientation. It also offers the following activities: production of plastic items and, through its subsidiary, SAS, a.s.. international transport services. The company was founded in 1990. In 1996, an extensive investment programme was implemented. The company now runs one of the most advanced production plants in its field. Since 1997, the European Bank for Reconstruction and Development has been the shareholder of the company. KORADO, a.s., is a parent company of a group, comprising the transport contractor SAS, a.s. and a production and trading company in Bulgaria, together with trading companies in Lithuania, Bosnia-Herzegovina, Croatia, Germany, Poland, Austria, the United Kingdom, and sales agencies in Russia and China. As of 31 December 2001, the share of ČKA in the registered capital of KORADO, a.s. equalled 34.22 %.

**Prisko, a.s.:**

Prisko, a.s. is a special-purpose company, founded in 1992 in connection with the privatisation of the state share in Škoda, a.s. During the course of privatisation in Škoda, a.s., the company assumed some liabilities of Škoda, a.s., arising from the activities pursued before the year 1991, and it shall further attempt at the settlement of liabilities related to the entry of Volkswagen AG in Škoda, a.s. (in 1998, the company changed its trade-name to ŠKODA AUTO a.s.). The role of ČKA, which acquired a 100% ownership interest in Prisko, a.s. from the Czech National Property Fund in 1996, is to supervise the due fulfilment of this strategy.

**Revitalizační agentura, a.s.:**

Revitalizační agentura, a.s. was founded in 1999 pursuant to a Czech Government Decree, in connection with the plan to carry out restructuring and revitalisation of selected prestigious Czech corporations.

The Czech Government adopted Decree No. 1200 on 27 November 2000, in which it agreed to increase the registered capital of Revitalizační agentura, a.s. (hereinafter the "RA") by CZK 170 million and agreed that KOB, acting in the capacity of its promoter, transform RA and transfer its assets, including further liabilities arising from the revitalisation process, RA staff and know-how, to the ownership of KOB (or ČKA), and that KOB becomes the successor in title of RA.

Additionally, the government approved updated restructuring principles related to selected industrial enterprises, consisting in the replacement of the relationship between RA and its administration into cooperation between KOB and a new entity.

Contracts with a new entity, resuming the activities of RA or the administrator, were concluded on 31 January 2001. This entity is Odien Restructuring Services, s.r.o. In addition, all liabilities related to the activities of an administrator in RA were terminated.

**SANAKON, s.r.o.:**

SANAKON, s.r.o. was founded in February 2000 in connection with the solution of problematic assets of Komerční banka a.s. It will be wound up with liquidation after the transfer of a business share from Česká inkasní, s.r.o. to other companies.

**Škoda Holding, a.s.:**

The ownership interest in this company, incorporating the largest industrial enterprises throughout the region of West Bohemia, was founded pursuant to a Czech Government Decree adopted in April 2000, in order to find a solution to the critical situation of ŠKODA, a.s. and salvage the entire Škoda Group.

With respect to the restructuring project, elaborated in cooperation with Revitalizační agentura, a.s., ČKA acquired a 48.38 % share in the registered capital of the company, in the form of the capitalisation of bills receivable. After the process of financial and material restructuring, in which ČKA plays an important role, the state-owned stake shall be sold to a strategic investor.



**Union Group, a.s.:**

ČKA has been holding an ownership interest in this group since 1994, when it acquired a share directly in Union banka, a.s. in the form of receivable capitalisation and subsequently purchased an additional share. After the successful completion of these transactions, ČKA held an 11.4 % share in the registered capital of this financial institute. In 1996, following the scheme of reorganising the financial group of Union banka, a.s., an exchange contract was signed, concerning the exchange of shares in Union banka, a.s. for shares in Union Group, a.s. At present, ČKA holds a 5.22 % share in the registered capital of the company.

**Zetor, a.s.:**

The share in this prominent Czech manufacturer of agricultural engineering was acquired in two stages. In 1994, following a resolution adopted by the Government Privatisation Committee, KOB purchased a share representing 69.6 % of the company's registered capital from the Czech National Property Fund. Later that year, KOB increased its share to a total of 79.4 % of the registered capital, in the form of capitalising own receivables and some claims against Zetor, a.s., purchased from commercial banks, at a total amount of approx. CZK 1.4 billion.

The objective of KOB's entry in Zetor, a.s. was to bring the process of privatisation, launched in 1993, to a successful end, and to sell the financially healthy and stabilised company. In order to fulfil the plan, an extraordinary meeting of shareholders held in 1996 decided to reduce the registered capital to CZK 453 million, in order to settle the accumulated loss retained from previous years. In August 1997, the Czech Government approved the plan of financial restructuring of Zetor, a.s., comprising an increase in the registered capital based on an issue of shares equalling CZK 3,686 million. KOB subscribed and paid-up this issue in 1997. After the increase in registered capital had been incorporated in the Commercial Register and shares issued, the KOB was holding a 97.7% share in the registered capital of Zetor, a.s. Subsequently, the government decided to sell a 34% stake held by KOB to a consortium of foreign participations of Motokov International. The Government Decree also stipulated terms and conditions under which the remaining share held by the bank in Zetor, a.s. was supposed to be sold to Motokov International before the end of the year 2000. According to this Government Decree, KOB concluded pertinent contracts with Motokov International, based on which a 34% share in Zetor was transferred during the first half of 1998, followed by a share of 13.7% in January 1999. Pursuant to a Czech Government Decree No. 305, of 29 March 2000, the Czech Government decided to adopt a policy for the revitalisation and acquisition of a strategic investor for Zetor, a.s. For this reason, the previous plans for the sale of the remaining 49.99% share in KOB to Zetor, a.s. were never fulfilled.

Concerning the accumulated loss, the extraordinary meeting of shareholders in Zetor, a.s., held on 23 June 2000, decided to decrease the registered capital of the company to CZK 4,139 thousand. On 21 February 2001, the Regional Court in Brno enabled Zetor, a.s. to carry out its settlement, which was further confirmed on the basis of the court's decision adopted on 18 May 2001. These decisions enable further restructuring of the company and searching for a strategic investor for the company. After the purchase of shares from Revitalizační Traktor s.r.o. on 28 November 2001, ČKA held a 97.74% share in the registered capital of Zetor, a.s. as of 31 December 2001.

**ZVVZ, a.s.**

On 31 May 2000, following the Czech Government Decree No. 373 of 10 April 2000, KOB acquired 94,237 common marketable bearer shares in ZVVZ, a.s., at a nominal value of 1,000.00 CZK each, i.e. at a total amount of CZK 94.237 million. As of 31 December 2001, the share of ČKA in the registered capital of ZVVZ, a.s. increased to 13.92 %.

## Restructuring Programmes

Concerning its specific position, ČKA carries out restructuring programmes aimed at stabilisation of Czech industrial giants (e.g. Tatra, a.s., Škoda Consortium, Vítkovice, a.s.) as well as the banking sector.

## Credit Activities

### I. New Credits

Since 1 September 2001, ČKA no longer pursues its services, pursuant to the Law No. 239/2001 Coll., as ČKA is no longer a bank and therefore cannot provide new loans. Concerning the existing credits, ČKA focused on individual solutions of clients, their repayment and overall settlement of credit transactions. The objective of these individual solutions was not only to further clear the portfolio of irrecoverable debts, particularly in regard to the old block of receivables, but also to ensure better flexibility and efficiency in the solution of individual cases and make use of the possibility to write-off irrecoverable debts, fully covered with adjusting entries. The objective was also to reduce the credit risk and minimise loss based on a new legal



settlement of mutual relations, in line with the Law No. 219/2000 Coll., concerning the property of the Czech Republic and the Law No. 239/2001 Coll., concerning the Czech Consolidation Agency. Regarding debts after the maturity period, this was done in most cases on the basis of an agreement concerning the acknowledgement and repayment of debts, concluded in the form of a Notary's Record with direct execution title, together with the stipulation of final maturity of these debts. The credit and legal position of ČKA strengthened and, should clients fail to repay their debts, ČKA will be entitled to execution without having to expend its own sources.

## II. Credits

The credit policy concerning assumed receivables followed the business policy principles and the major objectives. Regarding the management of receivables and assets, this means the following:

- Entering more vigorously in the receivable market, particularly based on the sale of receivable packages as well as assigning receivables to individual potential buyers, in order to ensure their immediate collection;
- Management and implementation of assets, including settlement of old block receivables, in order to minimise the expenses and ensure maximum yields;
- Safeguarding legal handling and subsequent active, effective and flexible management of assets assumed particularly from Česká spořitelna and ČSOB;
- Ensuring business settlement of receivables, particularly with respect to the provisions of the Law No. 219/2000 Coll., concerning the property of the Czech Republic and the Law No. 239/2001 Coll., concerning Czech Consolidation Agency, on the basis of an agreement concerning the acknowledgement and repayment of debts, wherever the receivables are likely to be recovered and the client appears to fulfil all the necessary conditions for their full repayment.

## III. Syndicated Credit

On 27 December 2001, through the mediation of its agent, ABN AMRO Bank N.V., ČKA repaid ahead of schedule its credit provided by a group of banks, at an amount of CZK 5.5 billion, on the basis of a Contract on Medium-term Credit concluded in 1998.

## Bankruptcy and Liquidation

In 2001, KOB/ČKA reported considerably increasing receivables against bankrupts. As of 1 January 2001, the bank registered claims against a total of 1,019 clients in bankruptcy or settlement proceedings, the total amount outstanding equalling CZK 65 billion. However, as of 31 December 2001, the number of clients reached 2,365 and the total amount outstanding CZK 102.7 billion.

The increase was caused not only due to the fact that bankruptcy was declared against some of the current clients of KOB/ČKA, but also as a result of a number of transactions assumed from ČS, a.s., and partly also from ČSOB, a.s. (commencement of the transfer of black assets) and particularly due to the assumption of receivables against bankrupts from health insurance companies, following the Czech Government Decrees No. 1332/2000 and No. 117/2001.

Through its representatives in creditors' committees, ČKA accelerated the process of capitalising the assets in bankruptcy, in view of the secondary objectives: retaining business activities and jobs or protection of general public interests (the environment, etc., retaining business activities in ČKD Dopravní systémy, a.s., Transporta Chrudim, Trival, a.s. etc.).

A specific risk group of clients in liquidation is no longer economically active and their property and other assets are sold in order to settle creditors' claims. As of 1 January 2001, 232 clients of KOB/ČKA had entered liquidation proceedings, with a total amount of receivables reaching CZK 7.8 billion, and as of 31 December 2001, there were 178 clients, with total receivables equalling CZK 5.4 billion.

The number of clients in liquidation who finally pay 100% of their outstanding debts to ČKA remains rather minimal (six cases in 2001), and a large number of clients end up in bankruptcy (2001 - 84 cases). A large number of claims against these clients must be solved in judicial proceedings, based on action for the payment of outstanding amounts, executions or filing a petition in bankruptcy. Some claims within the aforesaid portfolio were settled in the form of an assignment for a consideration.

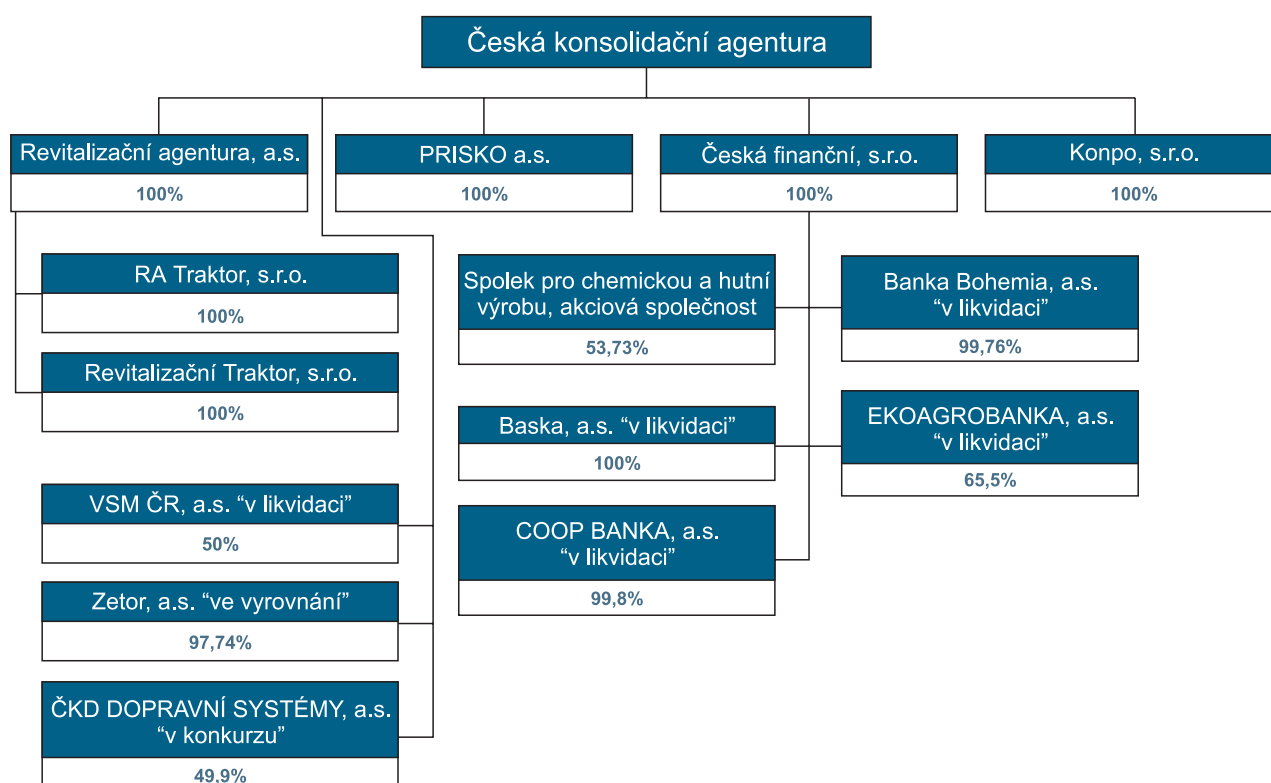


## Other:

### Information Technologies

Direct connection of detached departments was completed, with an aim of providing access to a majority of the used applications and support of removed connections from mobile workplaces. In 2001, the Agency began to develop a new information system - CEDAT, which will enable more effective management of risk receivables.

## Structure of Česká konsolidační agentura Concern



### Legend:

- Structure of Česká konsolidační agentura Concern, as of 31 December 2001
- v likvidaci - in liquidation proceedings
- ve vyrovnání - in settlement proceedings
- v konkurzu - in bankruptcy proceedings

## Development in activities

### Enterprises

Transactions concerning ownership interests in 2001 were connected with restructuring policies taken with respect to Czech industrial giants and following the pertinent Czech Government Decrees. They were the following:



**ČKD PRAHA HOLDING, a.s.**

In 2001, this client was accepted for settlement, and following Czech Government Decree No. 592/2001, adopted on 13 June 2001, ČKA is entitled to capitalise part of its receivables.

**TATRA, a.s.**

Shares in TATRA, a.s. at a nominal value of CZK 4.7 billion (91.62 % share in the registered capital) were sold to a strategic investor - SDC INTERNATIONAL, INC. and SDC Prague, s.r.o. Prior to this transaction, shares at a nominal value of CZK 2.2 billion in TATRA, a.s. were transferred from KRAS, a.s. to ČKA KRAS, a.s. (a subsidiary of the Czech National Property Fund). These shares were acquired on the basis of capitalisation of the receivables held by ČKA, as a part of the overall financial restructuring of the company.

**SPOLANA a.s.**

In 2001, ČKA capitalised part of its receivables, at an amount of CZK 1.4 billion in the registered capital of SPOLANA, a.s., resulting in financial stabilisation of the company. Pursuant to Czech Government Decree No. 487/2001, adopted on 14 May 2001, ČKA sold its share to Unipetrol, a.s. for an acquisition price of CZK 331 million.

**ZETOR, a.s.**

The production of tractors was launched in November 2000 through Revitalizační Traktor s.r.o., pursuant to Czech Government Decree No. 305/2000, of 29 March 2000.

The transaction pertaining to the anticipated entry of a strategic partner included an acquisition of shares in Zetor, a.s., at a nominal value of CZK 2 million (47.74 % share in the registered capital) from Revitalizační Traktor s.r.o.

**Společenství ŠKODA**

During the course of the year 2001, the process of restructuring individual subsidiaries associated in Škoda Holding, a.s. continued, together with the preparations for the final stage of financial restructuring. Concerning the fact that bankruptcy was declared on the assets of Škoda, a.s. on 12 September 2001 and that no exception was granted by the Office for the Protection of Economic Competition, ČKA was unable to fulfil the Czech Government Decree adopted on 11 December 2000, No. 1284, concerning the restructuring of Škoda group.

**VÍTKOVICE, a. s.**

In line with some Czech Government Decrees, ČKA participated in the process of material and financial restructuring of the company, within the current judicial settlement, which is now in the phase before becoming legally valid.

**NOVÁ HUŤ, a. s.**

In August 2001, ČKA and NH, a.s. concluded a general contract concerning the withdrawal of the 2nd and 3rd tranche, at a total amount of CZK 1.5 billion, pursuant to a Czech Government Decree of 7 June 2000, No. 589. The withdrawal requires prior approval by the Office for the Protection of Economic Competition. In line with the Czech Government Decree of 29 August 2001, No. 840, an option was exercised in November 2001 for the assignment of all claims held by Komerční banka, a.s. against NH, a.s., at a total amount exceeding CZK 3 billion. On 17 December 2001, the Office for the Protection of Economic Competition decided not to grant an exception from the ban on public aid for the benefit of NOVÁ HUŤ, a.s. in the form of a loan for operations provided by KOB, at a total amount of CZK 750 million.

**VÁLCOVNY PLECHU FRÝDEK MÍSTEK, a.s.**

On 25 June 2001, the Czech Government adopted Decree No. 654, approving the capitalisation of the receivables of ČKA and Konpo, s.r.o. On 7 November 2001, the Office for the Protection of Economic Competition decided not to grant an exception from the ban on public aid.

**Economically Associated Z - GROUP**

With respect to the transfer of black items, receivables at a total amount exceeding CZK 4 billion were transferred from ČSOB to ČKA on 27 November 2001. On 5 December 2001, a double-criteria invitation for tenders was announced, in search of the most convenient offer for the assignment of a block of receivables, with the closing date on 18 January 2002. The selection procedures were subsequently cancelled.

**KORADO, a.s.**

During the course of the year 2001, following an economic stabilisation, a majority of shareholders decided to transfer the company assets to a strategic partner, through the mediation of an investment consultant, CA IB Financial Advisors, s.r.o., chosen on the basis of selection procedures. The consultant contacted financial investors and corporations involved in the manufacturing process, and after evaluation of offers, selected investors have undergone the first phase of due diligence.

**ALIACHEM a.s.**

With respect to Czech Government Decree No. 878 of 6 September 2000, the credit involved a restructuring process that was carried out following an arrangement of bank creditors. The liabilities towards bank



creditors are partly settled with yields from the sale of redundant assets. The company has initiated a process of operational restructuring.

#### **WALTER a.s.**

Acquisition of a share in WALTER a.s., at an amount of CZK 1.5 billion (45.91% stake in the registered capital), which will be gradually sold to a strategic investor during the course of the year 2002.

### **Balance:**

#### **Issuer's expectations until the end of the current accounting period**

Česká konsolidační agentura is a specific consolidation institution, following pertinent resolutions of the Government and carrying out the purchase, sale and administration of credit receivables and other banking assets, assumed for consideration from commercial banks in the Czech Republic. Pursuant to its mission, ČKA will assume, during the year 2002, a significant volume of receivables of IPB from ČSOB a.s. and will ensure implementation of other less significant sales of receivables and ownership interests. With respect to the aforesaid transactions, ČKA will be fully liquid. Of the anticipated transactions of the year 2002, some have already been carried out and other planned transactions will be implemented gradually during the course of the year 2002:

#### **Transfer of assets of IPB from ČSOB a.s. to ČKA**

Pursuant to the Contract of Restructuring Plan concluded on 31 August 2001 between ČSOB a.s., Konsolidační banka Praha s.p.ú. and the Czech Republic, represented by the Ministry of Finance, stipulating the rights and obligations with respect to the transfer of assets of IPB from ČSOB a.s. to ČKA, ČKA will assume, during a period from 1 January to 30 June 2002, selected bad-quality assets of IPB from ČSOB a.s., at an aggregate volume of approximately CZK 150 billion.

#### **Application of rights arising from the Contract of Restructuring and Guarantee, concluded by Konsolidační banka Praha s.p.ú. and Česká spořitelna a.s.**

Based on a letter of 18 December 2001, Česká spořitelna a.s. applied, following the pertinent provisions of Clause V, Paragraph 5.10, Item a) of the aforesaid contract, rights from the guarantee related to all selected assets. Consequently, ČS a.s. intends to transfer for ČKA, as of 30 June 2002, selected bad-quality assets at a book value exceeding CZK 7 billion. The loss incurred by ČKA with respect to the fulfilment of this Contract will be covered by the Czech National Property Fund.

#### **Transfer of Assets from Komerční banka a.s.**

Pursuant to the Contract of Guarantee, concluded on 29 December 2000 between Komerční banka a.s. and Konsolidační banka Praha s.p.ú., with respect to the risk assets of KB a.s. at a maximum amount of CZK 20 billion.

#### **Acquisition of ownership interest in Západočeská energetika a.s.**

Pursuant to the Czech Government Decree No. 940 of 17 September 2001 and the resolution of the Ministry of Finance No. 04/71983/2001 of 26 September 2001, ČKA acquired on 17 January 2002 an ownership interest in Západočeská energetika a.s., at an acquisition price of CZK 705.0 million. Concerning the Contract of the settlement of loss incurred by ČKA with respect to strengthening state involvement in the distribution company Západočeská energetika a.s., in connection with the privatisation of the electric power sector, concluded on 4 February 2002, ČKA does not create adjusting entries to this ownership interest.

#### **Proposal of further proceedings in implementation of assets**

Regarding further implementation of assets, the block sales of receivables and the formerly initiated individual sale will continue, as well as further recovery processes, including restructuring of receivables and implementation of pledges.



Additionally, it is anticipated that the current scope of the portfolio of ownership interests and securities held by ČKA will reduce, based on an approval of the government. This means selling all registered titles in the public market, termination of the approved sale transaction, finding a potential buyer on the basis of selection procedures and selling unlisted securities and ownership interests of ČKA in companies, except for shares with strategic significance.

With respect to the pertinent provisions of the Law No. 239/2001 Coll., concerning Česká konsolidační agentura, according to which liabilities of ČKA are guaranteed by the state, and according to the provisions of the contracts concerning the coverage of ČKA loss from selected transactions by the Czech National Property Fund, no loss of these operations may threaten the ability of ČKA to fulfil its liabilities arising from the issued bonds.

## Own Capital of KOB/ČKA

### Own Capital of KOB/ČKA 1997 - 2001

CZK 1 000.000

	1997	1998	1999	2000	2001
	Own Capital	Own Capital	Own Capital	Tier 1	Tier 1
Registered capital	5 950.00	5 950.00	5 950.00	5 950.00	5 950.00
Statutory reserve funds	31 477.30	31 430.50	31 383.30	31 378.80	29 314.10
Intangible assets	-130	-99	-70.2		
Loss of current period	-10 356.80	-14 389.10	0		
Other reserve funds				10 685.70	54 338.50
<b>TOTAL</b>	<b>26 940.50</b>	<b>22 892.40</b>	<b>37 263.10</b>	<b>48 014.50</b>	<b>89 602.60</b>
				Tier 2	Tier 2
Reserves for the coverage of general risks				1 392.50	1 415.40
<b>TOTAL</b>				<b>1 392.50</b>	<b>1 415.40</b>
Intangible assets				-133.8	-87.5
Loss of current period				-12 742.50	-16 122.50
Retained loss					-41 526.40
Capital investments in banks and financial investments				-5 500.00	-5 565.50
<b>CAPITAL</b>				<b>31 030.70</b>	<b>27 716.10</b>
<b>capital adequacy</b>					<b>24.26%</b>

Note: The methodology changed in 2000

## MONETARY AND PHYSICAL INCOME AND ROYALTIES

### Monetary income:

Emoluments to members of Supervisory Board CZK 2 261 855

Monetary income (salaries) to members of management CZK 34 132 373

No physical income or royalties have been paid.



## CZECH ECONOMY IN 2001

Regarding the development of external economic situations, the Czech economy found itself under the influence of recession tendencies which had a significant impact on the decreasing economic activities in the U.S.A., EU and Japan. In response to the global slowdown of the economic pace, the world's major central banks reduced their interest rates several times. Advantageous prices for loan capital, in combination with low prices of oil, have created possibilities for an economic revival in 2002. Negative tendencies reported by the global economies had their impacts on the Czech economy, too, however, these impacts were not as sharp as in advanced countries. Exports witnessed a decrease in the growth potential, i.e. down by approximately one half compared to the preceding year. The industrial production growth rate decreased, too, in consequence of the fall in the foreign demand. The growth of the interest differential compared to the countries of the Eurozone brought about higher pressure for strengthening the rate of CZK to EUR. However, this resulted in weakening competitive strength of Czech exporters. Airlines, travel industry and insurance witnessed decreasing tendencies as a consequence of the tragedy of 11 September in the USA. On contrary, the GDP growth rate was affected by the external economic circumstances only partly and the 3.6% growth rate meant an acceleration compared to the year 2000.

### 1. GDP

The total 2001 GDP increased by 3.6%. The economy reported growth even despite the rather negative situation of our major business partner countries and the strengthening rate of the Czech Crown. The year-on-year GDP growth was particularly under a positive influence of the increasing gross capital formation and the growing expenses of end users - households. Among the negative aspects, there is the decreasing net export and finally, the expenditure of the government and non-profit institutions had a neutral impact. The domestic demand meant a significant contribution to the compensation of the negative impacts of passive trade balance on the GDP growth. Concerning the offering aspects of the economy, industry had the most significant influence on the growth of GDP (almost double compared to the preceding year).

### 2. Unemployment

In 2001, the average unemployment rate decreased by 0.4 percent, i.e. down to 8.6%. However, the year-on-year unemployment rate increased by 0.1% in December (reaching 8.9%) compared to the period of December 2000. In total, 461.9 thousand job applicants were registered in December 2001. The labour market was under a positive influence of a reviving economy, reflected in the growing production outputs and an investment boom, supported by an intensive inflow of foreign investments.

### 3. Foreign Trade and Balance of Payments

The development of the 2001 foreign trade balance was nearly identical to that of the year 2000, even despite some pessimistic expectations. In 2001, imports grew by 11.7% compared to the preceding year, reaching CZK 1,387.5 billion. Similarly, exports grew by 13.1% and reached CZK 1,268.5 billion. The passive trade balance of CZK 119.0 billion was by CZK, 1.8 billion lower than that posted during the previous year. In 2000, the passive balance grew particularly due to the increasing prices of oil, while in 2001, the major aspect was the decreasing exports volume. Among the most important aspects was the falling tendency in exports and the formerly active balance of trading with Germany. Some commodities reported growing competitive strength, particularly machines, vehicles and industrial consumer goods. The passive balance of 4.8% was fully covered with the incoming direct foreign investments.

### 4. Interest Rates

In 2001, interest rates were subject to tendencies in the inflation rate development, to which the Czech National Bank responded in the form of changing the basic rates. The money market rates witnessed decreasing tendency since half April. Even though they increased again during the following months (particularly from June to mid August, based on the negative inflation figures and the fact that the Czech National Bank increased its basic rates to the levels reported at the beginning of the year), the rates witnessed further decrease following the presentation of more positive figures concerning the price development. Interest rates further decreased during the 4th Quarter, particularly due to the expected low inflation figures and the drop of interest rates in the EU and U.S.A., associated with the anticipated fall of the global economy. The Czech National Bank responded to this tendency by decreasing its basic rates by 50





basic points. This adjustment of interest rates is a proof of the Czech National Bank's efforts to stabilise domestic demand and thus prevent from increasing imports (resulting in further increase in passive trade balance) and generally eliminate inflation pressures.

## 5. Statutory Minimum Reserves

In 2001, there were no changes in regard to the amount of compulsory minimum reserves which retained the level of 2% of banks' primary deposits. However, compulsory minimum reserves are subject to a Repo rate as of 12 July 2001.

## 6. Prices and Inflation

In 2001, the annual inflation rate, expressed as an increase in the average consumer price index (CPI), reached 4.7% which is 0.8% more than in 2000. In addition, the year-on-year net inflation rate dropped down from 3.0% reported in 2000 to 2.4% in 2001. The average inflation rate increased particularly due to the growing prices in the categories of accommodation, food and non-alcoholic drinks. The year-on-year consumer prices witnessed a growing tendency from April to July, while from August the growth rate gradually slowed down. Accommodation prices posted growth particularly in January and July as a reflection of the increasing regulated prices. The year-on-year growth in prices slowed down during the second half of the year also due to the decreasing prices for fuels.

## 7. Credit Activities

The overall volume of bank credits reported a year-on-year decrease of 8.5%. This is an outcome of the rather restrictive credit policy pursued by domestic banks towards business entities. The decreasing tendency prevailed even despite quite significant increase in household loans (particularly mortgages, building saving credits and consumer credits).

## 8. Public Budgets

The year 2001 witnessed further deficit tendencies of public budgets typically reported already in the late 1990's. These expenses relate to the process or restructuring and privatisation of both the non-financial and banking sectors, support for the development of infrastructure and measures initiated in order to create conditions for further economic growth. Additionally, the development of individual elements of public budgets is influenced by economic growth much less intensively than usual in other market economies. On one hand, the possibility of pursuing considerable changes in fiscal policy is limited due to the high ratio of mandatory expenditure and - on the other hand - the cumulated impacts of direct and indirect government's liabilities, arising from the implementation of development and pre-privatisation programmes and state subsidy programmes. Mandatory expenditures stimulated household consumption during the period when it was necessary to ensure at least certain compensation for the decreasing foreign demand. Another important aspect is the elimination of investments from budgeted expenses, which is, however, accompanied by intensive investment activity of the business sector (evident from the growing investment rate, now exceeding 30% of GDP). The internal debt rate reaches approximately one third of the level reported by EU countries.

## 9. National Budget

According to preliminary bank data concerning the national budget cash fulfilment, the national budget reported a total deficit of CZK -67.7 billion for the year 2001, with the total income reaching CZK 626.2 billion and the expenditure totalling CZK 693.9 billion. These figures need to be considered from two points of view - i.e. evaluated with respect to the figures approved by the Law No. 491/2000 Coll., concerning National Budget for the year 2001. On the other hand, it is necessary to consider extraordinary expenditures approved by the laws concerning government bond programmes adopted in 2001, at a total amount of CZK 46.2 billion. These programmes consider the so-called "kampelička" cooperative banks (CZK 6.0 billion), droughts (CZK 4.1 billion), loss of KoB reported in 1999 (CZK 36.1 billion) and the authorization of the Minister of Finance (Section 3, Paragraph 4, of Law No. 491/2000 Coll., concerning National Budget for the year 2001) to exceed the expenditure on floods, restitution and Kosovo, at a total amount of CZK 1.7 billion, exceeding the amount of expenditure of the previously approved national budget.



## 10. Rate of Exchange

The monetary policy particularly followed the inflation objectives, derived from the long-term monetary strategy of the Czech National Bank. Among the major aspects of the monetary policy is the advance of the monetary reserve growth over the nominal GDP, indicating a certain grade of the monetary policy relief. This tendency, particularly influenced by the massive inflow of direct foreign investments, predetermined the strengthening stabilisation role of interest rates. Since the beginning of 2001, the Czech Crown reported a distinctive strengthening tendency against EUR, related to the expected further inflow of foreign investments. The development of the CZK rate towards USD followed the mutual rate of EUR and USD.

## 11. Capital Market

In 2001, the average value of the official PX-50 index, listed in the Prague Stock Exchange, decreased to 411 points, compared to 552 points in 2000. The 2001 trading volumes reached CZK 128.8 billion (549.5 million items) compared to CZK 261.7 billion (821.1 million items) in 2000. Towards the end of 2001, the PK 30 Index of the RM System dropped down to 592.96, compared to 724.81 posted towards the end of 2000. The capital market remains undeveloped, as it has not become a place of rational allocation and relocation of investments, and the aspect of yields from shares is not considerable. The market capitalisation and liquidity of some items is so low that they have to be withdrawn from organised markets (from the stock exchange and lately also from RMS).

In 2001, the government bond market responded particularly to the tendencies concerning the monetary policy of the Czech National Bank and the development in the interbank market.

## 12. Privatisation in Czech Economy

Towards the end of 2001, the Czech Government decided to privatise the state share in Transgas and regional gas distribution companies, in the form of a direct sale to RWE Gas AG, for a consideration of EUR 4.1 billion. In addition, the government decided to privatise a 63% stake in UNIPETROL, again in the form of direct sale to Agrofert Holding, for a price of EUR 361 million.

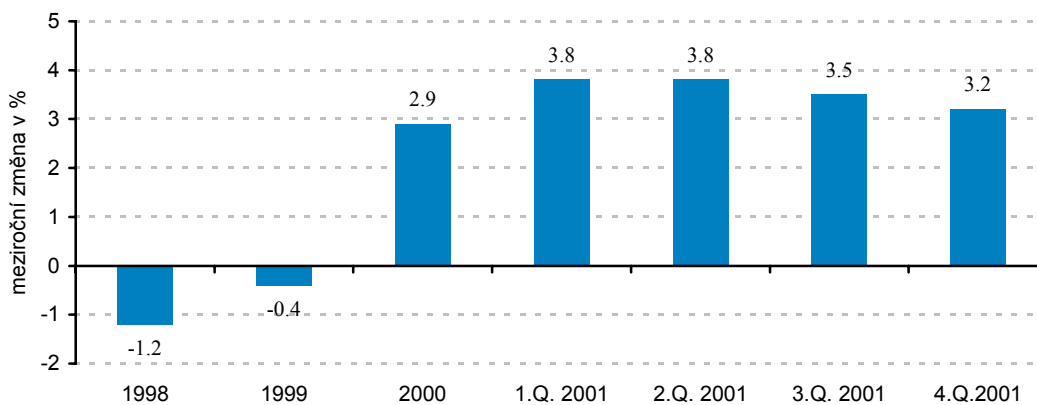
In addition, the process of privatising Komerční banka, a. s. was completed, concerning approximately 60% of the registered capital, for an acquisition price of CZK 40.4 billion. The new strategic partner is Société Générale.

Furthermore, the process of privatising Jan Becher - Karlovarská becherovka, a.s. was brought to a successful end and, on 29 November 2001, a contract was signed with SALB, s.r.o., concerning the sale of the second tranche, representing a 59% share, for an acquisition price of CZK 1.4 billion, followed by a transfer of a 66% stake in Pražské vodovody a kanalizace, a.s. (Prague Water Authority) to Prague Water (Vivendi) for CZK 6.1 billion.

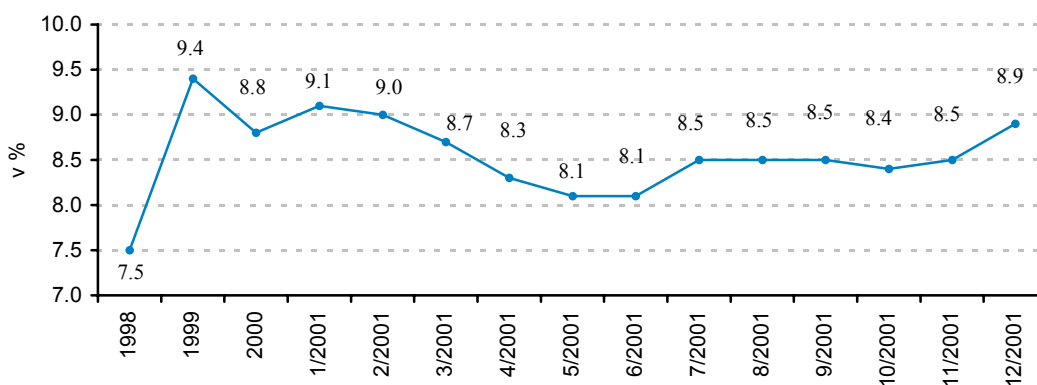
Among other significant transactions, there is the privatisation of České radiokomunikace, in which the National Property Fund sold its 51 % stake to Bivideon B.V. for CZK 6.8 billion. Additionally, the National Property Fund privatised its 30.3 % stake in Česká pojišťovna (Czech Insurance Company), in the form of a direct transfer to PPF for CZK 3.9 billion.



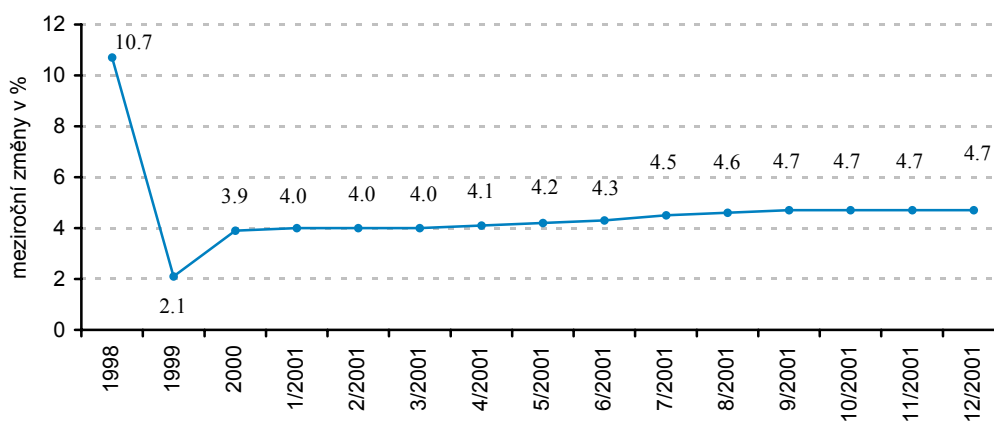
### Economic Growth Rate



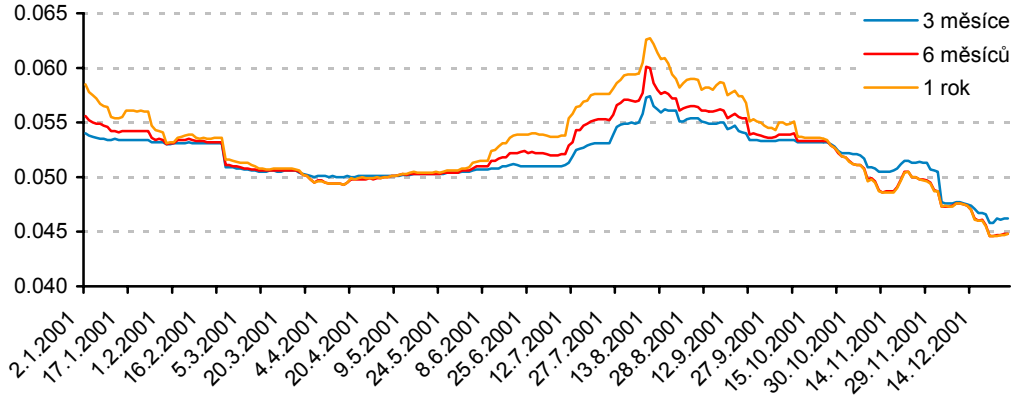
### Unemployment Rate (as of the end of year)



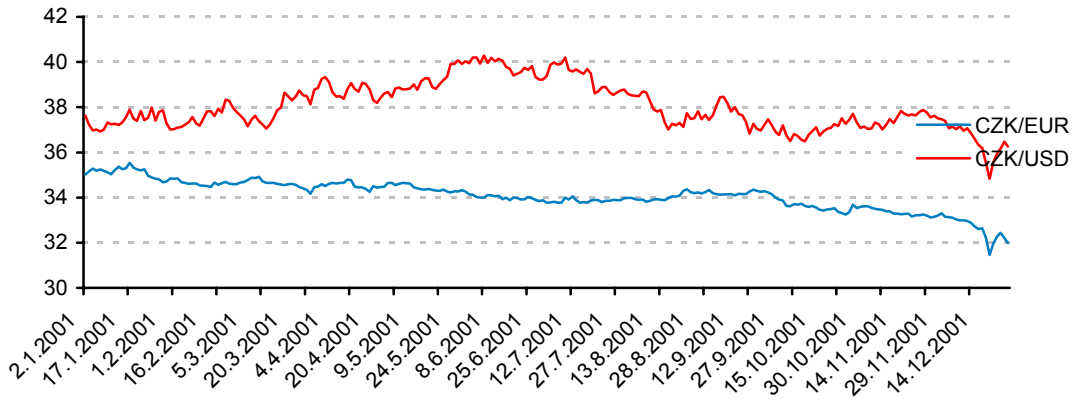
### Inflation Rate



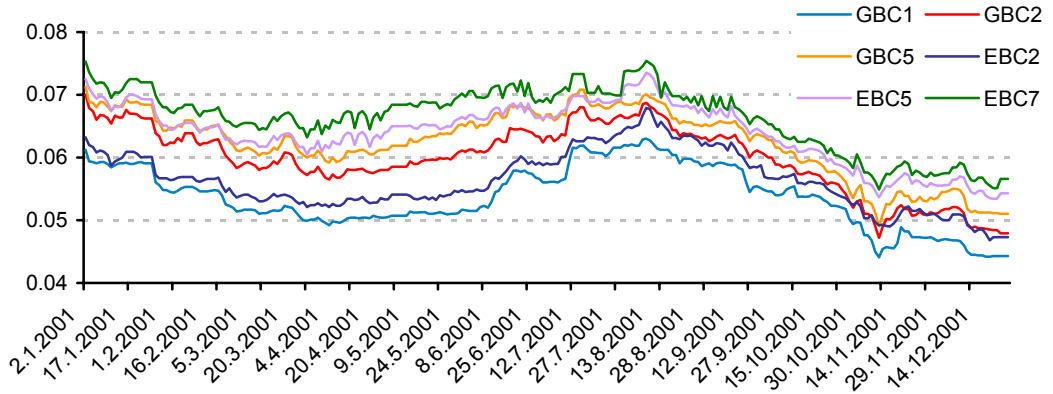
### Development of PRIBOR Rates



### Development of CZK/EUR and CZK/USD Rates



### Development of Yields until Maturity of Government and Corporate Bonds



## SECURITIES

Except for the bills of exchange issued within the course of day-to-day transactions, KOB has issued three bonds for a total nominal value of CZK 14 billion since 1996. None of the bonds entitle their holders to apply a right for replacement for participation certificates. After the assumption of IPB, a.s., ČSOB, a.s. is the administrator of bonds.

### Issue 1 - Basic Parameters

This duly paid issue had the following parameters.

Type:	bond
Form:	bearer form
Sort:	documentary
Currency:	CZK
Issued volume:	CZK 2,000,000,000.00
Nominal value:	CZK 100,000.00
Coupon:	fixed at an amount of 10.75 %, payable once a year, as of 28 May of each year
Date of issue:	28 May 1996
Date of maturity:	28 May 2001
ISIN:	CZ 0003700395
Administrator:	Investiční a Poštovní banka, a.s. <sup>1</sup> with a registered office at Senovážné náměstí 32, Prague 1
Guarantee:	Bonds are secured with a guarantee by the Czech Republic, pursuant to the provisions of Section 44a of the Bank Act.

No pre-emption or exchange rights were associated with the bond. The issue of bonds was approved on the basis of a decision adopted by the Ministry of Finance of the Czech Republic, ref. No. 103/16 795/96, of 8 May 1996. The bond was accepted for trading at the major market of Burza cenných papírů Praha, a.s. (Prague Stock Exchange).

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<sup>1</sup> On 19 June 2000, IPB was acquired by ČSOB, pursuant to a Contract of a Transfer of Enterprise concluded between Československá obchodní banka, a.s., with a registered office in Prague 1 - Nové Město, Na Příkopě 14, IČO: 00001350 (hereinafter the "ČSOB") and INVESTIČNÍ A POŠTOVNÍ BANKA a.s., with a registered office at Senovážné náměstí 32, Prague 1, IČO 45316619 (hereinafter the "IPB") and the contracting party changed its identification to ČSOB.



## Issue 2 - Basic Parameters

Type:	bond
Form:	bearer form
Sort:	book
Currency:	CZK
Issued volume:	CZK 7,000,000,000.00
Nominal value:	CZK 10,000.00
Coupon:	fixed at an amount of 10.875 %, payable once a year, as of 15 April of each year
Date of issue:	15 April 1997
Date of maturity:	15 April 2004
ISIN:	CZ 0003700445
Administrator:	Investiční a Poštovní banka, a.s. <sup>2</sup> with a registered office at Senovážné náměstí 32, Prague 1
Guarantee:	Bonds are secured with a guarantee by the Czech Republic, pursuant to the provisions of Section 44a of the Bank Act.

No pre-emption or exchange rights were associated with the bond. The issue of bonds was approved on the basis of a decision adopted by the Ministry of Finance of the Czech Republic, ref. No. 103/19 350/97, of 25 March 1997. The bond was accepted for trading at the major market of Burza cenných papírů Praha, a.s. (Prague Stock Exchange).

## TERMS AND CONDITIONS OF THE 2ND ISSUE OF BONDS BY KOB (ORIGINAL VERSION)

The 10.875 % bonds at a total value of CZK 7,000,000,000.00, mature in 2004 (hereinafter the "bonds"), issued by Konsolidační banka Praha, state-owned financial institute (hereinafter the "Issuer"), with a registered office at Janovského 2, 170 00 Prague 7, IČO identification number: 48118672, are subject to the contract concerning the administration of the issue and provision of payments (hereinafter the "Contract with Administrator") concluded between the Issuer and Investiční a Poštovní banka, a.s., as the issue administrator and provider of payments related to bonds (hereinafter the "Administrator"). Some provisions of the Terms and Conditions of Issue comprise a summary of detailed provisions of the contract concluded with the Administrator. The issue of bonds and its marketability were approved on the basis of the Law No. 530/1990 Coll., concerning bonds, as amended, and 591/1992 Coll., concerning securities, as amended, pursuant to a decision adopted by the Ministry of Finance of the Czech Republic, ref. No. 103/19 350/1997, of 25 March 1997. The bonds were allocated ISIN code CZ 0003700445.

### 1. Type, Form, Nominal Value, Transfer and Assignment of Rights to Bonds

Bonds are issued in the form of bearer bonds and will be registered within asset accounts of individual Bondholders (hereinafter the "Bondholders"), registered by the Securities Centre of the Czech Republic (hereinafter the "SCP"). After the date of issue, the registration of the bonds may be transferred from SCP to any other statutory registration of securities, in compliance with the Law No. 591/1992 Coll., concerning securities, as amended. Bonds may be assigned without any limitation, based on a registration of such a transfer or assignment on the basis of a command for the registration of a transfer or assignment of bonds on the asset account of the bond assignee, maintained in the register of SCP or any other statutory registration as defined above in this paragraph.

Bonds are issued in the bearer form, at a nominal value of CZK 10,000 each. The overall nominal value of the issue equals CZK 7,000,000,000. The bond issue rate is 100.00% of their nominal value.

<sup>2</sup> On 19 June 2000, IPB was acquired by ČSOB, pursuant to a Contract of a Transfer of Enterprise concluded between Československá obchodní banka, a.s., with a registered office in Prague 1 - Nové Město, Na Příkopě 14, IČO: 00001350 (hereinafter the "ČSOB") and INVESTIČNÍ A POŠTOVNÍ BANKA a.s., with a registered office at Senovážné náměstí 32, Prague 1, IČO 45316619 (hereinafter the "IPB") and the contracting party changed its identification to ČSOB.



No vouchers are issued to bonds upon their issue as independent securities. The claim for the payment of the interest on the bond is included in the bond.

## 2. Bond Status

(a) The bonds constitute direct, unsubordinated and unconditional liabilities of the Issuer, secured with a guarantee of the Czech Republic, within the meaning of Section 44a of the Law No. 21/1992 Coll., concerning banks, as amended, which (a) are equivalent to each other and (b) will always be at least equivalent to any other current or future, direct, unsubordinated and unconditional liabilities of the Issuer, secured with a guarantee of the Czech Republic, within the meaning of Section 44a of the Law No. 21/1992 Coll., concerning banks, as amended.

## 3. Negative Liability

(a) Until all bonds are repaid in compliance with these Terms and Conditions, the Issuer hereby undertakes not to secure or allow securing (a) on the basis of right of lien to any of its current or future assets or (b) any other transactions carried out for the benefit of third parties with respect to its current or future assets, of any current or future liabilities arising from the bonds issued by the Issuer within the Czech or foreign capital markets, unless all the Issuer's liabilities arising from the Terms and Conditions herein are secured simultaneously and adequately.

## 4. Interest

The Bonds will bear interest from 15 April 1997 (hereinafter the "Issue Date") on the basis of a fixed interest rate of 10.875 % p.a. The interest shall be paid for each elapsed year, always by 15 April (hereinafter the "Interest Payment Date"), according to the conditions stipulated in article 6. The first Interest Payment Date is on 15 April 1998.

The Bonds will cease to bear interest upon their maturity date, unless the Issuer or the Administrator retain or refuse due payment of the bond nominal value in an unauthorized way. In that case, bonds will further bear fixed interest as specified above until the first business day following the day on which the Administrator receives from the Issuer all amounts due with respect to the bonds, until and including such a day (unless the payments subsequently remain unexecuted).

For the purposes of interest calculation, a year shall be defined as three hundred and sixty (360) days, divided into twelve months, by thirty (30) days. In regard to incomplete months, the calculation shall be based on the number of actually elapsed days (BCK standard 30E/360).

## 5. Repayment and Repurchase

### (a) Final Repayment

Unless bonds are preliminarily repaid in compliance with Article 8 or repurchased and cancelled in compliance with this Article, bonds shall be repaid in their nominal value on 15 April 2004, according to the terms and conditions stipulated in Article 6.

### (b) Repurchase of Bonds

The Issuer shall be entitled to repurchase the bonds at any time, at the free market or otherwise for any price.

### (c) Cancellation of Bonds

At its own discretion, the Issuer may cancel all bonds repurchased in line with this Article (or any part of such bonds). Subsequently, the Issuer shall make sure that such bonds, as well as bonds repaid in compliance with the provisions of Article 8, are cancelled and cannot be released for circulation or sold again.

## 6. Payments

The nominal value of bonds will be repaid and the payments of interests will be carried out in compliance with the provisions of Articles 4 and 5.

The payments of the nominal value of bonds and interests on bonds will be carried out to the person (hereinafter the "Payee"), which had been registered as a bond bearer within the registration of SCP (or other registration stipulated in compliance with Article 1) as of the ex-coupon date. The record date for the



payment of bond interest shall precede the Interest Payment Date by one calendar month. The ex-coupon date shall be the day following the record date.

(a) Payments shall be made (a) via bank transfer to the Payee's account kept at a bank in the Czech Republic, announced by the Payee to the Administrator at least five working days prior to the Interest Payment Date or the date on which the nominal value of the bond is paid, or (b) in case that the Administrator is not instructed about such an account within the periods stipulated, via bank transfer to the Payee's account kept at a bank in the Czech Republic, not later than on the second business day after the Administrator is instructed about such an account, or in cash collected in the Administrator's office.

In case the day on which the interests or the nominal values are to be paid is not a business day, the Bondholder shall be entitled to the payment of the due amounts on the nearest following business day and the Bondholder shall not be entitled to any interests or other payments arising from such a delay. For the purpose of these Terms and Conditions, the business day shall be defined as a day on which banks are open in the Czech Republic and clearance of accounts is carried out, except for Saturdays, Sundays and national holidays.

All payments with respect to the bonds will be made exclusively in CZK, in compliance with the generally binding regulations of the Czech Republic, effective as of the date on which such payments are made.

## 7. Taxation

All payments made with respect to the bonds, pursuant to Article 6, will be made without any deductions or allowances of any current or future taxes or fees of any kind, imposed, collected deducted or assessed by the Czech Republic or any of its administrative authorities or departments authorized to impose taxes, unless such deductions or allowances are stipulated by the Law. In this case, the Issuer shall make the payments arising from the bonds according to Article 6 after deduction or allowance of such taxes or fees, in line with the conditions stipulated by the law. Subsequently, the Issuer shall not be obliged to pay any other amounts to the Bondholders.

## 8. Failure to Meet Obligations

Should any of the circumstances defined below arise and exist,:

(a) Any payment arising in compliance with the bonds pursuant to Article 6 is not paid within ten working days from the maturity date; or

(b) Any monetary liability or liabilities of the Issuer, including liabilities arising from the provided security, at a total sum exceeding CZK 500,000,000 or an equivalent in any foreign currency, is not paid by the Issuer within 10 working days from the maturity date or the permitted adjournment. This shall not apply in case that (i) the Issuer objects in good faith to the validity of its liability, as regards the amount or the reason, and makes the payment within periods stipulated on the basis of a lawful decision of a court, or (ii) the Issuer has an outstanding claim against the creditor which may be set off against the Issuer's liability, at an amount which would mean reduction of the Issuer's total liabilities arising in connection with this paragraph to an amount lower than CZK 500,000,000; or

(c) The Czech Republic ceases to stand security for the Issuer's liabilities arising from these Terms and Conditions; or

(d) The Issuer fails to meet any other substantial liability stipulated in these Terms and Conditions, and fails to reach a due remedy within 45 calendar days from the day on which the Issuer is alerted of such circumstances in writing by any holder of a bond (which has not been duly repaid, repurchased or cancelled as of the date), in the form of a letter sent to the Issuer at the address of its registered office; or

(e) (i) Administrative action is taken against the Issuer in consequence of which the Issuer may lose its bank license, (ii) the Issuer is subject to involuntary receivership, (iii) the Issuer ceases to pursue its activities as a bank, or (iv) a final judgement is rendered or lawful decision adopted concerning the cancellation of the Issuer with subsequent liquidation,

the bondholder shall be entitled to request - on the basis of a written notification delivered to the Issuer or the pertinent Administrator's office - that the nominal value of the bonds held be repaid together with the interest accrued with respect to such bonds as of the date on which the payment is written off the Issuer's account. Such a decision concerning immediate repayment of bonds may be cancelled by such bondholder with respect to his/her bonds. Any outstanding nominal value and interest accrued to the bond become immediately mature on the basis of the aforesaid notifications and declarations unless the pertinent failure to fulfil Issuer's liabilities is removed before the Issuer receives a notification of an early maturity of bonds or unless such a notification is cancelled in compliance with the provisions herein before the Issuer makes the due payment. The nominal value of bonds and the interest accrued to the bonds shall be paid in line with this





Article to the bondholders registered by SCP (or otherwise registered according to the provisions of Article 1) on the fifth calendar day following the early maturity date stipulated according to this Article.

## **9. Period of Limitation**

All rights arising from bonds shall be deemed expired after ten years from their maturity date.

## **10. Administrator**

The first Administrator of the issue is Investiční a Poštovní banka, a.s.. The first designated office of the Administrator is IPB, a.s., Perlová 5, 110 00 Prague 1. The place of payment is any branch of the Administrator's network (for a complete list, see below).

In regard to the fulfilment of liabilities arising from the contract with the Administrator, the Administrator acts exclusively as an Issuer's deputy and therefore, has no relationship to the bondholders.

The Issuer is entitled to replace or remove the Administrator at any time and designate its successor or appoint other Administrators of these bonds. Any change of the Administrator or the appointed office must be immediately notified to the bondholders, pursuant to the provisions of Article 11.

## **11. Notification**

Notifications to bondholders will be effective providing that they are published in Hospodářské noviny or any other daily newspaper with a similar orientation, distributed throughout the entire Czech Republic. The date of notification shall be the first day of such a publication. Similarly, the Issuer shall announce the results of bond issues within 30 calendar days from the date of issue.

## **12. Issuer's Acknowledgement**

The Issuer hereby declares in line with the Law No. 530/1990 Coll., concerning bonds, as amended, that it is liable towards bondholders with respect to the nominal value of the bonds, and undertakes herein that it shall pay the bondholders the nominal value of the bonds, together with interests, according to the methods and within deadlines stipulated within these Terms and Conditions.

## **13. Governing Law**

The rights and obligations arising from the bonds shall be governed by and interpreted in compliance with the legal regulations valid in the Czech Republic. All disputes arising hereof shall be referred to the Regional Commercial Court in Prague. These Terms and Conditions may be translated to other languages. However, in case of any discrepancies between various language versions, the Czech version shall prevail.

## **14. Places of Payment**

Investiční a Poštovní banka, a.s., Perlová 5, 110 00 Prague 1

Investiční a Poštovní banka, a.s., Náměstí Republiky 7, 110 00 Prague 1



### Issue 3 - Basic Parameters

Type:	bond
Form:	bearer form
Sort:	book
Currency:	CZK
Issued volume:	CZK 5,000,000,000.00
Nominal value:	CZK 10,000.00
Coupon:	variable interest rate (PRIBOR + 0.125%), payable twice a year, as of 17 September and 17 March of each year
Date of issue:	17 March 1998
Date of maturity:	17 March 2005
ISIN:	CZ 0003700478
Administrator:	Investiční a Poštovní banka, a.s. <sup>3</sup> with a registered office at Senovážné náměstí 32, Prague 1
Guarantee:	Bonds are secured with a guarantee by the Czech Republic, pursuant to the provisions of Section 44a of the Bank Act.

No pre-emption or exchange rights are associated with the bond. The issue of bonds was approved on the basis of a decision adopted by the Ministry of Finance of the Czech Republic, ref. No. 103/82 584/97, of 24 November 1997. The bond was accepted for trading at the major market of Burza cenných papírů Praha, a.s. (Prague Stock Exchange).

### TERMS AND CONDITIONS OF THE 3RD ISSUE OF BONDS BY KOB (ORIGINAL VERSION)

The bonds, with a total nominal value of CZK 5,000,000,000 and a variable interest rate, mature in 2005 (hereinafter the "bonds"), issued by Konsolidační banka Praha, state-owned financial institute (hereinafter the "Issuer"), with a registered office at Janovského 2, 170 06 Prague 7, IČO identification number: 48118672, are subject to the contract concerning the administration of the issue and provision of payments (hereinafter the "Contract with Administrator") concluded between the Issuer and Investiční a Poštovní banka, a.s., as the issue administrator and provider of payments related to bonds (hereinafter the "Administrator"). Some provisions of the Terms and Conditions of Issue comprise a summary of detailed provisions of the contract concluded with the Administrator and are therefore governed by such a contract. Bondholders have certain rights arising from the contract concluded with the Administrator, which may be applied under the terms and conditions stipulated therein, and they are considered to have acknowledged all the provisions of the Contract. A copy of the Contract with Administrator is available for Bondholders in an Administrator's office specified in Article 12. The issue of bonds and its marketability were approved on the basis of the Law No. 530/1990 Coll., concerning bonds, as amended, and 591/1992 Coll., concerning securities, as amended, pursuant to a decision adopted by the Ministry of Finance of the Czech Republic, ref. No. 103/82 584/1997, of 24 November 1997. The bonds were allocated ISIN code CZ 0003700478.

#### 1. Basic Characteristics of Bonds and Issue

##### a) Name, Type, Form and Nominal Value of Bonds

The name of the bond is Konsolidační banka Praha, s.p.ú., CZK 5,000,000,000.00, with a variable interest rate, which matures in 2005. The bonds are issued in the form of book bearer securities at the nominal value of CZK 10,000 each. The total nominal value of the issue is CZK 5,000,000,000. The issue rate is 100% of their nominal value. The bonds are not associated with any exchange or priority rights and their transferability is not limited.

<sup>3</sup> On 19 June 2000, IPB was acquired by ČSOB, pursuant to a Contract of a Transfer of Enterprise concluded between Československá obchodní banka, a.s., with a registered office in Prague 1 - Nové Město, Na Příkopě 14, IČO: 00001350 (hereinafter the "ČSOB") and INVESTIČNÍ A POŠTOVNÍ BANKA a.s., with a registered office at Senovážné náměstí 32, Prague 1, IČO 45316619 (hereinafter the "IPB") and the contracting party changed its identification to ČSOB.



#### *b) Bondholder, Transfer of Bonds*

For the purposes of these terms and conditions, a bondholder (hereinafter the "Bondholder") is a person registered by the Securities Centre of the Czech Republic, in compliance with the Czech Law No. 591/1992 Coll., concerning securities, as amended, or a legal representative of the Securities Centre or any other person appointed or authorized to keep registration of securities pursuant to the provisions of the Law (Securities centre, its legal successor, or a person appointed or authorized to keep registration of securities pursuant to the provisions of the Law, hereinafter the "Centre"). The transfer or assignment of bonds shall be completed after the registration of such a transfer or assignment by the Centre.

The Issuer shall consider each person registered by the Centre as a Bondholder as an authorized owner of bonds in all respects and shall carry out payments according to the Terms and Conditions hereto.

#### *c) Date of issue:*

Date of issue: 17 March 1998.

#### *d) Record date, ex-coupon date, ex-principal, business date*

The record date for the payment of the interest yield shall precede by one calendar month the date of maturity on which such an interest yield is to be paid. The date of ex-coupon is the day immediately following the record date.

The record date for the payment of the nominal value of the bond shall precede by one calendar month, the date of maturity on which such a nominal value is to be paid. The date of ex-principal is the day immediately following the record date.

For the purpose of these Terms and Conditions, the business day shall be defined as a calendar day (except for Saturdays and Sundays) on which banks and the Centre are open in the Czech Republic.

## **2. Status**

The bonds constitute direct, unsubordinated and unconditional liabilities of the Issuer, secured with a guarantee of the Czech Republic, within the meaning of Section 44a of the Law No. 21/1992 Coll., as amended. The liabilities arising from the bonds are and will be equivalent to each other (*pari passu*) and will always be at least equivalent to any other current or future, direct, unsubordinated and unconditional liabilities of the Issuer, secured with a guarantee of the Czech Republic, within the meaning of the aforesaid law, except for the Issuer's liabilities with - in regards to their sequence - more convenient sequence defined according to the mandatory provisions of the generally binding legal regulations.

## **3. Issuer's Acknowledgement**

The Issuer hereby declares, pursuant to the provisions of the Law No. 530/1990 Coll. concerning bonds, as amended, that it owns the nominal value of each bond, plus the pertinent interest to the holder of each bond and undertakes to pay the interest yields and repay the nominal value of the bond, in compliance with the Terms and Conditions herein.

## **4. Negative Liability**

(a) Until all bonds are repaid in compliance with these Terms and Conditions, the Issuer hereby undertakes not to secure or allow securing (a) on the basis of right of lien to any of its current or future assets or (b) any other transactions carried out for the benefit of third parties with respect to its current or future assets, of any current or future liabilities arising from the bonds issued by the Issuer within the Czech or foreign capital markets, unless all the Issuer's liabilities arising from the Terms and Conditions herein are secured simultaneously and adequately.

## **5. Interest**

Bonds will bear a variable interest rate. The payment of the interest yields will be carried out twice a year, on 17 September and 17 March (hereinafter the "Interest Payment Date"), in arrears, according to the provisions of Article 7 of the Terms and Conditions herein. Interests will be added from 17 March 1998 (including) until the last payment date (without) (hereinafter the "Yield Period").

The interest rate p.a., payable for the following yield period, shall be specified always three business days prior to the commencement of the pertinent yield period. The calculation shall be based on the arithmetic mean of the fixing of interest rates concerning the sale at the Prague Market of CZK Interbank Deposits for a



six-month period, announced by the Czech National Bank ("6M PRIBOR") within five business days immediately preceding the business day on which the interest rate is ascertained for the following yield period, increased by 0.125 %.

If the 5-business-day 6M PRIBOR is not available, it shall be replaced with a rate calculated as an arithmetic mean of the quotations for the interest rates of the sale of CZK interbank deposits for a six-month period, acquired from 5 reference banks according to the Issuer's choice (the highest and lowest interest rate shall be disregarded). In case such a rate is not available for the six-month period, a rate for a period closest to such a six-month period shall be used.

The interest rate p.a., expressed in percents for any yield period, shall be rounded down to sixteenths of a percent and announced to the Bondholders according to the provisions of Article 11 of the Terms and Conditions herein.

Irrespective of the aforesaid, the interest rate for the first yield period has been stipulated at 16.145 %.

Bonds will cease to bear interest upon their maturity date, or the day of premature payment according to Article 9, unless the Issuer or the Administrator retain or refuse due payment of the bond nominal value in an unauthorized way. In that case, bonds will further bear interest at the last valid interest rate until the day on which the Bondholders or their representatives (including the Administrator) receive all amounts due with respect to the bonds.

For the purposes of interest calculation, a year shall be defined as three hundred and sixty (360) days, divided into twelve months, by thirty (30) days. In regard to incomplete months, the calculation shall be based on the number of actual elapsed days (BCK standard 30E/360).

## 6. Repayment of Nominal Value of Bonds

### *a) Final Repayment*

Unless bonds are preliminarily repaid in compliance with Article 9 or cancelled in compliance with this Article, bonds shall be repaid in their nominal value on 17 March 2005, according to the terms and conditions stipulated in Article 7.

### *b) Premature payment*

The Issuer shall not be entitled to repay the bonds ahead of schedule prior to the maturity date.

### *c) Repurchase of bonds*

The Issuer shall be entitled to repurchase the bonds at any time, at the free market or otherwise for any price.

### *d) Cancellation of bonds*

At its own discretion, the Issuer may cancel all bonds repurchased in line with this Article (or any part of such bonds). Subsequently, the Issuer shall make sure that such bonds, as well as bonds repaid in compliance with the provisions of Article 9, are cancelled and cannot be released for circulation or sold again.

## 7. Payments

### *a) Currency*

The Issuer undertakes herein to pay the interest yields and repay the nominal value of the bonds exclusively in CZK. The interest yields and the nominal value of the bonds will be paid to the Bondholders in line with the tax, foreign exchange and other pertinent legal regulations of the Czech Republic, valid as of the date on which such payments are made.

### *b) Crucial moment for the stipulation of the claim for payment*

Interest yields of any bond shall be paid to persons who are Bondholders as of the date of the record date for the payment of the interest yield from the bond, according to Article 1 d) of these Terms and Conditions (such Bondholders shall be hereinafter referred to as "Beneficiaries" or "Beneficiary" in singular). For the purposes of stipulating such beneficiaries, the Issuer shall not refer to the transfers of bonds commencing the ex-coupon day (including), pertaining to the interest yield in question.

The nominal value of any bond shall be paid to persons who are Bondholders as of the date of the record date for the payment of the interest yield from the bond, according to Article 1 d) of these Terms and Conditions (such Bondholders shall be hereinafter referred to as "Beneficiaries" or "Beneficiary" in singular).



For the purposes of stipulating such beneficiaries, the Issuer shall not refer to the transfers of bonds commencing the ex-principal day (including). Commencing the ex-principal day (including), all transfers in the Centre will be excluded.

*c) Payment of bond amounts*

The payment of interest yields and the nominal value will be carried out by the Issue within periods stipulated in Articles 5 and 6a).

In case the day on which the interests or the nominal values are to be paid (hereinafter the "original day of payment") is not a business day, the Bondholder shall be entitled to the payment of the due amounts on the nearest following business day (hereinafter the "new day of payment"), and the Bondholder shall not be entitled to any interests or other payments arising from such a delay between the original and the new day of payment, unless such a payment is not carried out on such a new day of payment.

*d) Method of payment*

The administrator shall make payments on behalf of the Issuer to the beneficiaries in CZK, via bank transfer to an account kept in the Czech Republic with a Czech bank or a branch of a foreign bank, holding a valid license issued by the Czech National Bank, on the basis of written instruction (including any pertinent annexes) for payment (hereinafter the "instruction"), delivered to the Administrator not later than on the 5th business day prior to the pertinent day of payment.

The Administrator shall announce the required details of the instruction in line with Article 11 herein, based on a prior consent of the Issuer, not later than thirty calendar days prior to the pertinent day on which the interest or a nominal value of the bond is to be paid, as stipulated in Article 5 or 6 a) of the Terms and Conditions herein. These requirements must not exceed the scope of requirements usually associated with payments of bonds in the Czech Republic. In the case that the Administrator fails to specify the requirements within the periods required, the payment shall be made against documents stipulated towards the end of the Terms and Conditions herein.

Neither the Issuer nor the Administrator shall be obliged to check the veracity of the instructions and the accompanying documents and shall bear no responsibility for the expenses (costs) or loss (including loss of profit) of any person (including the beneficiary), arising as a result of the delay of such a beneficiary or any of its representatives to submit the instructions or of the submitting of an incorrect or incomplete instruction.

The liability to pay the interest yield or repay the nominal value of the bond shall be considered fulfilled in a due and timely manner in the case that the amount due is written off the Administrator's account on the day of payment and transferred to the beneficiary's account in line with the instructions submitted by such a beneficiary according to Article 7 d). Should any beneficiary fail to provide the Administrator with such an instruction according to Article 7 d), the liability to pay the interest yield or repay the nominal value of the bond shall be considered fulfilled in a due and timely manner in case that the amount due is written off the Administrator's account on the day of payment and transferred to the beneficiary's account within 10 business days from the day on which such an instruction is submitted according to Article 7 d) to the Administrator. Such a beneficiary shall not be entitled to an interest or extra payment for such a delay.

## **8. Taxation**

All payments of the nominal value and the interest yields will be made without any deductions or allowances of any kind, unless such deductions or allowances are stipulated by the Czech Laws. In this case, the Issuer shall not be obliged to pay to the beneficiaries any other payments in consequence of such deductions, allowances or fees.

## **9. Failure to Meet Obligations**

Should any of the circumstances defined below arise and exist:

(a) Any payment arising in compliance with the bonds pursuant to Article 7 is not paid within ten working days from the maturity date;

(b) Any monetary liability or liabilities of the Issuer, including liabilities arising from the provided security, at a total sum exceeding CZK 500,000,000 or an equivalent in any foreign currency, is not paid by the Issuer within 10 working days from the maturity date or the permitted adjournment. This shall not apply in case that (i) the Issuer objects in good faith to the validity of its liability, in regards to the amount or the reason, and makes the payment within periods stipulated on the basis of a lawful decision of a court, or (ii) the Issuer has an outstanding claim against the creditor which may be set off against the Issuer's liability, at an amount which would mean a reduction of the Issuer's total liabilities arising in connection with this paragraph to an amount lower than CZK 500,000,000; or



(c) The Czech Republic ceases to stand security for the Issuer's liabilities arising from these Terms and Conditions; or

(d) The Issuer fails to meet its liabilities stipulated in Article 4 of these Terms and Conditions, and fails to reach a due remedy within 45 calendar days from the day on which the Issuer is alerted of such circumstances in writing by any holder of a bond (which has not been duly repaid, repurchased or cancelled as of the date), in the form of a letter sent to the Issuer at the address of its registered office; or

(e) The Issuer fails to meet any other substantial liability stipulated in these Terms and Conditions, and fails to reach a due remedy within 45 calendar days from the day on which the Issuer is alerted of such circumstances in writing by any holder of a bond (which has not been duly repaid, repurchased or cancelled as of the date), in the form of a letter sent to the Issuer at the address of its registered office; or

(f) (i) Administrative action is taken against the Issuer in consequence of which the Issuer may lose its bank licence, or (ii) the Issuer is subject to involuntary receivership,

(g) (i) a final judgement is rendered or lawful decision adopted concerning the cancellation of the Issuer with subsequent liquidation or (ii) the Issuer's assets are subject to a declaration of bankruptcy or any such declaration of bankruptcy is refused due to an insufficiency of the Issuer's assets,

then (1) in regards to items (a), (b), (c), (d) and (g) above, any holder of bonds which have not been repurchased or cancelled (hereinafter "outstanding bonds"), shall be entitled to request - on the basis of a written notification delivered to the Issuer or the pertinent Administrator's office - that the nominal value of the bonds held be repaid together with the interest accrued with respect to such bonds as of the date on which the payment is written off the Issuer's account and (2) in regards to items (e) and (f), holders of outstanding bonds representing over 2/3 of the total nominal value of such bonds may request immediate repayment of all the outstanding bonds, together with the interest accrued with respect to such bonds as of the date on which the payment is written off the Issuer's account, based on a notification delivered to the Issuer or the specified Administrator's office. Should any Bondholder fail to send their notification concerning the preliminary repayment of bonds according to item (2) above together with the Bondholders representing over 2/3 of the total nominal value of such bonds, they may proceed according to item (1) above. Such a decision concerning immediate repayment of bonds may be cancelled by any individual bondholder with respect to his/her bonds. Any outstanding nominal value and interest accrued to the bond will become immediately mature on the basis of the aforesaid notifications and declarations (hereinafter the "day of early bond maturity"), unless the pertinent failure to fulfil the Issuer's liabilities is removed before the Issuer receives a notification of an early maturity of bonds or unless such a notification is cancelled in compliance with the provisions herein before the Issuer makes the due payment. The nominal value of bonds and the interest accrued to the bonds shall be paid through the mediation of the Burza cenných papírů Praha, a.s. (Prague Stock Exchange - hereinafter "BCPP") to the bondholders registered by the Centre as of the date on which the notification of early maturity is made and on the fifth calendar day following the early maturity date providing that the applicant provides the Issuer (or the stipulated representative) all dates and documents necessary for the settlement of the transaction according to this Article through BCPP and shall carry out all actions necessary for due settlement of such a transaction through BCPP.

## 10. Period of Limitation

All rights arising from bonds shall be deemed expired after ten (10) years from their maturity date.

## 11. Notification

Notifications provided to Bondholders are considered valid in the case they are published in the Czech language in the Burza (Stock Exchange) magazine issued by Burza cenných papírů Praha, a.s. or in any national daily newspaper distributed throughout the Czech Republic. The date of notification shall be the first day of such a publication. Similarly, the Issuer shall announce the results of bond issues within 30 calendar days from the date of issue.

## 12. Administrator

The first Administrator of the issue is Investiční a Poštovní banka, a.s.. The first designated office of the Administrator is IPB, a.s., Perlová 5, 110 00 Prague 1, Czech Republic (hereinafter the "specified office"). The Issuer reserves the right to make changes in regard to the specified branch in line with the Contract with Administrator. Each change of the specified office must be announced by the Issuer to the bondholders according to Article 11 of the Terms and Conditions herein. Each such change shall become effective fifteen (15) calendar days from the date of notification, unless otherwise specified. However, should such a change become effective less than thirty (30) calendar days before or after the day on which any bond amount is due, such a change shall become effective on the thirtieth calendar day from such a payment day.



Regarding the fulfilment of liabilities arising from the contract with the Administrator, the Administrator acts exclusively as an Issuer's deputy and is therefore in no relationship to the bondholders.

The Issuer is entitled to replace or remove the Administrator at any time and designate its successor or appoint other Administrators of these bonds. Any change of the Administrator or the appointed office must be immediately notified to the bondholders, pursuant to the provisions of Article 11.

### **13. Governing Law, Language**

The rights and obligations arising from the bonds shall be governed by and interpreted in compliance with the legal regulations valid in the Czech Republic. All disputes arising hereof shall be referred to the Regional Commercial Court in Prague. These Terms and Conditions may be translated to other languages. However, in case of any discrepancies between various language versions, the Czech version shall prevail.

### **14. Places of Payment**

Investiční a Poštovní banka, a.s., Perlová 5, 110 00 Prague 1

Investiční a Poštovní banka, a.s., Náměstí Republiky 7, 110 00 Prague 1



## ČKA SUPERVISORY BOARD'S REPORT FOR ANNUAL REPORT OF ČKA

Towards the end of its existence, Konsolidační banka Praha (KOB) further transformed into an institution focusing on the management and resolution of concentrated bad assets, rather than on an active pursue of banking activities. Thanks to the transformation of KOB into Česká konsolidační agentura (ČKA), the potential for the management and resolution of problem assets enhanced, however, it was necessary to make significant changes in the system of supervision and control over pursued transactions.

As a result of the Law No. 239/2001 Coll. concerning ČKA, the agency has overcome one of the most complicated situations when the largest state financial institution was practically without any public control. Before this law became effective, the Government appointed bank's management and the Ministry of Finance appointed the Supervisory Board (based on an approval of the Government). The Parliament, which approves the National Budgets and decides on the coverage of loss reported by KOB, and who finances its activities, had no opportunity to control or affect bank management. This scheme was replaced with an organisation structure similar to that of a corporation, five members of the Board of Directors are appointed by the Government, pursuant to a proposal presented by the Minister of Finance and the Supervisory Board is appointed by the Chamber of Deputies.

Based on the fact that ČKA is no longer subject to bank supervision, i.e. provisions concerning liquidity, capital adequacy, creation of provisions and reserves, etc., the losses of ČKA are distributed in a different manner compared to that of KOB and are therefore more convenient in terms of public finances as a whole. The loss of control in the form of bank supervision was compensated on the basis of the modifications in the position of the ČKA Supervisory Board. This fundamental and system change in the concept of the Supervisory Board in ČKA is now reflected in the fact that members of the Supervisory Board in ČKA are appointed and removed by the Chamber of Deputies, as well as in the fact that members of the Supervisory Board enjoy considerably stronger power, which can be divided into four groups: power of approving, power of discussing and advising, standard power of controlling and finally the power of proposing.

The fundamental change in the position of the Supervisory Board is obvious from the frequency of its meetings and the number of issues discussed. From September to December, the Supervisory Board held 15 regular and two extraordinary meetings, discussing 160 items and adopting 119 resolutions.

At the beginning, the newly appointed Supervisory Board focussed on the development of a corresponding system of work, the necessary administrative and consultancy background and incorporation of the new law in the ČKA's internal procedures. With respect to the fundamental changes in the system, the Supervisory Board requested the Board of Directors, during its 4th meeting held on 20 September, to announce selection procedures for a forensic audit of ČKA, in order to provide an objective record of the status of ČKA as of the date of its transformation.

The basic objectives of the Supervisory Board for the following period can be divided in several areas. In particular, there is the system area, consisting of the application of the Law concerning ČKA in the ČKA's internal procedures, acknowledgement of the basic principles concerning the assignment of ČKA's outstanding claims, and/or their review, development and control of the ČKA's liquidity, as well as the general strategy of asset realisation. As an outcome of these processes, the new "Business Strategies and Operative Objectives of ČKA" were discussed and adopted.

Another rather wide area of concern was the detailed monitoring of procedures adopted by ČKA towards selected companies whose problems had a significantly negative impact on the economic situation of the Czech Republic. This concerns the problems of Czech metallurgy, selection of a strategic partner for Tatra and Zetor and specifically, a choice of a possible solution in ŠKODA. Regarding the situation in ŠKODA, the Supervisory Board is aware of the obvious complexity of this issue and its wide impacts on the society and therefore, it suggested that the Board of Directors perform an expert assessment of further procedures (in October 2001), including an analysis concerning the maximisation of yields, in close cooperation with the trustee in bankruptcy.

The Supervisory Board was further informed about the ČSOB/IPB transaction, and monitored the economic results of ČKA subsidiaries as well as the completion of the pilot portfolio project, particularly with respect to the unsatisfactory outcome of the forensic audit in this area and the consequences for strategic considerations related to assets transferred from ČSOB. Another important issue concerns





the negotiations between the Supervisory Board and the Ministry of Finance concerning the alternative solution of claims from credits to TOZ and other live issues.



**Vlastimil Tlustý**  
Chairman of Supervisory Board



## FINANCIAL DATA

### Financial specification of registered capital

#### Description of company structure

The federal Consolidation Bank (Federální Konsolidační banka) was founded by the Federal Ministry of Finance in 1991 as a state-owned financial institute with federal competences, without any branch network, in order to assume problematic assets from commercial banks and thus help recover their credit portfolio and to help corporations solve their complicated economic situations during the process of the transformation of the economy. Following the separation of the country, KOB opened for business in 1993, established by the Ministry of Finance of the Czech Republic. The bank assumed the activities of its federal ancestor and it enhanced its competences pursuant to the pertinent Government decisions and decisions adopted by the Ministry of Finance, i.e. the promoter, particularly by financing of restructuring industrial companies and the administration and recovery of bad-quality debts, assumed from commercial banks mostly with respect to their privatisation procedures. In order to safeguard the aforesaid increased scope of debt management and recovery, KOB, following a decision adopted by the Czech Government, purchased substantial ownership interests in some corporations focussing on the administration and recovery of bad-quality bank debts and coordinated its administration and recovery of problematic assets with these companies within the Financial Group of KOB.

As a state-owned financial institution, KOB did not issue shares, and since 1994, the company reported registered capital of CZK 5.95 billion, created pursuant to the pertinent Government decision, i.e. via transfer of the registered capital created by the federal Consolidation Bank, and particularly allocations from the Czech National Property Fund, the bank's reserve fund, transfer of profit distribution and promoter's deposit. The registered capital of KOB, reaching CZK 5.95 billion, was 100% paid, and ČKA has assumed it along with the process of KOB transformation.

#### Formation and Structure of KOB Registered Capital

CZK million

Date	Registered Capital	Increase	
21 Feb 91		10.00	Promoter's deposit
31 Dec 91	10.00		
		20.00	From 1991 profit
		970.00	From Reserve Fund
		<b>990.00</b>	<b>Total</b>
31 Dec 92	1 000.00		
		3 000.00	FNM* bonds
		414.01	Promoter's deposit (tangible assets)
		585.99	From Bank's Reserve Fund
		<b>4 000.00</b>	<b>Total</b>
31 Dec 93	5 000.00		
		950.00	From 1993 profit
30 Jun 94	5 950.00		

\* FNM – Fond národního majetku (National Property Fund)



## Assets and financial standing of the issuer

### Annual Balance

During the course of the year ended 2001, the balance of the Česká konsolidační agentura (Konsolidační banka Praha s.p.ú. until 31 August 2001) increased significantly (pursuant to the pertinent Government Decrees), based on a transfer of over CZK 40 billion (nominal value) of bad-quality assets from commercial banks and health insurance companies, and, until 31 August 2001, also providing credits by Konsolidační banka Prague s.p.ú., as a solution of temporary insufficiency of sources at the Czech National Property Fund and the solution of the negative financial situation of restructuring companies.

Among the funds transferred to the balance of the Agency for a consideration were significant volumes of the so-called "black" assets from ČSOB a.s., selected bad-quality assets from ČS a.s., claims of health insurance companies against debtors in bankruptcy and selected claims of Komerční banka a.s. against companies in the process of restructuring. Additionally, with the approval of the promoter and the Czech Government, a significant pilot block of loss-making and hard recoverable claims was sold, at a nominal value exceeding CZK 20.0 billion, together with the sale of ownership interests in Spolana a.s. and Tatra a.s. Furthermore, other loss-making receivables were transferred (case by case) for consideration, together with the settlement of receivables of clients in bankruptcy, after the termination of the bankruptcy proceedings. Additionally, standard credits were repaid according to instalment schedules. As result of the aforesaid operations and the adjacent creation, use or discharge or adjusting entries, and particularly reserves increased in 2001 from profit by CZK 31.0 billion, and the balance sheet total according to Czech Accounting Standards grew by CZK 28.7 billion year-on-year, totalling CZK 242.9 billion as of 31 December 2001.

### Balance Sheet

Individual balance sheet items report increasing assets and liabilities compared to the previous year, totaling CZK 28.7 billion of the net accounting value, according to Czech Accounting Standards, with the following breakdown:

#### Assets

The cash in hand and deposits at the bank of issue, at a total reported amount of CZK 13.0 million, were down by CZK 330.0 million compared to the year 2000, since the Agency is not a bank according to the special legal regulation (the Law No. 21/1992 Coll., concerning banks, as amended by subsequent regulations) and it does not deposit the statutory minimum reserves required by the Czech National Bank.

The bills of credit of CNB reached, following the development of liquidity towards the current year ultimo, CZK 2.1 billion, down by CZK 0.4 billion compared with the year 2000, with respect to the fulfilment of payment liabilities of the agency.

The Agency increased the account of receivables towards banks, at an amount of CZK 32.3 billion, by CZK 11.4 billion as of the current year ultimo, particularly due to the use of the received compensation of loss for the year 1999 in the financial market, in the form of bank deposits.

The gross book value of the Agency's claims towards clients with credit transactions carried out according to the Czech Government Decrees increased by CZK 7.0 billion; however, due to adjusting entries, the net book value of these credits decreased by CZK 0.3 billion and reached an almost identical amount of CZK 122.0 billion.

The net accounting value of liabilities and other securities with fixed yields, intended for marketing, increased year-on-year on the basis of a transfer of bonds held by two companies, from ČS a.s., following a Contract of Restructuring and Guarantee, concluded between Konsolidační banka Praha s.p.ú. and Corfina a.s. and ČS a.s. (As of the end of the year). For year ended 2001, the net book value of this category of securities reached CZK 0.8 billion, having increased by CZK 0.5 billion during the course of the year. With respect to the acceptance of the aforesaid bonds and following the repayment of coupons of certain other bonds with the stipulated portfolio in 2001, the Agency increased its adjusting entries to these assets by CZK 0.2 billion.

The ownership interests in the so-called long-term security portfolio of the Agency decreased, after allocation to adjusting entries, particularly on the basis of transactions carried out in line with the pertinent Government Decrees to CZK 3.9 billion of net book value. This portfolio witnessed significant changes on the basis of an increase in the ownership interests in Škoda Holding a.s., Zetor a.s. and Tatra a.s.. Additionally, the Agency acquired an ownership interest based on a capitalisation of receivables against Walter a.s. Towards the end of the year, the Agency sold its shares in Tatra a.s. and Spolana a.s. Based on these transactions and the continuing allocation to adjusting entries, the net book value of the Agency's ownership interest decreased



by CZK 1.7 billion as of the current year end. Consequently, the account of adjusting entries to ownership interest reached CZK 6.9 billion at the ultimo of the year 2001, having increased by CZK 1.2 billion, particularly due to adjusting entries to ownership interests in Walter a.s. and Škoda Holding a.s.

Securities for sale and held until maturity, at a net book value of CZK 2.1 billion, were represented in the Agency's portfolio with depreciated items with a book value close to zero (particularly bonds of ČKD Praha a.s., in bankruptcy) and depreciated bonds for sale, at a net book value of CZK 0.4 billion, as well as participation certificates for sale, with a net book value totalling CZK 0.9 billion and shares for sale, with a net book value of CZK 0.8 billion. These are securities accepted from transactions carried out on the basis of Government Decrees during the course of the year 2001, for the acquisition price of CZK 3.9 billion, to which adjusting entries were created up to an amount of CZK 1.8 billion as of the current year ended.

The aggregate balance sum of the tangible and intangible assets, as of the current year ended, increased to CZK 1.8 billion, by CZK 1.0 billion, particularly on the basis of an acquisition of real assets from ČSOB a.s., following the Contract and State Guarantee.

The balance of other assets, with prevailing claims against the Czech State and the Czech National Property Fund, from outstanding losses, increased to CZK 76.0 billion in 2001, by CZK 14.6 billion, based on an increase in the loss due to additional allocation to reserves, according to the auditor's statement.

## Liabilities

As of the current year ended, liabilities towards banks totaled CZK 111.7 billion, CZK 12.1 billion less compared to the year 2000, particularly due to the alternative replacement of some bank sources with deposits accepted from the Czech National Property Fund and repayment of a part of redistribution credit accepted from ČNB for refinancing of Agency's claims from credits for cooperative house-building.

Liabilities towards Agency clients equaled CZK 29.2 billion, CZK 17.5 billion higher when compared to the year 2000, based on the aforesaid deposits accepted from the Czech National Property Fund, following the Government resolutions concerning the utilisation of the Fund's revenues from privatisation of selected corporations.

The volume of issued securities dropped down to CZK 13.4 billion, following the repayment of the nominal value of a five-year documentary bond of Konsolidační banka Praha s.p.ú., issued in 1996, with a fixed interest rate of 10.75% p.a.

As of the current year ultimo, the Agency reserves totaled CZK 44.0 billion, having increased by CZK 31.0 billion compared with the same period of the year 2000, particularly based on the following transactions:

During the year 2001, following the auditor's report, provisions were created for the coverage of a potential loss from the assumed portfolio of the so-called "black" assets from ČSOB a.s., as of 31 August 2001, totaling CZK 32.1 billion. For the coverage of a potential loss from other assets, particularly "grey" assets from ČSOB a.s., with anticipated acceptance after 31 December 2001, provisions were created at an amount of CZK 13.4 billion, with an additional CZK 4.1 billion of provisions for other assets. For the coverage of potential risks from the fulfilment of leasing contracts and guarantees provided by ČS a.s., as well as for the coverage of risks from the creation of provisions to the portfolio in ČS a.s., defined within the ring-fencing according to the Contract of Restructuring and Guarantee, provisions created in 2001 totaled CZK 1.3 billion.

Regarding the release or utilisation of significant amounts of provisions, the Agency dissolved part of the provisions created in 2000 into the portfolio of ČS a.s., defined within the ring-fencing according to the Contract of Restructuring and Guarantee, with respect to the transfer of a part of these assets into KOB, carried out in 2001, and these provisions with adjusting entries. Subsequently, the Agency dissolved part of the provisions created by KOB as of 31 August 2001, for the coverage of losses from the assumed portfolio of "black" assets from ČSOB a.s., with respect to the transfer of a part of these assets to the Agency, carried out from 1 September to 31 December 2001, and replaced these provisions with adjusting entries.

Other liabilities, comprising particularly liabilities from securities and the coverage of loss of subsidiaries, totalled CZK 9.4 billion, a decrease of CZK 2.9 billion.

The Agency's paid-up registered capital equals CZK 5.9 billion (from 1996). There were no changes made in 2001.

In 2001, the Agency's reserve funds were used with an approval of the Minister of Finance of the Czech Republic, ref. No. 06/51436/2001, of 31 May 2001, for the coverage of loss of KOB for the year 2000, at an amount of CZK 2.1 billion. As of the current year ended, these funds totaled CZK 29.3 billion.

As of 31 December 2001, the Agency increased other funds from profit, particularly the capital funds, to CZK 54.3 billion, from the anticipated coverage of loss ensured, according to contracts, from the Czech National Property Fund and the state, through the mediation of the Ministry of Finance of the Czech Republic.



## Profit/Loss

As a result of the transformation of the Konsolidační banka Praha s.p.ú. to Česká konsolidační agentura, the profit/loss of both organisations for the year 2001 was reported in line with the pertinent accounting standards. in the form of separate Profit and Loss Accounts. The Profit and Loss Account of Konsolidační banka Praha s.p.ú. therefore reflects the economic result of the bank for the period until 31 August 2001 and the Profit and Loss Account of Česká konsolidační agentura reflects the results from 1 September to 31 December 2001. For objective and unbiased reflection of the annual economic results, the following breakdown for the year 2001 includes aggregate values, consisting of the pertinent values reported by both the aforesaid organisations.

Neither Konsolidační banka Praha s.p.ú. nor Česká konsolidační agentura, based on the transformation of the bank, can generate a significant book profit as their mission is oriented at the administration and settlement of bad-quality financial assets, transferred for a consideration from commercial banks, and therefore cover extreme risks of extraordinarily low return on their receivables with the creation of adjusting entries and provisions on the cost of their own profits.

Additionally, potential yields, particularly from interests, are limited, since receivables from credits and securities towards clients in bankruptcy (of which the Agency administers more than CZK 100.0 billion) bear no interest and increase the line of the expenses on the administration, settlement and judicial recovery. Additionally, many of the other assets such as receivables of the state and the Czech National Property Fund, the coverage of loss of KOB and the Agency, or ownership interests in loss-generating companies and securities of low-quality Issuers in adverse financial situations, usually offer no yields, as they bear no interests, dividends or real coupon yields.

For the aforesaid reasons, the credibility of KOB and the Agency, as specific institutions, was maintained thanks to their permanent recapitalisation, provision of a significant volume of own reserve fund, guarantees provided by the Czech National Property Fund and the State, arising from the provisions of the laws concerning banks and Česká konsolidační agentura.

The reported book loss for the year 2001, accumulated from the figures reported by Konsolidační banka Praha s.p.ú. and Česká konsolidační agentura, reached CZK -57.6 billion, in the following structure:

The most important impact on the total loss was the loss from the creation and utilisation of provisions and adjusting entries, totalling CZK -41.7 billion, arising particularly from the adjusting entries and provisions created for the coverage of loss pertaining to the assets assumed from ČSOB a.s. according to the Contract of Restructuring Plan, and as a result of the creation of adjusting entries to receivables from health insurance companies, against debtors in bankruptcy. Yields were generated particularly from the dissolution of the aforesaid adjusting entries after the settlement of receivables and ownership interests their sale, writing off or dissolution of adjusting entries in consequence of additionally accounted security of selected receivables.

Other losses, particularly associated with financial activities, at a total amount of CZK -15.9 billion, represents expenses on the settlement of receivables in the form of succession, sale of ownership interest or expenses on the writing off of outstanding receivables after the termination of the bankruptcy proceedings. These expenses were compensated to a great extent in the form of a release of adjusting entries into yields.

The reported general operating expenses, totalling CZK -0.9 billion were additionally compensated in the form of an interest margin, totalling CZK 1.0 billion of profit.

The total reported loss, CZK -57.6 billion, will be partially covered by: CZK 3.3 billion from the reserve fund of KOB and Agency for the coverage of expenses and loss pertaining to receivables written off or otherwise settled in 2001. The remaining loss of KOB and the Agency, related to other activities shall be settled as follows: in line with the decision adopted by the Supervisory Board of the Agency: CZK 51.8 billion, in line with the pertinent provisions of the Laws on Banks and Česká konsolidační agentura, from sources of the state bond programme, through the mediation of the Ministry of Finance, and the remaining amount of CZK 2.5 billion will be settled by the Czech National Property Fund according to the pertinent contracts concerning the compensation of expenses and loss.



# AUDITED FINANCIAL STATEMENT, FROM 1 JAN TO 31 AUG 2001

## REPORT OF INDEPENDENT AUDITORS TO THE BOARD OF DIRECTORS AND SUPERVISORY BOARD OF ČESKÁ KONSOLIDAČNÍ AGENTURA



PricewaterhouseCoopers Audit, s. r. o.

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IČ 40765521

We have audited the accompanying extraordinary balance sheet of Konsolidační banka Praha, s.p.ú. as at 31 August 2001 (hereinafter "the Bank" which was wound up as at the above date, its legal successor being Česká konsolidační agentura hereinafter "the Agency"), the related income statement and notes for the period from 1 January 2001 to 31 August 2001 (hereinafter "the extraordinary financial statements"). The extraordinary financial statements and underlying accounting records are the responsibility of the Board of the Agency. Our responsibility is to express an opinion on these financial statements based on our audit.

The accompanying financial statements are not intended to present the assets, liabilities and equity and the results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Czech Republic. Accordingly the accompanying balance sheet, the related income statement and notes are not designed for those who are not informed about Czech accounting principles, procedures and practices.

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic. Those auditing standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by the Bank's 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 extraordinary financial statements present fairly, in all material respects, the assets, liabilities and equity of the Bank as at 31 August 2001 and the results of its operations for the period from 1 January 2001 to 31 August 2001 in accordance with the Act on Accounting and other relevant accounting regulations applicable in the Czech Republic.


Without qualifying our opinion, we draw attention to the following matter:

Note 17 to the financial statements explains that the Bank has received an official interpretation of the relevant accounting legislation by the Ministry of Finance (in its capacity as the body responsible for setting accounting standards in the Czech Republic), which was issued having regard to the State's general guarantee to cover losses of the Bank.



In accordance with this interpretation, the Bank has set aside within the statutory reserve fund, which forms part of the equity of the Bank, an amount of CZK 24.6 billion to cover expected losses on certain specific loans and advances and no provision has been separately reflected for these expected losses.

29 January 2002



PricewaterhouseCoopers Audit, s. r. o.



Paul Cunningham  
partner



Ing. Petr Kříž  
Auditor, Licence No. 1140



## BALANCE SHEET - ASSETS 31 AUGUST 2001

(CZK 1 000)

Item No.	Item	31 August 2001			31 December 2000
		Gross	Provision	Net	Net
		1	2	3	4
1	Cash, balances due from central banks	7 954	x	7 954	343 633
2	Treasury Bills and other bills rediscountable with central bank	0	x	0	2 454 000
	Treasury Bills and other bills issued by the State	0	x	0	0
	Other bills rediscountable with central bank	0	x	0	2 454 000
3	Due from other banks	14 974 123	0	14 974 123	20 877 536
	Receivable on demand	78 796	0	78 796	56 532
	Other	14 895 327	0	14 895 327	20 821 004
	of which: subordinated loans	5 500 000	0	5 500 000	5 500 000
4	Due from clients	184 453 279	62 692 867	121 760 412	122 319 920
	Receivable on demand	3 899	0	3 899	47 369
	Other	184 449 380	62 692 867	121 756 513	122 272 551
	of which: subordinated loans	0	0	0	0
5	Bonds and other fixed income securities in trading portfolio	1 819 090	1 033 075	786 015	294 892
	Issued by banks	205 622	1 001	204 621	200 383
	of which: Own bonds	205 622	1 001	204 621	200 383
	Issued by other entities	1 613 468	1 032 074	581 394	94 509
6	Shares and other equities in trading portfolio	0	0	0	0
7	Equity investments in associated undertakings	12 369 744	7 199 257	5 170 487	5 584 876
	in banks	0	0	0	0
	in other entities	12 369 744	7 199 257	5 170 487	5 584 876
8	Equity investments in subsidiary undertakings	270 100	270 000	100	0
	in banks	0	0	0	0
	in other entities	270 100	270 000	100	0
9	Other investments	1 273 780	1 045 253	228 527	134 281
10	Intangible assets	268 171	170 874	97 297	133 857
	Establishment costs	0	0	0	0
	Goodwill	0	0	0	0
11	Tangible fixed assets	1 027 787	345 159	682 628	685 034
	Land and building used for banking operations	715 080	120 443	594 637	591 269
	Other	312 707	224 716	87 991	93 765
12	Own shares	0	0	0	0
13	Other assets	81 861 591	0	81 861 591	59 757 527
14	Unpaid own capital issued and called	0	x	0	0
15	Prepayments and accrued income	1 620 612	x	1 620 612	1 647 885
	<b>Total Assets</b>	<b>299 946 231</b>	<b>72 756 485</b>	<b>227 189 746</b>	<b>214 233 441</b>





## BALANCE SHEET - LIABILITIES AND EQUITY 31 AUGUST 2001

(CZK 1 000)

Item No.	Item	31 August 2001	31 December 2000
		5	6
1	Due from other banks	121 260 238	123 750 061
	Payable on demand	0	0
	Other	121 260 238	123 750 061
2	Due to clients	9 076 902	11 730 136
	Deposits	0	0
	of which: Demand deposits	0	0
	Other payables	9 076 902	11 730 136
	of which: Payable on demand	2 172 520	2 855 604
3	Certificates of deposits and similar debentures	13 032 212	14 000 000
4	Accruals and deferred income	2 881 092	3 237 776
5	General provisions	41 455 450	12 970 293
	Provisions for pass loans and guarantees	3 512 267	7 157 310
	Provision for foreign exchange losses	0	0
	Provisions for other banking risks	0	0
	Other provisions	37 943 183	5 812 983
6	Subordinated debt	0	0
7	Other liabilities	7 314 692	13 268 758
8	Share capital	5 950 000	5 950 000
	of which: share capital paid	5 950 000	5 950 000
9	Share premium	0	0
10	Reserves	29 319 560	31 378 868
	Legal Reserve	29 319 560	31 378 868
	Own Shares Redemption Reserve	0	0
	Statutory Reserve	0	0
11	Capital and Revenue Reserves	38 425 963	10 690 029
	Capital Reserves	38 420 375	10 685 624
	Other Revenue Reserves	5 588	4 405
12	Retained earnings / (loss)	0	0
13	Loss for the year	-41 526 363	-12 742 480
	<b>Total liabilities</b>	<b>227 189 746</b>	<b>214 233 441</b>



## OFF BALANCE SHEET 31 AUGUST 2001

(CZK 1 000)

Item No.	Items	31 August 2001	31 December 2000
1	Contingent liabilities	32 178 514	36 291 460
	Accepted or endorsed bills of exchange	0	0
	Guarantees granted	32 178 514	36 291 460
	Assets pledged as collateral	0	0
2	Other irrevocable commitments	5 741 225	5 296 474
3	Receivables from spot, forward and option contracts	723 766	3 686 898
4	Liabilities from spot, forward and option contracts	1 153 912	4 031 327



## PROFIT AND LOSS ACCOUNT 31 AUGUST 2001

(CZK 1 000)

Item No.	Item	For the 8 months ended 31 August 2001	31 December 2000
1	Interest and similar income	7 051 533	11 705 381
	Interest income from fixed income securities	63 217	748 619
2	Interest and similar expense	6 243 838	10 344 188
	Interest expense on fixed income securities	833 083	1 264 931
3	Income from dividends		
	Income from shares and other equities	0	0
	Income from investments in associated undertakings	0	0
	Income from investments in subsidiary undertakings	0	0
	Income from other equity investments	0	0
4	Fee and commission income	52 207	397 113
5	Fee and commission expense	10 652	459 601
6	Gains/(losses) from trading	-130 461	-1 582 900
7	Other income	147 256	12 359 597
8	General operating expenses	583 546	672 018
	Staff costs	246 464	294 641
	Wages and salaries	187 085	223 286
	Social security costs	44 135	52 928
	Health security costs	15 244	18 427
	Other operating expenses	337 082	377 377
9	Additions to provisions on fixed assets	0	0
	Additions to general provisions on fixed assets	0	0
	Additions to specific provisions on tangible fixed assets	0	0
	Additions to specific provisions on intangible assets	0	0
10	Additions to provisions for fixed assets	0	0
	Use of general provisions for fixed assets	0	0
	Use of specific provisions for tangible fixed assets	0	0
	Use of specific provisions for intangible assets	0	0
11	Other expenses	12 787 885	11 677 891
12	Additions to provisions for loans and guarantees	64 911 027	20 922 261
13	Use of provisions for loans and guarantees	39 013 203	8 996 812
14	Additions to provisions for investments	1 811 520	1 293 369
15	Use of provisions for investments	95 502	386 771
16	Additions to provisions for securities for sale	203	0
17	Use of provisions for securities for sale	95 652	428 680
18	Additions to other provisions	1 430 200	0
19	Use of other provisions	0	0
20	Income tax on ordinary activities	0	0
21	Net loss on ordinary activities	-41 453 979	-12 677 874
22	Extraordinary income	6 378	22 223
23	Extraordinary expense	78 762	86 829
24	Income tax on extraordinary activities	0	0
25	Net loss on extraordinary activities	-72 384	-64 606
26	<b>Net loss for the year</b>	<b>-41 526 363</b>	<b>-12 742 480</b>



# KONSOLIDAČNÍ BANKA PRAHA STATE FINANCIAL INSTITUTION: NOTES TO EXTRAORDINARY FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 JANUARY TO 31 AUGUST 2001 DUE TO THE TRANSFORMATION OF KONSOLIDAČNÍ BANKA PRAHA S.P.Ú. INTO ČESKÁ KONSOLIDAČNÍ AGENTURA

## 1. General information

Konsolidační banka Praha, a state financial institution (hereinafter "the Bank") with its registered office at Prague 7, Janovského 2, IČO 48118672, was incorporated on 23 February 1993. According to the provision of Section 19 (1) of the Act No. 239/2001 on Česká konsolidační agentura (hereinafter referred to as "the Agency"), the Bank was dissolved on 1 September 2001 and Česká konsolidační agentura became its successor.

The Bank was entitled to perform normal banking activities, however its core activities were focused on performing the tasks set by Government resolutions aimed at restructuring the Czech economy and aiding the stabilization of the banking industry.

In particular the Bank administrated receivables assumed and repurchased from commercial banks. Other core activities of the Bank included revitalising and restructuring programmes and the financing and support of important development projects of large Czech companies, plus long term social, transportation, telecommunication, water and environmental infrastructure projects.

The Bank performed other operations in compliance with relevant legal regulations and licences issued by the Czech National Bank (hereinafter "ČNB") and other relevant governmental bodies.

The Agency will retain most of the scope of the present activities of the Bank, however, it will not retain the status of a bank as its activities do not comprise deposit taking from customers or the provision of loans. The Ministry of Finance of the Czech Republic has already issued an obligatory representation that liabilities of the Agency will be fully guaranteed by the state.

### Members of the Banking Board as at 31 August 2001:

Name	Appointed	Position
Ing. Pavel Řežábek	16 May 2001	Chairman
Ing. Jan Liška	24 May 2001	Member
Ing. Zlata Gröningerová	1 March 1998	Member

### Members of the Supervisory Board as at 31 August 2001:

Name	Appointed	Position
Ing. Eduard Janota	13 April 2000	Chairman
Ing. Ivan Salinger	30 November 1998	Vice-Chairman
Ing. Pavel Balek	21 October 1994	Member
Ing. Ladislav Zelinka	13 April 2000	Member
Ing. Jiří Šiman	13 April 2000	Member

On 28 February 2001 Ing. Kamil Ziegler resigned from the position of General Manager and Chairman of the Banking Board of the Bank. As of 1 March 2001 he was replaced in both positions by the Deputy General Manager and a member of the Banking Board Ing. Ladislav Řezníček. Ing. Miroslav Zámečník was appointed to the position of Deputy General Manager and was made a member of the Banking Board. He resigned on 23 May 2001. On 16 May 2001 Ing. Pavel Řežábek, who replaced Ing. Ladislav Řezníček, was appointed to the position of General Manager and was made a member of the Banking Board. Ing. Jan Liška



was appointed to the position of Deputy General Manager and was made a member of the Banking Board on 24 May 2001.

## **2. Accounting policies**

### **A. Basis of preparation**

The financial statements, comprising a balance sheet, an income statement and accompanying notes, are prepared in accordance with and comply with the Act on accounting and the Chart of accounts and accounting procedures for banks and relevant regulations and decrees of the Czech Republic. The financial statements were prepared under the accrual principle and the historical cost convention as modified by the revaluation of all derivatives to fair values.

The financial statements include only the accounts of the Bank and amounts are rounded to thousands of Czech Crowns (CZK'000) unless stated otherwise.

### **B. Methods of valuation of assets and liabilities**

Tangible and intangible fixed assets are recorded at cost. Securities, investments and ceded receivables are recorded at cost of acquisition. Other receivables and payables, cash, stamps and vouchers are valued at nominal values. When the value of a fixed asset decreases its carrying value is decreased in accordance with the prudence principle and relevant accounting procedures.

The valuation of tangible and intangible fixed assets was increased by expenses incurred in completing technical enhancements.

### **C. Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated to Czech Crowns at the exchange rate announced by ČNB effective at the day of the accounting transaction. The difference between the ČNB rate and the commercial rate is calculated as at the date of accounting and is recognised in the profit and loss account.

Exchange rate gains and losses incurred from assets and liabilities denominated in foreign currencies are calculated daily based on the movements of the exchange rate announced by ČNB and are recognised in the profit and loss account. The Bank does not hold any foreign investments.

Changes in the fair value of currency derivatives are also included in the profit and loss account.

### **D. Trading securities**

Trading securities are securities, which were either acquired for generating profit from short-term fluctuations in price or dealer's margin, securities purchased in repo operations and securities acquired under borrowing contracts. Trading securities are recognised at the lower of cost excluding expenses incurred in connection with their acquisition and market value based on quoted market prices on an individual basis. All related realised gains and losses are included in net results from financial transactions. Spot purchases and sales are recognised on a settlement date basis. Forward trades are recognised as derivatives on the trade date. Interest earned on trading securities is reported as interest income on securities.

### **E. Available-for-sale investment securities**

Available-for-sale investment securities are neither trading securities nor securities held-to-maturity. Available-for-sale securities are measured at the lower of cost and fair value based on quoted market prices. For unquoted equity instruments the valuation is estimated using the Bank's share of net assets of the issuer.

### **F. Investment securities held-to-maturity**

Investment securities held-to-maturity are debt securities with fixed maturity where the Bank has both the intent and the ability to hold them to maturity.



Investment securities held-to-maturity are measured at amortised cost less any provision for impairment.

## **G. Investments in subsidiary and associated undertakings**

A subsidiary is an enterprise that is controlled by the Bank and where the Bank has the power to govern its financial and operating policies so as to obtain benefits from its activities.

An associated undertaking is an enterprise where the Bank has significant influence, which is the power to participate in the financial and operating policy decisions, but is not control over those policies.

Investments in subsidiary and associated undertakings are measured at the lower of cost and "at equity" value on an individual basis.

## **H. Securities financing arrangements**

Securities purchased or borrowed under agreements to resell (resale or reverse repo agreements) are trading securities. These securities are recognised on balance sheet at fair value together with the corresponding liability, if the Bank is allowed to sell or pledge them to a third party. Securities sold or lent under agreements to repurchase (repo agreements) might be trading securities, securities available-for-sale or securities held to maturity. They are retained in their original portfolio and valued under the same method of valuation as used prior to entering into the repo agreements. These agreements are recorded on a settlement date basis and are carried at the amounts at which the securities were initially acquired or sold and generally do not include accrued interest.

## **I. Interest income and expense**

Interest income and expenses are recognised on an accrual basis. Income on non-performing loans is also accrued and capitalised into the related loan balance. Such amounts are considered in estimating the provision for non-performing loans. Interest income also includes coupons earned on fixed income securities and accrued discount on zero-coupon instruments. Interest expense includes discounts on all discounted fixed income instruments. Penalty interest income not suspended or forgiven is excluded from interest income until received. Suspended or forgiven penalty interest income is also excluded from interest income until received.

## **J. General and specific provisions**

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

Specific provisions are deducted from the cost of each asset at risk. The amount of specific provision for loans and other assets at risk is based on appraisals of these assets at the balance sheet date after taking into consideration the present forced sale value of collateral. The market in the Czech Republic for many of the types of collateral accepted is in an early stage of development and there is a low level of liquidity for certain types of assets. As a result, the realisable value on foreclosure may differ from the value ascribed in estimating specific provisions. When creating specific provisions for certain loans for working capital finance (hereinafter "the old block of loans") the partial coverage provided by the special-purpose reserve fund and general provisions (note 17) is taken into consideration.

Tax-deductible provisions were released to the Bank's revenues at 31 August 2001 and tax non-deductible provisions were created in the same amount because the successor of the Bank is exempt from income tax.

## **K. Fee and commission income**

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



## L. Depreciation of tangible and intangible fixed assets

Tangible and intangible fixed assets are depreciated by applying the straight-line method, recognising the depreciation periods of relevant asset categories in accordance with the Income Taxes Act, over their estimated useful lives.

The depreciation rates follow from the estimated useful lives for individual categories of assets:

Buildings and constructions	30 years
Machinery and equipment	4 years
Furniture and fittings	6 years
Motor vehicles	4 years
Software	4 years
Assets in the course of construction	NIL

Repairs and maintenance expenditures are charged to expenses as incurred. Improvement expenditures (i.e. expenditures enhancing the value of property) exceeding CZK 40,000 per unit within a period of one year are capitalised.

## M. Value added tax

The Bank is registered for value added tax ("VAT"). Tangible fixed assets and intangible fixed assets and inventories are valued at cost excluding appropriate VAT. Input VAT is expensed immediately as income subject to VAT is less than 5% of the total income of the Bank.

## N. Taxation

The taxation liability equals income tax payable in accordance with valid rates and the tax base which follows from the accounts maintained in accordance with Czech regulations adjusted for non taxable income and tax non deductible expenses.

## O. Deferred tax

Deferred tax is not accounted for as the successor of the Bank is exempt from income tax.

## P. Pension plans and other social expenses

The pension plans are voluntary and the Bank makes contributions to them in addition to statutory social security paid in accordance with the Act on Social Insurance. In the first quarter of the year contributions were made from the Bank's Welfare fund (i.e. reserves). In subsequent periods contributions were charged directly to expenses. Other social expenses exceeding tax-deductible expenses were settled from the Welfare fund.

## Q. Related parties

Related parties are defined as follows:

- Members of the boards, management of the Bank and their relatives;\*
- Companies, in which members of the boards and management of the Bank hold more than a 10% stake;\*
- Subsidiaries and associated companies.\*

Significant transactions, balances and methods for the measurement of related party transactions are set out in notes 5 and 11.



## R. Subsequent events

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

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

## S. Changes in accounting policy

There have been changes in accounting policies since 1 January 2001 as follows:

- i. New definitions of securities portfolios and rules for movements between portfolios were introduced (trading securities, securities held-to-maturity and securities available-for-sale). This change did not affect the income statement for the year 2001.
- ii. Repo and reserve repo transactions are recognised as collateralised borrowing transactions regardless of their legal form. Management estimates that due to the volumes of these transactions the profit of 2001 was not materially affected by this change.

## 3. Cash and deposits with central banks

	31 August 2001 CZK 1 000	31 December 2000 CZK 1 000
Cash on hand	7 938	4 860
Obligatory reserves	0	280 992
Other deposits with central banks	16	57 781
<b>Total</b>	<b>7 954</b>	<b>343 633</b>

## 4. Due from banks

	31 August 2001 CZK 1 000	31 December 2000 CZK 1 000
Current accounts with banks	78 796	56 532
Term deposits with banks	9 395 327	9 395 365
Loans based on resale agreements	0	5 395 388
Standard loans to banks	5 500 000	6 030 251
<b>Total</b>	<b>14 974 123</b>	<b>20 877 536</b>

### Repo and reverse repo agreements

As at 31 August 2001 there were no outstanding repo or reverse repo agreements.





The residual maturities of outstanding reverse repo agreements as at 31 December 2000 were as follows:

Residual maturities	31 December 2000 CZK 1 000
Up to 30 days	5 141 251
31 to 60 days	254 137
61 to 90 days	0
<b>Total</b>	<b>5 395 388</b>

## 5. Loans to clients

	31 August 2001 CZK 1 000	31 December 2000 CZK 1 000
Standard loans to companies and individuals	29 162 640	37 235 699
Standard loans to housing co-operatives <sup>2)</sup>	11 978 846	12 546 275
Impaired loans to companies and individuals	114 862 576	122 387 541
Impaired loans to housing co-operatives <sup>2)</sup>	2 791	2 785
Standard loans to governmental entities	28 017 018	15 105 052
Impaired loans to governmental entities	92 881	129 235
Standard loans to municipalities	0	0
Impaired loans to municipalities	336 527	303 375
<b>Total</b>	<b>184 453 279</b>	<b>187 709 962</b>
Specific provision for impaired loans (note 14) <sup>1)</sup>	-62 692 867	-65 390 042
<b>Total</b>	<b>121 760 412</b>	<b>122 319 920</b>

<sup>1)</sup> In addition to the specific provision for impaired loans the Bank has reflected a general provision for loans of CZK 6,270,293,000 as at 31 August 2001 (at 31 December 2000: CZK 6,270,293,000) as required by Czech accounting regulations.

A special-purpose reserve fund (see note 17) is used to cover expected losses from the old loans block of CZK 24.6 billion (at 31 December 2000: CZK 27.7 billion). In the period from 1 January to 31 August 2001 the losses from assigned and written off old block receivables were covered by a special-purpose reserve fund in the amount of CZK 3.1 billion.

<sup>2)</sup> In its loan portfolio the Bank has loans granted to housing co-operatives. These loans were acquired from Investiční a Poštovní banka, a.s. The difference between funding costs and interest income is compensated by the Ministry of Finance (see note 21).

### Impaired loans

	31 August 2001 CZK 1 000	31 December 2000 CZK 1 000
Watch	319 868	1 247 509
Substandard	3 241 719	200 761
Doubtful	15 621 228	17 266 863
Loss	96 111 960	104 107 803
<b>Total</b>	<b>115 294 775</b>	<b>122 822 936</b>



The present forced sale value ascribed to assets received as collateral for total loans to clients can be estimated as follows:

	31 August 2001 CZK 1 000	31 December 2000 CZK 1 000
Cash	124 015	96 015
Securities	364 619	176 139
Land and buildings	10 144 340	10 281 719
Other assets collaterals	2 656 470	2 523 380
<b>Total</b>	<b>13 289 444</b>	<b>13 077 253</b>

#### Loans to related parties

	31 August 2001 CZK 1 000	31 December 2000 CZK 1 000
<u>Associated undertakings</u>	<b>8 472 669</b>	<b>9 624 019</b>
Specific provision for impaired loans	-3 207 013	-4 247 327
<b>Total</b>	<b>5 265 656</b>	<b>5 376 692</b>
<u>Subsidiary undertakings</u>	<b>37 004 404</b>	<b>46 567 836</b>
Specific provision for impaired loans	0	0
<b>Total</b>	<b>37 004 404</b>	<b>46 567 836</b>
<u>Bank Board members</u>	274	660

These transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates, as those prevailing at the same time for comparable transactions with other customers.

The Bank has granted loans to its Bank Board members for housing needs under the same conditions which are usually applied when granting loans to the Bank's employees.

## 6. Syndicated loans

At 31 August 2001 and 31 December 2000 the Bank led no syndicated loans.



## 7. Securities

### A. Trading securities

#### Bonds and other securities with fixed income

At 31 August 2001

Name of security	Type of security	At cost CZK 1 000	Fair value CZK 1 000	Accrued interest CZK 1 000	Listed/ Unlisted	Tradability
KOB 3 PRI + 0,125/05	Own bonds	200 980	204 621	4 641	Listed	Main market
ŠKODA var/02	Bonds	674 323	0	13 174	Listed	Free market
	Unpaid coupons			95 452		
ZPS Zlín 12/02	Bonds	37 258	0	0	Unlisted	Bankruptcy
	Unpaid coupons			7 413		
Teplárny ÚL 11,7/04	Bonds	557 602	640 892	23 792	Listed	Free market
Nová huť 12,7/03	Bonds	63 807	78 913	6 989	Listed	Free market
ASPEKTA HOLDING 13,4/00	Bonds	13 000	0	1 742	x	Not traded (overdue)
	Unpaid coupons			3 136		Not traded (overdue)
Vítkovice 13,5/2000	Bonds	102 010	0	0	x	Not traded (overdue)
	Unpaid coupons			13 771		Not traded (overdue)
<b>Total</b>		<b>1 648 980</b>	<b>924 426</b>	<b>170 110</b>		
<b>Total including accrued interest</b>		<b>1 819 090</b>				
Provisions (note 14)		1 033 075				
<b>Total net book amount</b>		<b>786 015</b>				



At 31 December 2000

Name of security	Type of security	At cost CZK 1 000	Fair value CZK 1 000	Accrued interest CZK 1 000	Listed/ Unlisted	Tradability
KOB 3 PRI + 0,125/05	Own bonds	201 138	203 183	3 183	Listed	Main market
ŠKODA var/02	Bonds	599 187	0	3 571	Listed	Free market
	Unpaid coupons			63 312		
ZPS Zlín 12/02	Bonds	34 731	0	3 760	Unlisted	Not traded
	Unpaid coupons			9 600		
Třinecké žel. 12,5/01	Bonds	99 671	100 398	5 868	Listed	Free market
ASPEKTA HOLDING 13,4/00	Bonds	13 000	0	1 742	x	Not traded (overdue)
	Unpaid coupons			3 135		Not traded (overdue)
Vítkovice 13,5/2000	Bonds	102 010	0	13 771	x	Not traded (overdue)
<b>Total</b>		<b>1 049 737</b>	<b>303 581</b>	<b>107 942</b>		
<b>Total including accrued interest</b>		<b>1 157 679</b>				
Provisions (note 14)		-862 787				
<b>Total net book amount</b>		<b>294 892</b>				

Bonds and other securities with fixed income in the dealing portfolio at 31 August 2001 include CZK 774 million of securities bearing fixed interest till maturity which represents 46.92% of the total balance (at 31 December 2000: CZK 249 million representing 23.76% of the total balance).

As at 31 August 2001 the Bank did not hold shares or similar equity securities in its trading securities portfolio.

## B. Securities held-to-maturity

### Bonds and other securities with fixed income

At 31 August 2001

Issuer	Type of security	At cost CZK 1 000	Market value CZK 1 000	Listed/ unlisted	Tradability
ČKD Praha, a.s. var+2%/2005	Bonds	1 001 231	0	Unlisted	Not traded
<b>Total not traded</b>		<b>1 001 231</b>			
Provision (bod 14)		-1 001 231			
<b>Total net book amount</b>		<b>0</b>			



*At 31 December 2000*

Issuer	Type of security	At cost CZK 1 000	Market value CZK 1 000	Listed/ unlisted	Tradability
ČKD Praha, a.s. var+2%/2005	Bonds	1 059 104	0	Unlisted	Not traded
<b>Total not traded</b>		<b>1 059 104</b>			
Provision (bod 14)		-1 059 104			
<b>Total net book amount</b>		<b>0</b>			

### C. Securities available-for-sale

#### Shares and similar equity securities

*At 31 August 2001*

Issuer	Type of security	At cost CZK 1 000	Market value CZK 1 000	Listed/ unlisted	Tradability
Agrochov Kasejovice-Smolivec, a.s.	Shares	197	197	Unlisted	Not traded
UNION GROUP a.s.	Shares	206 532	162 510	Unlisted	Not traded
ZVVZ, a.s.	Shares	65 820	65 820	Listed	Auxiliary market
<b>Total not traded</b>		<b>206 729</b>	<b>162 707</b>		
<b>Total auxiliary market</b>		<b>65 820</b>	<b>65 820</b>		
<b>Total not traded and auxiliary market</b>		<b>272 549</b>	<b>228 527</b>		
Provision (note 14)		-44 022			
<b>Total net book amount</b>		<b>228 527</b>			

*At 31 December 2000*

Issuer	Type of security	At cost CZK 1 000	Market value CZK 1 000	Listed/ unlisted	Tradability
Bankovní institut, a.s.	Shares	1 400	635	Unlisted	Not traded
UNION GROUP a.s.	Shares	206 532	67 826	Unlisted	Not traded
ZVVZ, a.s.	Shares	65 820	64 317	Unlisted	Not traded
<b>Total not traded</b>		<b>273 752</b>	<b>132 778</b>		
Provision (note 14)		-139 471			
<b>Total net book amount</b>		<b>134 281</b>			



## 8. Investments in subsidiary and associated undertakings

### A. Investments in subsidiary undertakings

At 31 August 2001

Name and registered office	At cost CZK 1 000	Nominal value CZK 1 000	Share capital CZK 1 000	Share %
PRISKO, a.s., Praha	0	794 760	794 760	100
Revitalizační agentura, a.s., Praha 1)	270 000	270 000	270 000	100
Konpo, s.r.o., Praha	100	100	100	100
Česká finanční, s.r.o., Praha	0	13 833 540	13 833 540	100
<b>Total</b>	<b>270 100</b>			
Provision for diminution in value	-270 000			
<b>Total net book amount</b>	<b>100</b>			

<sup>1)</sup> As at 31 August 2001 Revitalizační agentura, a.s., has potential liabilities to creditors of Vítkovice, a.s. in nominal value of CZK 645,500,000 in relation to current Court Settlement of Vítkovice, a.s.

The liabilities arise when Court's decision on the settlement becomes effective. Revitalizační agentura, a.s. has neither resources to settle the liabilities itself nor is allowed to overtake the liabilities unless approved by the Antimonopoly Authority.

At 31 August 2001

Name and registered office	At cost CZK 1 000	Nominal value CZK 1 000	Share capital CZK 1 000	Share %
PRISKO, a.s., Praha	0	794 760	794 760	100
Revitalizační agentura, a.s., Praha	100 000	100 000	100 000	100
Konpo, s.r.o., Praha	100	100	100	100
Česká finanční, s.r.o., Praha	0	13 833 540	13 833 540	100
<b>Total</b>	<b>100 100</b>			
Provision for diminution in value	-100 100			
<b>Total net book amount</b>	<b>0</b>			

### Summary financial information on subsidiary undertakings

At 31 August 2001

Name of the company	Net book amount CZK 1 000	Total equity CZK 1 000	Total assets CZK 1 000	Revenues CZK 1 000	Profit (loss) before tax CZK 1 000
Česká finanční, s.r.o.	0	12 679 990	42 074 146	2 189 126	-3 693 738
Konpo, s.r.o.	100	100	24 625 300	3 707 230	-2 962 160
PRISKO, a.s.	0	1 146 273	1 167 722	822 656	25 954
Revitalizační agentura, a.s.	28 309	28 472	38 683	7 995	-8 054
<b>Total</b>	<b>28 409</b>				

Note: Figures have been drawn from the companies' unaudited financial statements as at 31 July 2001.



At 31 December 2000

Name of the company	Net book amount CZK 1 000	Total equity CZK 1 000	Total assets CZK 1 000	Revenues CZK 1 000	Profit (loss) before tax CZK 1 000
Česká finanční, s.r.o.	0	13 833 928	43 853 304	4 901 400	-2 151 314
Konpo, s.r.o.	0	100	33 175 839	4 817 812	-5 539 742
PRISKO, a.s.	0	1 120 853	1 143 147	2 156 593	35 550
Revitalizační agentura, a.s.	0	36 526	206 577	54 438	-203 611
<b>Total for 2000</b>	<b>0</b>				

## B. Investments in associated undertakings

At 31 August 2001

Name and registered office	At cost CZK 1 000	Nominal value CZK 1 000	Share capital CZK 1 000	Share %
<b>a) Shares :</b>				
Zetor, a.s., Brno	3 558 742	2 070	4 139	50
České aerolinie, a.s., Praha	2 052 930	946 170	2 735 510	34.59
Letov, a.s., Praha	565 829	565 829	1 798 833	31.46
VZLÚ, a.s., Praha	236 219	236 219	750 968	31.46
AERO Vodochody, a.s., Odolena Voda	1 602 342	780 606	2 691 926	29
Tatra, a.s., Kopřivnice	1 202 694	2 586 673	5 174 382	49.99
Škoda holding, a.s., Praha	1 666 980	1 050 000	2 171 000	48.36
SPOLANA, a.s., Neratovice	728 791	2 376 671	4 998 494	47.55
Korado, a.s., Česká Třebová	86 183	287 700	840 700	34.22
ČKD Dopravní systémy, a.s., Praha	40 598	462 068	925 989	49.9
WALTER, a.s., Praha	627 883	1 452 545	3 163 689	45.91
<b>b) Deposits:</b>				
Sanakon, s.r.o., Praha	53	49	100	49
Bankovní fond penzijního nadlepení, Praha	500	500	25 500	1,96
<b>Total</b>	<b>12 369 744</b>			
Provision for diminution in value (note 14)	-7 199 257			
<b>Total net book value</b>	<b>5 170 487</b>			



At 31 December 2000

Name and registered office	At cost CZK 1 000	Nominal value CZK 1 000	Share capital CZK 1 000	Share %
<b>a) Shares :</b>				
Zetor, a.s., Brno	3 558 742	1 241 760	2 483 521	50
České aerolinie, a.s., Praha	2 050 252	932 780	2 735 510	34.1
Letov, a.s., Praha	565 829	565 829	1 798 833	31.46
VZLÚ, a.s., Praha	236 219	236 219	750 968	31.46
AERO Vodochody, a.s., Odolena Voda	1 602 342	780 606	2 691 926	29
Tatra, a.s., Kopřivnice	1 202 694	2 586 673	5 174 382	49.99
Škoda holding, a.s., Praha	1 666 980	1 050 000	2 171 000	48.36
SPOLANA, a.s., Neratovice	169 750	936 672	1 881 644	49.78
Korado, a.s., Česká Třebová	86 183	287 700	840 700	34.22
ČKD Dopravní systémy, a.s., Praha	40 598	462 068	925 989	49.9
<b>b) Deposits:</b>				
Sanakon, s.r.o., Praha	53	49	100	49
Bankovní fond penzijního nadlepení, Praha	500	500	25 500	1.96
<b>Total</b>	<b>11 180 142</b>			
Provision for diminution in value (note 14)	-5 595 266			
<b>Total net book amount</b>	<b>5 584 876</b>			





## Summary financial information on associated undertakings

At 31 August 2001

Name of the company	Net book amount CZK 1 000	Total equity CZK 1 000	Total assets CZK 1 000	Revenues CZK 1 000	Profit (loss) before tax CZK 1 000
AERO Vodochody, a.s.	760 652	-7 249 263	12 866 574	7 850 672	-265 420
Bankovní fond penz. nadlepšení <sup>1)</sup>	500	186 909	793 618	2 166 920	37 201
České aerolinie, a.s.	2 052 930	2 340 576	10 106 367	10 783 985	106 303
Letov, a.s.	260 848	Company in bankruptcy			
Škoda holding, a.s. <sup>2)</sup>	833 490	2 236 666	4 347 424	248 681	-551 683
ČKD Dopravní systémy, a.s.	0	Company in bankruptcy			
Zetor ,a.s.	0	-2 003 364	3 802 518	595 288	-396 736
SPOLANA, a.s.	728 791	4 700 436	7 772 625	5 248 428	13 295
Sanakon , s.r.o.	53	-295	374	1	-704
Korado , a.s.	86 183	756 329	4 411 512	1 649 541	-58 885
VZLÚ, a.s.	236 219	846 275	920 875	87 942	6 294
WALTER, a.s. <sup>3)</sup>	0	621 246	1 364 505	428 810	13 632
Tatra, a.s. <sup>2)</sup>	1 202 694	1 684 524	4 009 865	2 565 723	52 004
<b>Total</b>	<b>6 162 360</b>				

Note: Figures have been drawn from the companies' unaudited financial statements as at 31 July 2001, unless stated otherwise below:

<sup>1)</sup> Bankovní fond penzijního nadlepšení – financial statements as at 31 December 2000 (the company only prepares financial statements as at 31 December)

<sup>2)</sup> ŠKODA Holding, a.s., TATRA, a.s. – unaudited financial statements as at 30 June 2001

<sup>3)</sup> WALTER, a.s. – the Bank purchased new shares in the company, however, the increase in share capital was not recorded in the Commercial Register as at 31 August 2001.



At 31 December 2000

Name of the company	Net book amount CZK 1 000	Total equity CZK 1 000	Total assets CZK 1 000	Revenues CZK 1 000	Profit (loss) before tax CZK 1 000
AERO Vodochody, a.s.	760 652	-6 917 978	13 772 476	10 819 968	-1 181 034
Bankovní fond penz. nadlepšení	500	186 909	793 618	2 166 920	37 201
České aerolinie, a.s.	2 050 252	2 393 303	10 163 847	17 948 940	566 607
Letov, a.s.	251 794	Company in bankruptcy			
Škoda holding, a.s.	833 490	2 788 350	4 663 481	375 272	-657 709
ČKD Dopravní systémy, a.s.	0	Company in bankruptcy			
Zetor ,a.s.	0	-1 425 712	4 142 074	941 536	-1 152 229
SPOLANA, a.s.	169 750	1 570 157	8 232 130	9 093 668	-250 767
Sanakon , s.r.o.	46	109	216	0	-100
Korado , a.s.	86 183	832 973	4 446 620	3 750 965	-7 099
VZLÚ, a.s.	236 219	840 341	887 765	235 163	4 851
Tatra, a.s.	1 195 990	1 676 682	3 772 068	5 797 647	191 566
<b>Total</b>	<b>5 584 876</b>				

Changes in investments in subsidiary and associated undertakings in the period from 31 December 2000 to 31 August 2001

	Subsidiary undertakings		Associated undertakings	
	At cost CZK 1 000	Nominal value CZK 1 000	At cost CZK 1 000	Nominal value CZK 1 000
Balance at 31 December 2000	100 100	14 728 400	11 180 142	9 080 856
Acquisition of SPOLANA, a.s.	-	-	559 041	1 439 999
Acquisition of Revitalizační agentura, a.s.	170 000	170 000	-	-
Acquisition of České aerolinie, a.s.	-	-	2 678	13 390
Acquisition of WALTER, a.s. <sup>1)</sup>	-	-	627 883	1 452 545
Decrease of share capital ZETOR, a.s.	-	-	-	-1 239 691
<b>Balance at 31 August 2001</b>	<b>270 100</b>	<b>14 898 400</b>	<b>12 369 744</b>	<b>10 747 099</b>

<sup>1)</sup> WALTER, a.s. shares were subscribed on 30 June 2001, however, the increase was not recorded in the in the Commercial Register as at 31 August 2001.



## 9. Tangible and intangible fixed assets

### Tangible assets

	31 December 2000 CZK 1 000	Additions/ charge CZK 1 000	Disposals CZK 1 000	31 August 2001 CZK 1 000
<b>Operating</b>				
At cost				
Land	31 686	37	0	31 723
Buildings	664 598	18 781	23	683 356
Fixtures and fittings	254 390	11 791	3 571	262 610
Other	9 969	263	298	9 934
<b>Total</b>	<b>960 643</b>	<b>30 873</b>	<b>3 892</b>	<b>987 623</b>
Accumulated depreciation				
Buildings	-105 015	-15 428	-	-120 443
Fixtures and fittings	-194 137	-11 576	-	-205 713
Other	-5 955	-278	-	-6 233
<b>Total</b>	<b>-305 107</b>	<b>-27 282</b>	<b>-</b>	<b>-332 389</b>
<b>Net book amount</b>	<b>655 536</b>	<b>x</b>	<b>x</b>	<b>655 234</b>
<b>Non-operating</b>				
At cost				
Land	191	0	0	191
Buildings	32 797	0	0	32 797
Fixtures and fittings	5 540	139	66	5 613
Other	1 055	0	0	1 055
<b>Total</b>	<b>39 583</b>	<b>139</b>	<b>66</b>	<b>39 656</b>
Accumulated depreciation				
Buildings	-6 091	-730	0	-6 821
Fixtures and fittings	-5 422	-359	65	-5 716
Other	-233	0	0	-233
<b>Total</b>	<b>-11 746</b>	<b>-1 089</b>	<b>65</b>	<b>-12 770</b>
<b>Net book amount</b>	<b>27 837</b>	<b>x</b>	<b>x</b>	<b>26 886</b>
<b>Acquisition of tangible fixed assets</b>	<b>1 661</b>	<b>x</b>	<b>x</b>	<b>508</b>
<b>Total tangible fixed assets</b>	<b>685 034</b>	<b>x</b>	<b>X</b>	<b>682 628</b>



## Intangible assets

	31 December 2000 CZK 1 000	Additions/ charge CZK 1 000	Disposals CZK 1 000	31 August 2001 CZK 1 000
Cost	265 097	4 588	1 514	268 171
Accumulated depreciation	-131 320	-41 068	1 514	-170 874
<b>Net book amount</b>	<b>133 777</b>	<b>x</b>	<b>x</b>	<b>97 297</b>
<b>Acquisition of intangible fixed assets</b>	<b>80</b>	<b>x</b>	<b>x</b>	<b>0</b>
<b>Total net book amount</b>	<b>133 857</b>	<b>x</b>	<b>x</b>	<b>97 297</b>

Intangible assets consist of software.

## 10. Other assets

	31 August 2001 CZK 1 000	31 December 2000 CZK 1 000
Receivable from state due to loss from 1999	36 089 207	36 089 207
Receivable from state due to loss from 2000	0	3 701 554
Receivable from state due to loss from 2001	37 933 839	0
Receivable from NPF due to loss settlement	0	6 981 618
Receivable from NPF (compensation for housingco-operative loans and coverage of subsidiary losses)	6 825 715	12 007 784
Receivables from various debtors	26 212	96 045
Other receivables from companies and individuals	0	713 647
Prepayments and accrued income	1 620 612	1 647 885
Estimated receivables	148 031	157 836
Positive fair value interest rate derivatives	0	8 626
Clearing accounts for foreign currency operations	0	4
Settlement clearance accounts - debit balances <sup>1)</sup>	837 440	0
Inventories	1 147	1 206
<b>Total</b>	<b>83 482 203</b>	<b>61 405 412</b>
Provision for diminution in value (note 14)	0	0
<b>Total</b>	<b>83 482 203</b>	<b>61 405 412</b>

<sup>1)</sup> This item mainly represents the difference between advances paid to health insurance companies for ceded receivables and the actual amount of receivables transferred to the Bank as at 31 August 2001. According to a Government regulation from December 2000 the Bank should acquire receivables from health insurance companies in the amount CZK 5 billion until 30 November 2001.

The Bank expects the loss for 1999 in the amount of CZK 36,089,207,000 will be paid by the state by the end of February 2002 from revenue arising from state bond issues. The receivable from the National Property Fund (hereinafter "NPF") from losses incurred by subsidiaries will be paid by the end of February 2002.

The disclosed loss of the Bank as at 31 August 2001 of CZK 41,526,363,000 will be settled from the Bank's special reserve fund of CZK 3,108,642,000 (see note 17), and by the Ministry of Finance in the amount of 37,933,839,000. The remaining loss of CZK 483,882,000 was already settled as at 31 August 2001 by the NPF. Receivables from the state and the NPF for payment of losses do not bear interest.



## 11. Amounts owed to banks and clients

	31 August 2001 CZK 1 000	31 December 2000 CZK 1 000
Amounts owed to central banks	11 998 574	12 800 110
Amounts owed to other banks	109 261 664	105 663 186
Payables from securities (to other banks)	0	5 286 765
Amounts owed to governmental entities	6 577 978	7 047 199
Deposits received from clients	2 498 924	2 173 017
Loans received from clients	0	2 509 920
<b>Total</b>	<b>130 337 140</b>	<b>135 480 197</b>

### Deposits from related parties

	31 August 2001 CZK 1 000	31 December 2000 CZK 1 000
Deposits from subsidiary undertakings	107 261	56 168
Deposits from associated undertakings	233 931	279 043

The Bank has accepted deposits from related parties. Such deposits were accepted under substantially the same terms and conditions, including interest rates, as were prevailing at the same time for comparable transactions with other customers.

## 12. Bonds issued

As at 31 August 2001 the Bank had outstanding issued bonds (deposit bills) redeemable within one year in the amount of CZK 1,032,212,000 and outstanding issued long-term bonds in the amount of CZK 12 billion. The long-term bonds issue comprises of:

Issue	Volume (CZK billion)	Maturity	Interest rate
1.	7	15 April 2004	10.875 % p.a.
2.	5	17 March 2005	6 months PRIBOR + 0.125 %
<b>Total</b>	<b>12</b>		

The Bank has in its trading securities portfolio own bonds of CZK 205,622,000 (see note 7).

## 13. Pledged assets

As at 31 August 2001 and 31 December 2000 the Bank does not have any pledged assets in respect of its own liabilities or liabilities of a third party.



## 14. General provisions, specific provisions and write offs

As at 31 August 2001 and 31 December 2000 the Bank had the following specific and general provisions for assets at risk:

	31 August 2001 CZK 1 000	31 December 2000 CZK 1 000
Specific provision for impaired loans to clients (note 5)	62 692 867	65 390 042
General provisions for loans (note 5 and 14A)	6 270 293	6 270 293
Specific provision for investments in subsidiaries and associates (note 8)	7 469 257	5 834 837
Specific provision for available-for-sale securities (note 7)	44 022	0
Specific provision for securities held-to-maturity (note 7)	1 001 231	1 059 104
Specific provision for trading securities (note 7)	1 033 075	862 787
Provision for guarantees (note 18)	3 054 957	6 700 000
General provision for the so called "black" assets from ČSOB (note 18)	32 130 200	0
<b>Total</b>	<b>113 695 902</b>	<b>86 117 063</b>

The movements in specific provisions can be analysed as follows:

	Impaired loans to clients CZK 1 000	Trading securities CZK 1 000	Available for-sale securities CZK 1 000	Securities held-to-maturity CZK 1 000	Investments in subsidiaries and associates CZK 1 000	Other assets CZK 1 000
Specific provision at 1 January 2000	59 289 949	928 953	138 975	130 385	4 957 746	428 680
Additions	14 222 261	920 287	496	168 482	1 124 391	0
Usage	-7 887 812	-226 216	0	0	-386 771	-428 680
Transfer to banking portfolio	0	-890 898	0	890 898	0	0
Transfer to trading portfolio	0	130 661	0	-130 661	0	0
Capitalisation of receivables	-234 356	0	0	0	0	0
Specific provision at 31 December 2000	65 390 042	862 787	139 471	1 059 104	5 695 366	0
Addition	27 940 734	194 396	203	20 827	1 790 693	0
Usage	-29 097 867	-24 108	-95 652	-78 700	-16 802	0
Capitalisation of receivables	-1 540 042	0	0	0	0	0
Specific provision at 31 August 2001	62 692 867	1 033 075	44 022	1 001 231	7 469 257	0

<sup>1)</sup> Written back specific provisions for classified loans in the amount of CZK 1,540,042,000 included:

a) Specific provisions of CZK 1,347,814,000 for receivables which have been capitalised; these provisions have been transferred to investments to decrease their carrying value (SPOLANA a.s.: CZK 581,131,000; WALTER, a.s.: CZK 766,683,000);

b) Foreign exchange differences of CZK 39,980,000 from the revaluation of provisions in foreign currencies;

c) Specific provisions of CZK 152,248,000 representing purchase discount booked in accordance with existing methodology as provisions when originated.



Specific provisions to investments in subsidiaries and associates as at 31 August 2001 consist of CZK 270,000,000 (31 December 2000: CZK 100,100,000) of provisions to subsidiaries and CZK 7,199,257 (31 December 2000: CZK 5,595,266,000) of provisions to associates.

## A. General provisions

General provisions for overdue receivables of CZK 5,834,157,000, which the Bank created as at 31 December 1994, are used to cover impaired loans. In the period from 1 January to 31 August 2001 and in the year 2000 the provisions were not used. As at 31 August 2001 the provisions were CZK 5,812,983,000.

General provisions for standard loans of CZK 457,310,000 which the Bank created as at the end of 1995 and 1996 were neither released in the period from 1 January 2001 to 31 August 2001 nor in the year 2000. No provisions for standard loans were created in the accounting period from 1 January 2001 to 31 August 2001.

As at 1 March 2000 the Bank signed a restructuring and guarantee agreement relating to the transfer of the credit risk associated with low-quality balance sheet and off-balance sheet assets of Česká Spořitelna, a.s. (hereinafter "ČS") and companies CORFINA, a.s., CORFINA TRADE, s.r.o. and CF Danube leasing, s.r.o. (hereinafter "ČS IV group"). As at 31 December 2000 the Bank created a provision for guarantees issued to clients of ČS IV group in the amount of CZK 6,700,000,000. In June 2001 ČS exercised a put option with the Bank for elected assets from block ČS IV with an associated value of CZK 4,700,000,000. For these transferred assets the Bank created specific provisions and decreased the provisions for guarantees by CZK 3,645,043,000, so that the provision as at 31 August 2001 was CZK 3,054,957,000.

As at 31 August 2001 the Bank created a provision of CZK 32,130,200,000 for the so called "black" assets from Československá obchodní banka (hereinafter "ČSOB") (note 18).

## B. Specific provisions

Creation of specific provisions

The amount of specific provisions created in the period from 1 January 2001 to 31 August 2001 is based upon the identified risk taking into consideration the realisable value of collateral accepted and a special-purpose reserve fund (see note 17). Specific provisions are created against securities and investments on individual base.

Specific provisions (CZK'000):

	Impaired amounts receivable at 31 August 2001	Average impaired amounts receivable from 1 January to 31 August 2001	Specific provisions at 31 August 2001
Watched	319 868	238 909	13 542
Substandard	3 241 719	2 594 161	1 088 471
Doubtful	15 621 228	16 474 127	1 000 064
Loss	96 111 960	97 922 920	60 590 790
<b>Total (note 5)</b>	<b>115 294 775</b>	<b>117 230 117</b>	<b>62 692 867</b>



### C. Write-offs and recovery of amounts written off previously

	1 January - 31 August 2001		1 January - 31 December 2000	
	Amounts written off CZK 1 000	Recovery of amounts written off previously CZK 1 000	Amounts written off tis.Kč	Recovery of amounts written off previously CZK 1 000
State sector	68 378	0	599 775	0
Private clients	895 569	0	690 715	20
<b>Total</b>	<b>963 947</b>	<b>0</b>	<b>1 290 490</b>	<b>20</b>

### 15. Subordinated debt

The Bank received no subordinated debt as at 31 August 2001 or as at 31 December 2000.

### 16. Other liabilities

	31 August 2001 CZK 1 000	31 December 2000 CZK 1 000
Payables to subsidiaries for settlement of losses	6 825 715	12 007 811
Payables to various creditors	78 887	371 069
Funds in the course of transfer	91 406	354 968
Accrued expense	2 881 092	3 237 776
Estimated payables	162 260	423 998
Funds analogous to subsidies	110 912	110 912
Clearing accounts for foreign currency operations - credit balances	5	0
Settlement clearing accounts - credit balances	45 507	
<b>Total</b>	<b>10 195 785</b>	<b>16 506 534</b>





## 17. Equity and profit distribution

### Changes in equity

	Share capital CZK 1 000	Other capital funds CZK 1 000	Reserve fund CZK 1 000	Retained profit/Accumulated (loss) CZK 1 000	Total CZK 1 000
<b>As at 1 January 2000</b>	<b>5 950 000</b>	<b>606</b>	<b>31 383 305</b>	<b>0</b>	<b>37 333 911</b>
Usage of Reserve fund	0	0	-4 437		-4 437
Acquisition of property and land from Komerční banka, a.s. <sup>1)</sup>	0	1 838	0	0	1 838
Assets ceded without consideration from Ministry for Local Development	0	8	0	0	8
Loss for 2000	0	0	0	-12 742 480	-12 742 480
Contribution from the state for the 2000 loss	0	10 683 172	0	0	10 683 172
<b>As at 31 December 2000</b>	<b>5 950 000</b>	<b>10 685 624</b>	<b>31 378 868</b>	<b>-12 742 480</b>	<b>35 272 012</b>
Usage of Reserve fund	0	0	-2 059 308	2 059 308	0
Acquisition of assets from the Ministry of Finance	0	5	0	0	5
Acquisition of shares (securities) without consideration from the District Authority in Plzeň	0	197	0	0	197
2001 loss	0	0	0	-41 526 363	-41 526 363
2000 loss settlement	0	-10 683 172	0	10 683 172	0
Contribution from the state for the 2001 loss	0	38 417 721	0	0	38 417 721
<b>As at 31 August 2001</b>	<b>5 950 000</b>	<b>38 420 375</b>	<b>29 319 560</b>	<b>-41 526 363</b>	<b>32 163 572</b>

<sup>1)</sup> According to the contract on the transfer of the right to administer national property.

The Bank's claim on the State for settling the Bank's losses arises from the Act on Banks. In 1999 the claim for settling the loss was recorded as a receivable from the State. As from 2000 the claim for settling losses has been recorded as a receivable from the State and a corresponding capital fund was established. This change had no impact on the results of the Bank. As at 31 August 2001 it has resulted in an increase of equity by CZK 38,417,721,000. The settlement of the loss will be performed from the capital fund in the following accounting period. Based on agreements concluded with the NPF on settling expenses and losses of subsidiaries the Bank has accounted for the receivable from the NPF as a liability against the subsidiary. This transaction had no impact on the results of the Bank.

Based on the resolution of the Czech Government No. 28 dated 19 January 1994, No. 76 dated 8 February 1995 and No. 249 dated 23 April 1997, the NPF provided funds for increasing the reserve fund of the Bank and for settling current and future losses connected with the administration of the old block of loans assumed from commercial banks in the years 1991 and 1992. Losses covered by this reserve fund are maintained separately from the total loss of the Bank. On the basis of the decision regarding settling the loss of CZK 3,108,642,000 for the period from 1 January to 31 August 2001 the reserve fund will only be used to cover losses incurred due to the write off and assignment of receivables from the old block loans in 2001.



The Bank has received an official interpretation of the relevant accounting legislation by the Ministry of Finance (in its capacity as the body responsible for setting accounting standards in the Czech Republic), which was issued having regard to the State's general guarantee to cover losses of the Bank. In accordance with this interpretation, the Bank has set aside within the statutory reserve fund, which forms part of the equity of the Bank, an amount of CZK 24.6 billion to cover expected losses on certain specific loans and advances and no provision has been separately reflected for these expected losses. In the period from 1 January 2001 to 31 August 2001 the Bank released an amount of CZK 3,108,642,000 to cover losses related to the old block receivables. This loss for 2001 will be covered in this amount by the release of part of the reserve fund.

## 18. Contingencies and commitments

Contingent assets and liabilities may be analysed as follows:

	31 August 2001 CZK 1 000	31 December 2000 CZK 1 000
<b><u>Guarantees granted</u></b>		
On behalf of the Bank's clients	974 043	1 776 927
On behalf of ČS IV group clients	11 204 471	14 514 533
On behalf of Komerční banka, a.s. clients <sup>1)</sup>	20 000 000	20 000 000
<b>Total</b>	<b>32 178 514</b>	<b>36 291 460</b>
Provision for guarantees (note 14A)	-3 054 957	-6 700 000
<b>Total</b>	<b>29 123 557</b>	<b>29 591 460</b>
<b><u>Loan commitments made</u></b>		
Revocable	1 171 493	797 065
Irrevocable	5 741 225	5 296 474
<b>Total</b>	<b>6 912 718</b>	<b>6 093 539</b>
<b><u>Commitment on the cession of assets</u></b>		
Assets of ČSOB from the Restructuring plan of the IPB assets	45 900 000	0
Provision of ČSOB from the Restructuring plan of the IPB assets	-32 130 200	0
<b>Total</b>	<b>13 770 000</b>	
<b><u>Guarantees received</u></b>		
From the state	3 708 398	3 248 570
From the NPF <sup>1)</sup>	35 103 143	20 092 800
From other entities	798 200	0
From other banks	0	0
<b>Total</b>	<b>39 609 741</b>	<b>23 341 370</b>
<b>Irrevocable loan commitments accepted</b>	<b>110 823 460</b>	<b>10 782 833</b>

<sup>1)</sup> This amount includes CZK 20 billion representing the Bank's guarantee for selected assets of Komerční banka, a.s. up to CZK 20 billion based on Government regulations. The losses of the Bank will be settled by the NPF according to the Agreement on the repayment of losses and expenses of Konsolidační banka, a.s. concluded on 4 May 2001.

On 31 August 2001 the Agreement on the Restructuring plan was signed between ČSOB, the Bank and the Czech Republic (represented by the Ministry of Finance). Based on this Agreement the Agency takes over the so called "black" assets from ČSOB by 28 February 2002 in the total book value of CZK 45.9 billion and both companies will conclude agreements by 18 June 2002, which will address the legal status of the so called Other assets. As at 31 August 2001 the Bank created a specific provision of CZK 32.1 billion for these receivables. As at the date of the financial statements the Agency had taken over loans of about 50% of the agreed volume, but does not yet have adequate information regarding the quality of the remaining portfolio.



## 19. Interest income

	Period from 1 January to 31 August 2001 v CZK 1 000	2000 v CZK 1 000
Interest on inter-bank transactions	648 296	1 388 569
Interest on loans to clients and state	6 340 020	9 568 193
Interest and discount on debt securities	63 217	748 619
<b>Total</b>	<b>7 051 533</b>	<b>11 705 381</b>

An estimated amount of CZK 1.7 billion representing income on impaired loans was included in the period from 1 January 2001 to 31 August 2001 (in 2000 CZK 5.5 billion). Overdue penalty interest of CZK 0.7 billion as at 31 August 2001 (at 31 December 2000: CZK 0.7 billion) was not recorded in revenues.

## 20. Interest expense

	Period from 1 January to 31 August 2001 CZK 1 000	2000 CZK 1 000
Interest on inter-bank transactions	5 079 872	8 398 988
Interests on deposits from clients and state	330 883	680 269
Interest and discounts on deposit certificates and issued bonds	833 083	1 264 931
<b>Total</b>	<b>6 243 838</b>	<b>10 344 188</b>

## 21. Net gains (losses) from financial operations

Net gains (losses) from financial operations, including compensation interest and operating costs, for the period from 1 January to 31 August 2001 and for the year 2000 may be analysed as follows:

	Period from 1 January to 31 August 2001 CZK 1 000	2000 CZK 1 000
Realised gains less losses from securities trading	-75 150	-647 631
Net gains less losses from foreign currency transactions (loans to housing co-operatives)	-101 134	-333 396
Compensation of property losses by the Ministry of Finance	182 321	79 868
Net provision for unrealised losses from securities trading	-170 288	-694 071
Net gains from derivatives transactions	33 790	12 330
<b>Total</b>	<b>-130 461</b>	<b>-1 582 900</b>



## 22. Other income and expenses

	Period from 1 January to 31 August 2001 CZK 1 000	2000 CZK 1 000
<u>Other income</u>		
Commission and fee income	52 207	397 113
Other operating income	147 256	12 359 597
Release of provisions	39 204 357	9 812 263
Extraordinary income	6 378	22 223
<b>Total</b>	<b>39 410 198</b>	<b>22 591 196</b>
<u>Other expenses</u>		
Commission and fee expense	10 652	459 601
General operating expenses	583 546	672 018
- of which: tangible and intangible fixed asset depreciation	73 332	103 818
Other operating expenses	12 787 885	11 677 891
Additions to provisions	68 152 950	22 215 630
Extraordinary expenses	78 762	86 829
<b>Total</b>	<b>81 613 795</b>	<b>35 111 969</b>

General operating expenses can be analysed as follows:

	Period from 1 January to 31 August 2001 CZK 1 000	2000 CZK 1 000
Wages and salaries	187 085	223 286
Emoluments to Banking Bank	0	0
Emoluments to Supervisory Board	0	0
Social insurance and other social expenses	59 379	71 355
Other general operating expenses	337 082	377 377
<b>Total</b>	<b>583 546</b>	<b>672 018</b>

### Staff statistics

	Period from 1 January to 31 August 2001	2000
Average number of employees	593	523
Number of members of the Board of Directors (at 31 August)	3	3
Number of Supervisory Board members (at 31 August)	5	5



## 23. Taxation

	Period from 1 January to 31 August 2001 CZK 1 000	2000 CZK 1 000
Profit before taxation	-41 526 363	-12 742 480
Items increasing taxable income	64 485 543	12 644 382
Items decreasing taxable income	-3 608 381	-5 585 551
<b>Net taxable profit</b>	<b>19 350 799</b>	<b>-5 953 649</b>
Resulting tax after inclusion of tax losses brought forward and tax discounts	0	0

## 24. Assets and liabilities denominated in foreign currency

	31 August 2001		31 December 2000	
	Assets ( CZK 1 000)	Liabilities ( CZK 1 000)	Assets ( CZK 1 000)	Liabilities ( CZK 1 000)
Residents	5 670 442	3 489 415	8 176 132	2 346 676
Non-residents	69 406	357 471	1 317 976	396 864
<b>Total</b>	<b>5 739 848</b>	<b>3 846 886</b>	<b>9 494 108</b>	<b>2 743 540</b>

## 25. Derivative financial instruments

The Bank had no outstanding financial derivatives contracts as at 31 August 2001.

As at 31 December 2000 the Bank had outstanding sale and buy-back forward contracts of CZK 2,951,691,000 held for the Bank's own trading purposes.

No provision was established for contingent losses on financial derivatives as this was an arbitrage deal.



## 26. Total exposure to the state and the NPF

	31 August 2001 CZK 1 000 000	31 December 2000 CZK 1 000 000
Guarantees from State (note 18)	3 708	3 248
Receivable from State due to repayment of losses (note 10)	74 023	39 791
<b>Total exposure to the state</b>	<b>77 731</b>	<b>43 039</b>
Guarantees issued by NPF (note 18)	35 104	20 093
Receivable from NPF due to repayment of losses of the Bank or subsidiaries (note 10)	6 826	18 989
Loan granted to NPF	26 217	14 005
<b>Total exposure to the NPF</b>	<b>68 147</b>	<b>53 087</b>
<b>Total</b>	<b>145 878</b>	<b>96 126</b>

## 27. Residual maturities of financial assets and liabilities

At 31 August 2001

Assets	Within 3 months CZK 1 000	3 – 12 months CZK 1 000	1 - 2 years CZK 1 000	2 – 4 years CZK 1 000	4 – 5 years CZK 1 000	Over 5 years CZK 1 000	Not specified CZK 1 000	Total CZK 1 000
<b>Due from banks</b>	9 274 123	200 000	0	0	0	5 500 000	0	14 974 123
Intragroup loans	0	3 163 228	7 783 677	26 053 600	0	3 899	0	37 004 404
Loans to other clients	19 270 491	19 860 266	3 330 746	6 373 929	1 680 401	12 740 738	84 192 304	147 448 875
Trading securities	4 640	23 792	0	757 583	0	0	0	786 015
Investment securities	0	0	0	0	0	0	5 170 587	5 170 587
<b>Total financial assets</b>	<b>28 549 254</b>	<b>23 247 286</b>	<b>11 114 423</b>	<b>33 185 112</b>	<b>1 680 401</b>	<b>18 244 637</b>	<b>90 611 600</b>	<b>205 384 004</b>
<b>Liabilities</b>								
Due to banks	8 482 906	13 861 212	18 555 536	39 420 871	4 560 412	36 379 301	0	121 260 238
Due to clients	9 075 902	1 000	0	0	0	0	0	9 076 902
Securities issued	250 621	781 591	0	12 000 000	0	0	0	13 032 212
<b>Total financial liabilities</b>	<b>17 809 429</b>	<b>14 643 803</b>	<b>18 555 536</b>	<b>51 420 871</b>	<b>4 560 412</b>	<b>36 379 301</b>	<b>0</b>	<b>143 369 352</b>



At 31 December 2000

Assets	Within 3 months CZK 1 000	3 – 12 months CZK 1 000	1 - 2 years CZK 1 000	2 – 4 years CZK 1 000	4 – 5 years CZK 1 000	Nad 5 years CZK 1 000	Not specified CZK 1 000	Total CZK 1 000
Due from banks	14 147 285	1 230 251	0	0	0	5 500 000	0	20 877 536
Intragroup loans	190 897	136 126	11 052 733	30 730 603	4 457 477	0	0	46 567 836
Loans to other clients	7 663 829	20 283 630	1 379 037	8 678 519	4 370 513	10 656 344	88 110 254	141 142 126
Trading securities	3 183	94 508	0	197 201	0	0	0	294 892
Investment securities	0	0	0	0	0	0	5 719 157	5 719 157
<b>Total financial assets</b>	<b>22 005 194</b>	<b>21 744 515</b>	<b>12 431 770</b>	<b>39 606 323</b>	<b>8 827 990</b>	<b>16 156 344</b>	<b>93 829 411</b>	<b>214 601 547</b>
<b>Liabilities</b>								
Due to banks	13 501 416	10 121 381	16 858 396	44 179 365	6 750 278	32 339 225	0	123 750 061
Due to clients	8 703 136	3 027 000	0	0	0	0	0	11 730 136
Securities issued	0	2 000 000	0	7 000 000	5 000 000	0	0	14 000 000
<b>Total financial liabilities</b>	<b>22 204 552</b>	<b>15 148 381</b>	<b>16 858 396</b>	<b>51 179 365</b>	<b>11 750 278</b>	<b>32 339 225</b>	<b>0</b>	<b>149 480 197</b>

## 28. Subsequent events

### a) Bank transformation

On 12 April 2001 the House of Delegates of the Czech Republic approved a proposed government bill relating to the Agency and as at 1 September 2001 the legal successor of the Bank is in accordance with the Act No. 239 Coll. Česká konsolidační agentura. New members of statutory bodies have been appointed in conjunction with the transformation of the Bank.

### Board of Directors and Supervisory Board of the Agency

The members of the Board of Directors of the Agency as at 1 September 2001 are as follows:

Name	Appointed	Position
Pavel Řežábek	1. September 2001	Chairman and General Manager
Jan Liška	5. September 2001	Member and Head of Department
Zlata Gröningerová	1. September 2001	Member and Head of Department
Libor Svoboda	1. September 2001	Member and Head of Department
Jiří Jurán	5. September 2001	Member, from 1 October 2001
	od 1. September 2001	Head of Department



**Members of the Supervisory Board of the Agency appointed by the House of Delegates on 11 July 2001, as at 1 September 2001 are as follows:**

<b>Name</b>	<b>Position</b>
Vlastimil Tlustý CSc.	Chairman
Josef Hojdar	Vice- Chairman
Vladimír Doležal	Member
Libor Ježek	Member
Milan Urban	Member
Miloslav Vlček	Member
Michal Doktor	Member

#### **b) The assignment of IPB assets from ČSOB to the Agency**

On 19 June 2000, an agreement on the sale of Investiční a Poštovní banka, a.s. (hereinafter "IPB") business was signed between the forced administrator of IPB and ČSOB. On the same date, the Agreement and Indemnification was signed between ČNB and ČSOB, and the Agreement and Government Guarantee between ČSOB and the Czech Republic, the latter acting through the Ministry of Finance. In this context, the Czech Government adopted its Resolution No. 644 on 21 June 2000 in which it set out its consent to the signed Agreement and Government Guarantee and approved the said Agreement to be complemented by a restructuring plan.

The above anticipated Agreement on Restructuring Plan (hereinafter "the Agreement"), stipulating rights and obligations of the parties on the assignment of assets relating to the IPB business from ČSOB to the Agency, as the legal successor of the Bank, was signed on 31 August 2001 between ČSOB, the Bank and the Czech Republic, acting through the Ministry of Finance. In the Agreement the parties agreed that the assignment from ČSOB to the Agency of separate asset items relating to the IPB business would be performed gradually, in groups, and that, with respect to assignments in groups, so-called Master Agreements on the Agreements on Receivable Assignment ("the Master Agreements") should be signed that would set down uniform assignment terms and conditions applicable to the assigned asset group follow by the agreements on assignment of separate receivables. The estimated total purchase price for the above "IPB black assets" to be assigned from ČSOB to the Agency under the Agreement will be approximately CZK 45.9 billion. A certain part of the above receivables, amounting to approximately one half of the so-called "black" assets prepared for assignment by 28 February 2002, were assigned already by 31 December 2001.

The Agency performed a preliminary quality analysis of the assets to be assigned and subsequently identified their recoverability risk established provisions totalling CZK 32.1 billion to cover contingent losses existing in the above portfolio.

#### **c) Early repayment of loan**

The Agency made use of the option embedded in the relevant loan agreement and, following a prior notice, made an early repayment of the loan of CZK 5.5 billion to a creditor club led by ABN AMRO on 27 December 2001.

#### **d) Increased interest in Tatra a.s.**

Following the Czech Republic Government Resolution no. 497/2000, On Continued Steps in Stabilising the Company and Selecting a Strategic Partner for Tatra a.s., the Agency increased its interest in Tatra a.s. through an investment of CZK 1,131.1 million (at cost) as at 30 November 2001. The interest of the Agency in the company was thus increased to 91.62 % of its share capital.

On 27 December 2001, based on the Czech Republic Government Resolution no. 497/2000, the Agency sold its entire 91.62 % share capital interest in Tatra a.s. As at 31 August 2001 the amounted provision was CZK 644 million.





#### **e) Increased interest in Zetor a.s.**

On 27 November 2001, in accordance with an agreement made with Konsolidační banka Praha s.p.ú., the Agency purchased an interest in Zetor a.s. from Revitalizační traktor s.r.o. The interest of the Agency in Zetor a.s. was thus increased to 97.74 % of the company's share capital as at 31 December 2001. As this transaction was carried out subsequent of the balance sheet date, the provision for CZK 34.4 million was set aside in December 2001.

#### **f) Acquired interest in Walter, a.s.**

On 5 October 2001, following the Czech Republic Government Resolution no. 485/2000, the Agency acquired an 45.91 % share capital interest in Walter, a.s. The transaction was accomplished through the capitalisation of the Agency's receivable from Walter a.s. The Agency set aside a provision of CZK 627.9 million in October 2001 as the transaction was carried out subsequent of the balance sheet date.

#### **g) Sale of interest in Spolana a.s.**

On 19 December 2001, based on the Czech Republic Government Resolution no. 487/2001 and Czech Republic Government Resolution no. 1186/2001, the Agency sold its entire 47.55 % share capital interest in Spolana a.s. The loss arising on the sale was covered by NPF.

#### **h) Asserted guarantee rights based on the Agreement on Restructuring and Guarantee signed between the Bank and ČS**

Based on the relevant provisions of Art. V, paragraph 5.10(a) of the above Agreement, and by its letter of 18 December 2001, ČS asserted its guarantee rights relating to all delimited items. Consequently, ČS expects to assign at 30 June 2002 selected non-performing assets to the Agency, their preliminary book value amounting to more than CZK 7 billion.

#### **i) Deposit of CZK 20 billion from NPF**

The Agency set up a current account for foreign currency for NPF. NPF deposited EUR 592,961,902 (corresponds to CZK 20 billion). These funds may only be used according to the Czech Republic Government Resolution for the coverage of expenses and losses of the Agency for which the NPF provides guarantee.

#### **j) Transfer of assets from Komerční banka, a.s. (hereinafter "KB")**

In December 2000 an Agreement on Guarantee was concluded between KB and the Bank. The subject of the Agreement is the guarantee of risky assets of KB up to a maximum amount of CZK 20 billion. Based on this agreement KB can realise a put option with the Bank and sell selected assets to the Bank. So far, KB realised the option to sell credit receivables with a nominal value of CZK 369 million from the company KORAMO, a.s. Losses incurred as a result of assets sold to the Bank will be covered by NPF according to the Agreement on the repayment of losses and expenses of Konsolidační banka, a.s. concluded on 4 May 2001.

#### **k) Change in approach to additions to specific provisions on bad loans**

In view of the fact that the Agency, as the successor organisation of the Bank, has not been subject to the relevant regulations for banks since 1 September 2001, the specific provisioning approach for bad loans, secured by real estate, has been changed since that date. Commencing as of that date, the estimated forced sale value of real estate property provided as collateral has been taken into account.



# AUDITED FINANCIAL STATEMENT, FROM 1 SEPT TO 31 DEC 2001

## REPORT OF INDEPENDENT AUDITORS TO THE BOARD OF DIRECTORS AND SUPERVISORY BOARD OF ČESKÁ KONSOLIDAČNÍ AGENTURA



PricewaterhouseCoopers Audit, s. r. o.

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IČ 40765521

We have audited the accompanying balance sheet of Česká konsolidační agentura as at 31 December 2001 (hereinafter referred to as "the Agency"), the related income statement and notes, for the period from 1 September 2001 to 31 December 2001 ("the financial statements"). The financial statements and underlying accounting records are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

The accompanying financial statements are not intended to present the assets, liabilities and equity and the results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Czech Republic. Accordingly the accompanying balance sheet, the related income statement and notes are not designed for those who are not informed about Czech accounting principles, procedures and practices.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities and equity of the Agency as at 31 December 2001, and the results of its operations for the period from 1 September 2001 to 31 December 2001 in accordance with the Act on Accounting and other relevant accounting legislation of the Czech Republic.

Without qualifying our opinion, we draw attention to Note 17 to the financial statements, which explains that the Konsolidační banka Praha, s. p. ú, the Agency's legal predecessor, has received an official interpretation of the relevant accounting legislation by the Ministry of Finance (in its capacity as the body responsible for setting accounting standards in the Czech Republic), which was issued having regard to the State's general



guarantee to cover losses of the Agency. In accordance with this interpretation, the Agency has set aside within the statutory reserve fund, which forms part of the equity of the Agency, an amount of CZK 24.4 billion to cover expected losses on certain specific loans and no provision has been separately reflected for these expected losses.

20 April 2002



PricewaterhouseCoopers Audit, s. r. o.



Paul Cunningham  
partner



Ing. Petr Kříž  
Auditor, Licence No. 1140



## BALANCE SHEET - ASSETS 31 DECEMBER 2001

(CZK 1 000)

Item No.	Item	31 December 2001			1 September 2001
		Gross	Provision	Net	Net
		1	2	3	4
1	Cash, balances due from central banks, post giro accounts	12 986	0	12 986	7 954
2	Treasury Bills and other bills rediscountable with central bank	2 100 000	0	2 100 000	0
	Treasury Bills and other bills issued by the State	0	0	0	0
	Other bills rediscountable with central bank	2 100 000	0	2 100 000	0
3	Due from other banks	32 339 456	0	32 339 456	14 974 123
	Receivable on demand	81 349	0	81 349	78 796
	Other	32 258 107	0	32 258 107	14 895 327
	Of which: Subordinated loans	5 500 000	0	5 500 000	5 500 000
4	Due from clients	194 733 435	72 680 829	122 052 606	121 760 412
	Receivable on demand	50 018	0	50 018	3 899
	Other	194 683 417	72 680 829	122 002 588	121 756 513
	Of which: Subordinated loans	0	0	0	0
5	Bonds and other fixed income securities in trading portfolio	1 888 144	1 075 349	812 795	786 015
	Issued by banks	204 145	2 091	202 054	204 621
	Of which: Own bonds	204 145	2 091	202 054	204 621
	Issued by other entities	1 683 999	1 073 258	610 741	581 394
6	Shares and other equities in trading portfolio	0	0	0	0
7	Equity investments in associated undertakings	6 879 876	2 992 115	3 887 761	5 170 487
	In banks	0	0	0	0
	In other entities	6 879 876	2 992 115	3 887 761	5 170 487
8	Equity investments in subsidiary undertakings	3 863 803	3 863 703	100	100
	In banks	0	0	0	0
	In other entities	3 863 803	3 863 703	100	100
9	Other investments	3 887 644	1 786 435	2 101 209	228 527
10	Intangible assets	279 604	190 804	88 800	97 297
	Establishment costs	0	0	0	0
	Goodwill	0	0	0	0
11	Tangible fixed assets	2 079 807	356 797	1 723 010	682 628
	Land and building used for banking operations	717 468	128 394	589 074	594 637
	Other	1 362 339	228 403	1 133 936	87 991
12	Own shares	0	0	0	0
13	Other assets	76 039 822	0	76 039 822	81 861 591
14	Unpaid own capital issued and called	0	x	0	0
15	Prepayments and accrued income	1 773 525	x	1 773 525	1 620 612
	<b>Total Assets</b>	<b>325 878 102</b>	<b>82 946 032</b>	<b>242 932 070</b>	<b>227 189 746</b>



## BALANCE SHEET - LIABILITIES AND EQUITY 31 DECEMBER 2001

(CZK 1 000)

Item No.	Item	31 December 2001	1 September 2001
		1	2
1	Due from other banks	111 689 550	121 260 238
	Payable on demand	0	0
	Other	111 689 550	121 260 238
2	Due to clients	29 180 903	9 076 902
	Deposits	0	0
	Of which: Demand deposits	0	0
	Other payables	29 180 903	9 076 902
	Of which: Payable on demand	2 198 539	2 172 520
3	Certificates of deposits and similar debentures	13 455 223	13 032 212
4	Accruals and deferred income	3 259 653	2 881 092
5	General provisions	43 959 732	41 455 450
	Provisions for pass loans and guarantees	4 820 267	3 512 267
	Provision for foreign exchange losses	0	0
	Provisions for other banking risks	0	0
	Other provisions	39 139 465	37 943 183
6	Subordinated debt	0	0
7	Other liabilities	9 426 613	7 314 692
8	Share capital	5 950 000	5 950 000
	Of which: Share capital paid	5 950 000	5 950 000
9	Share premium	0	0
10	Reserves	29 314 123	29 319 560
	Legal Reserve	29 314 123	29 319 560
	Own Shares Redemption Reserve	0	0
	Statutory Reserve	0	0
11	Capital and Revenue Reserves	54 345 102	38 425 963
	Capital Reserves	54 338 496	38 420 375
	Other Revenue Reserves	6 606	5 588
12	Retained earnings / (loss)	-41 526 363	0
13	Profit / (loss) for the year	-16 122 466	-41 526 363
	<b>Total liabilities</b>	<b>242 932 070</b>	<b>227 189 746</b>



## OFF BALANCE SHEET 31 DECEMBER 2001

(CZK 1 000)

Item No.	Items	31 December 2001	1 September 2001
1	Contingent liabilities	34 047 892	32 178 514
	Accepted or endorsed bills of exchange	0	0
	Guarantees granted	34 047 892	32 178 514
	Assets pledged as collateral	0	0
2	Other irrevocable commitments	5 036 198	5 741 225
3	Receivables from spot, forward and option contracts	823 680	723 766
4	Liabilities from spot, forward and option contracts	820 428	1 153 912



# PROFIT AND LOSS ACCOUNT 31 DECEMBER 2001

(CZK 1 000)

Item No.	Item	Period from
		1 September to 31 December 2001
1	Interest and similar income	3 195 654
	Interest income from fixed income securities	35 972
2	Interest and similar expense	3 018 358
	Interest expense on fixed income securities	371 793
3	Income from dividends	0
	Income from shares and other equities	0
	Income from investments in associated undertakings	0
	Income from investments in subsidiary undertakings	0
	Income from other equity investments	0
4	Fee and commission income	14 899
5	Fee and commission expense	5 064
6	Gains (losses) from trading	37 353
7	Other income	125 705
8	General operating expenses	274 878
	Staff costs	126 755
	Wages and salaries	90 337
	Social security costs	27 066
	Health insurance costs	9 352
	Other operating expenses	148 123
9	Additions to provisions on fixed assets	0
	Additions to general provisions on fixed assets	0
	Additions to specific provisions on tangible fixed assets	0
	Additions to specific provisions on intangible assets	0
10	Additions to provisions for fixed assets	0
	Use of general provisions for fixed assets	0
	Use of specific provisions for tangible fixed assets	0
	Use of specific provisions for intangible assets	0
11	Other expenses	3 206 981
12	Additions to provisions for loans and guarantees	38 857 763
13	Use of provisions for loans and guarantees	26 186 059
14	Additions to provisions for investments	34 961
15	Use of provisions for investments	648 400
16	Additions to provisions for securities available for sale	788 837
17	Use of provisions for securities available for sale	47 655
18	Additions to other provisions	0
19	Use of other provisions	0
20	Income tax on ordinary activities	0
21	Net profit (loss) on ordinary activities	-15 931 117
22	Extraordinary income	5 163
23	Extraordinary expense	196 512
24	Income tax on extraordinary activities	0
25	Net profit (loss) on extraordinary activities	-191 349
<b>26</b>	<b>Net profit (loss) for the year</b>	<b>-16 122 466</b>



# ČESKÁ KONSOLIDAČNÍ AGENTURA: NOTES TO FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 SEPTEMBER 2001 (INCEPTION) TO 31 DECEMBER 2001

## 1. General information

Česká konsolidační agentura (hereinafter "the Agency") was incorporated on 1 September 2001 according to the Act No. 239/2001 on Česká konsolidační agentura as the legal successor of Konsolidační banka Praha, a State financial institution (hereinafter "the Bank").

The registered office of the Agency is Janovského 2, Prague 7.

In particular the Agency administrates receivables assumed and repurchased from commercial banks. Other core activities of the Agency include Revitalising and Restructuring Programs and the financing and support of important development projects of large Czech companies, plus long term social projects, transportation, telecommunication, water and environmental infrastructure projects.

The Agency retains most of the scope of the original activities of the Bank, however, it does not retain the status of a bank as its activities do not comprise deposit taking from customers or the provision of loans. The Ministry of Finance of the Czech Republic (hereinafter "MF ČR") has already issued an obligatory representation that liabilities of the Agency will be fully guaranteed by the State.

Relating to the transformation of the Bank, new members of statutory bodies were appointed taking effect 1 September 2001.

### Members of the Board of Directors and the Supervisory Board

#### Members of the Board of Directors of the Agency as at 31 December 2001:

Name	Appointed	Position
Pavel Řežábek	1 September 2001	Chairman and general director
Jan Liška	5 September 2001	Member and Head of department
Zlata Gröningerová	1 September 2001	Member and Head of department
Libor Svoboda	1 September 2001	Member and Head of department
Jiří Jurán	5 September 2001	Member and from 1 October 2001 Head of department

#### Members of the Supervisory Board of the Bank as at 31 December 2001:

Name	Appointed	Position
Vlastimil Tlustý	1 September 2001	Chairman
Josef Hojdar	1 September 2001	Vice-Chairman
Vladimír Doležal	1 September 2001	Member
Libor Ježek	1 September 2001	Member
Milan Urban	1 September 2001	Member
Miloslav Vlček	1 September 2001	Member
Michal Doktor	1 September 2001	Member
Pavel Tollner	31 October 2001	Member





## 2. Accounting policies

### A. Basis of preparation

The financial statements, comprising a balance sheet, an income statement and accompanying notes, are prepared based on the MF ČR recommendation in accordance with and comply with the Act on accounting, the Chart of accounts and accounting procedures for banks and some financial institutions and relevant regulations and decrees of the Czech Republic. The Agency is not a bank in accordance with the Banking Act and is, therefore, not regulated by Česká národní banka ("ČNB"). The financial statements were prepared under the accrual principle and the historical cost convention as modified by the revaluation of all derivatives to fair values.

The financial statements are not consolidated and include only the accounts of the Agency for the period from 1 September 2001 to 31 December 2001 and amounts are rounded to thousands of Czech Crowns (CZK '000) unless stated otherwise.

### B. Methods of measurement of assets and liabilities

Tangible and intangible fixed assets are recorded at cost. Securities, investments and ceded receivables are initially recorded at cost of acquisition. Other receivables and payables, cash, stamps and vouchers are stated at nominal values. Purchased receivables are initially stated at cost. Where possible to determine, financial derivatives are recorded at fair value; in other cases financial derivatives are shown at cost. When the value of an asset decreases, its carrying value is decreased in accordance with the prudence principle and relevant accounting procedures.

### C. Foreign currencies

Assets and liabilities denominated in foreign currencies are translated to Czech Crowns at the exchange rate announced by ČNB effective on the date of the accounting transaction. The difference between the ČNB rate and the commercial rate is calculated as at the transaction date and is recognised in the profit and loss account.

Exchange rate gains and losses incurred from assets and liabilities denominated in foreign currencies are calculated daily based on the movements of the exchange rate announced by ČNB and are recognised in the profit and loss account.

Changes in the fair value of currency derivatives are also included in the profit and loss account.

### D. Trading securities

Trading securities are securities, which were either acquired for generating profit from short-term fluctuations in price or dealer's margin, securities purchased in repo operations and securities acquired under borrowing contracts. Trading securities are recognised at the lower of cost excluding expenses incurred in connection with their acquisition and market value based on quoted market prices on an individual basis.

All related realised gains and losses are included in net results from financial transactions. Spot purchases and sales are recognised on a settlement date basis. Forward trades are recognised as derivatives on the trade date. Interest earned on trading securities is reported as interest income on securities.

### E. Available-for-sale investment securities

Available-for-sale investment securities are neither trading securities nor securities held-to-maturity. They are comprised mainly of shares in companies other than in subsidiaries and associates. Available-for-sale securities are measured at the lower of cost and fair value based on quoted market prices. For unquoted equity instruments the valuation is estimated using the Agency's share of net assets in the issuer.

### F. Investment securities held-to-maturity

Investment securities held-to-maturity are securities with fixed maturity where the Agency has both the intent and the ability to hold them to maturity. Investment securities held-to-maturity are measured at amortised cost, including any provision for impairment.



## G. Investments in subsidiary and associated undertakings

A subsidiary is an enterprise that is controlled by the Agency and where the Agency has the power to govern its financial and operating policies so as to obtain benefits from its activities.

An associated undertaking is an enterprise where the Agency has significant influence, which is the power to participate in the financial and operating policy decisions, but is not control over those policies.

Investments in subsidiary and associated undertakings are measured at the lower of cost and "at equity" value on an individual basis.

## H. Securities financing arrangements

Securities purchased or borrowed under agreements to resell (resale or reverse repo agreements) are trading securities. These securities are recognised on balance sheet at fair value together with the corresponding liability, if the Agency is allowed to sell or pledge them to a third party. Securities sold or lent under agreements to repurchase (repo agreements) might be trading securities, securities available-for-sale or securities held to maturity. They are retained in their original portfolio and valued under the same method of valuation as used prior to entering into the repo agreements. These agreements are recorded on a settlement date basis and are carried at the amounts at which the securities were initially acquired or sold and generally do not include accrued interest.

## I. Interest income and expense

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

Suspended or forgiven penalty interest income is excluded from interest income until received.

## J. General and specific provisions

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

Specific provisions are deducted from the cost of each asset at risk. The amount of specific provision for impaired loans and other assets at risk is based on appraisals of these assets at the balance sheet date after taking into consideration the present forced sale value of collateral and the expected cash flows received from these assets. The market in the Czech Republic for many of the types of collateral accepted is in an early stage of development and there is a low level of liquidity for certain types of assets. As a result, the realisable value on foreclosure may differ from the value ascribed in estimating specific provisions. As the Agency does not need to follow ČNB rules, real estate collateral can be considered in estimating the amount of specific provision necessary, even for receivables overdue more than one year. When creating specific provisions for loans for working capital finance (hereinafter "the old block of loans")<sup>4</sup>, the partial coverage provided by the special-purpose reserve fund and general provisions is taken into consideration (note 17).

## K. Fee and commission income

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

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<sup>4</sup> "The old block of loans" represents loans taken over by the Bank from commercial banks. The loans were granted by commercial banks prior to November 1989.



## L. Depreciation of tangible and intangible fixed assets

Tangible and intangible fixed assets are depreciated by applying the straight-line method, recognising the depreciation periods of relevant asset categories in accordance with the Income Taxes Act, over their estimated useful lives:

Buildings and constructions	30 years
Machinery and equipment	4 years
Furniture and fittings	6 years
Motor vehicles	4 years
Software	4 years
Assets in the course of construction	not depreciated

Repairs and maintenance expenditures are charged to expenses as incurred. Improvement expenditures (i.e. expenditures enhancing the value of property) exceeding CZK 40,000 for tangible and CZK 60,000 for intangible assets per unit within a period of one year are capitalised.

Non - operating fixed assets are not depreciated.

## M. Value added tax

The Agency is registered for value added tax ("VAT"). Tangible fixed assets and intangible fixed assets and inventories are valued at cost, excluding appropriate VAT. Input VAT is expensed immediately since the income subject to VAT is less than 5% of the total income of the Agency.

## N. Taxation

The Agency is exempted from corporate income tax and therefore, deferred tax and tax payable are not accounted for.

## O. Pension plans and other social expenses

The pension plans are voluntary and the Agency makes contributions to them in addition to statutory social security paid in accordance with the Act on Social Insurance. Contributions are charged directly to expenses.

Other social expenses are settled from the Welfare fund ("WF"), disclosed as the Other funds (note 17).

## P. Related parties

Related parties are defined as follows:

- Members of the boards, management of the Agency and their relatives;
- Companies, in which members of the boards and management of the Agency hold more than a 10% stake;
- Subsidiaries and associated companies.

Significant transactions, balances and methods for the measurement of related party transactions are set out in notes 5 and 11.

## Q. Subsequent events

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



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

## R. Changes in accounting policy

There have been no changes in accounting policies during the period.

## 3. Cash and deposits with central bank

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Cash on hand	8 392	7 938
Other deposits with central banks	4 594	16
<b>Total</b>	<b>12 986</b>	<b>7 954</b>

## 4. Due from banks

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Current accounts with banks	81 349	78 796
Term deposits with banks <sup>1)</sup>	24 657 875	9 395 327
Loans based on resale agreements	2 100 000	0
Subordinated loans to banks	5 500 000	5 500 000
Standard other receivables from banks	232	0
<b>Total</b>	<b>32 339 456</b>	<b>14 974 123</b>

<sup>1)</sup> A significant increase in term deposits with banks represents the Agency's EUR denominated term deposits with banks. On 7 December 2001, the National Property Fund (hereinafter referred to as the "NPF") received payment for the privatisation of Komerční banka, a.s. and subsequently deposited the cash in the Agency (note 11).

### Repo and reverse repo agreements

Reverse repo agreements as at 31 December 2001 include State treasury bills with a total nominal value of CZK 2,100,000,000 (at 1 September 2001: CZK nil). All reverse repo agreements are due within 30 days.

At 31 December 2001 and 1 September 2001 no REPO agreements had been opened.



## 5. Loans to clients

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Standard loans to companies and individuals	27 391 907	29 162 640
Standard loans to housing co-operatives 1)	11 500 693	11 978 846
Impaired loans to companies and individuals	131 378 618	114 862 576
Impaired loans to housing co-operatives 1)	2 719	2 791
Standard loans to governmental entities	24 017 166	28 017 018
Impaired loans to governmental entities	94 816	92 881
Standard loans to municipalities	5 747	0
Impaired loans to municipalities	341 769	336 527
<b>Total</b>	<b>194 733 435</b>	<b>184 453 279</b>
Specific provisions for impaired loans (note 14) 2)	-72 680 829	-62 692 867
<b>Total</b>	<b>122 052 606</b>	<b>121 760 412</b>

1) In its portfolio the Agency has loans granted to housing co-operatives. These loans were acquired from Investiční a Poštovní banka, a.s. (hereinafter "IPB"). The difference between funding costs and interest income is compensated by the Ministry of Finance (note 21).

2) In addition to the specific provision for impaired loans the Agency has reflected a general provision for loans of CZK 10,039,293,000 as at 31 December 2001 (1 September 2001: CZK 6,270,293,000) in liabilities as required by Czech accounting regulations (note 14).

A statutory reserve fund is used to cover expected losses of CZK 24,400,000,000 (1 September 2001: CZK 24,600,000,000) from the old loans block. In the period from 1 September to 31 December 2001 the losses of CZK 204,405,000 from assigned and written off old block receivables were covered by the reserve fund (note 17).

The Agency received part of the so-called "black assets" from Československá obchodní banka, a.s. (hereinafter referred to as "ČSOB") - note 18 - during the period from 1 September 2001 to 31 December 2001. The Agency has established a specific provision of CZK 22,017,000,000 for expected losses on "black assets" of CZK 24,867,306,000 as at 31 December 2001.

### Impaired loans

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Watch	558 603	319 868
Substandard	1 541 701	3 241 719
Doubtful	14 684 476	15 621 228
Loss	115 033 142	96 111 960
<b>Total</b>	<b>131 817 922</b>	<b>115 294 775</b>



The present forced sale value ascribed to assets received as collateral for total loans to clients can be estimated as follows:

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Cash	124 765	124 015
Securities	331 278	364 619
Land and buildings	11 572 172	10 144 340
Other collaterals	2 071 906	2 656 470
<b>Total</b>	<b>14 100 121</b>	<b>13 289 444</b>

### Loans to related parties

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
<u>Associated undertakings</u>	<b>4 923 954</b>	<b>8 472 669</b>
Specific provisions for impaired loans	-1 133 104	-3 207 013
<b>Total</b>	<b>3 790 850</b>	<b>5 265 656</b>
<u>Subsidiary undertakings</u>	<b>37 756 599</b>	<b>37 004 404</b>
Specific provisions for impaired loans	-2 328 623	0
<b>Total</b>	<b>35 427 976</b>	<b>37 004 404</b>
<u>Agency Board members</u>	250	274

The transactions with associated undertakings were made in the ordinary course of business on substantially the same terms and conditions, including interest rates, as those prevailing at the same time for comparable transactions with other customers or have been initiated by the government of the Czech Republic in order to improve financial position of selected companies.

Loans to subsidiaries have been provided based on an assessment of the suitable loan structure of the ČKA Group. The interest rate on loans provided was on an arm's length basis. All risks associated with the loans provided to subsidiaries are covered by the NPF guarantee (note 18).

The Agency has granted a loan to one member of its Board of Directors for housing needs under the same conditions which are usually applied when granting loans to the Agency's employees.

## 6. Syndicated loans

At 31 December 2001 and 1 September 2001 the Agency led no syndicated loans.



## 7. Securities

### A. Trading securities

#### Bonds and other securities with fixed and variable income

At 31 December 2001

Name of security	Type of security	At cost CZK 1 000	Fair value CZK 1 000	Accrued interest CZK 1 000	Listed/Unlisted	Tradability
KOB VAR/05	Own bonds	201 273	202 054	2 872	Listed	Main market
ŠKODA VAR/02	Bonds	502 583	0	0	x	Bankruptcy
	Coupon overdue			325 136		
ZPS ZLÍN 12,0/02	Bonds	30 400	0	0	x	Bankruptcy
	Coupon overdue			15 714		
TEPLÁRNA ÚL 11,7/04	Bonds	555 829	664 487	54 911	Listed	Auxiliary market
NOVÁ HUŤ 12,7/03	Bonds	63 530	0	2 237	Listed	Auxiliary market
ASPEKTA HOLDING 13,4/00	Bonds	13 000	0	1 742	Unlisted	Not traded,
	Coupon overdue			3 136		overdue
VÍTKOVICE 13,5/00	Bonds	102 010	0	0	Unlisted	Not traded,
	Coupon overdue			13 771		overdue
<b>Total</b>		<b>1 468 625</b>	<b>866 541</b>	<b>419 519</b>		
<b>Total including accrued interest</b>		<b>1 888 144</b>				
Specific provisions (note 14)		-1 075 349				
<b>Total net book amount</b>		<b>812 795</b>				



At 1 September 2001

Name of security	Type of security	At cost CZK 1 000	Fair value CZK 1 000	Accrued interest CZK 1 000	Listed/ Unlisted	Tradability
KOB VAR/05	Own bonds	201 273	204 621	4 348	Listed	Main market
ŠKODA VAR/02	Bonds	502 583	0	13 174	Listed	Auxiliary market
	Coupon overdue			267 192		
ZPS ZLÍN 12,0/02	Bonds	30 400	0	0	x	Bankruptcy
	Coupon overdue			14 271		
TEPLÁRNA ÚL 11,7/04	Bonds	555 829	640 892	25 565	Listed	Auxiliary market
NOVÁ HUŤ 12,7/03	Bonds	63 530	78 913	7 266	Listed	Auxiliary market
ASPEKTA HOLDING 13,4/00	Bonds	13 000	0	1 742	Unlisted	Not traded,
	Coupon overdue			3 136		overdue
VÍTKOVICE 13,5/00	Bonds	102 010	0	0	Unlisted	Not traded,
	Coupon overdue			13 771		overdue
<b>Total</b>		<b>1 468 625</b>	<b>924 426</b>	<b>350 465</b>		
<b>Total including accrued interest</b>		<b>1 819 090</b>				
Specific provisions (note 14)		-1 033 075				
<b>Total net book amount</b>		<b>786 015</b>				

Bonds and other securities with fixed income in the trading portfolio at 1 September and 31 December 2001 include CZK 765 million of securities bearing fixed interest till maturity which represents 52.1% of the total balance. Bonds with variable income in the trading portfolio at 1 September and at 31 December 2001 include CZK 704 million which represents 47.9% of the total balance.

## B. Securities held-to-maturity

At 31 December and 1 September 2001

Name of security	Type of security	At cost CZK 1 000	Market value CZK 1 000	Listed/Unlisted	Tradability
ČKD PRAHA VAR/05	Bonds	1 001 231	0	Unlisted	Not traded
Specific provisions (note 14)		-1 001 231			
<b>Total net book amount</b>		<b>0</b>			





## C. Securities available for sale

### Shares and similar equity securities with fluctuating income

At 31 December 2001

Issuer	Type of security	At cost CZK 1 000	Market value CZK 1 000	Listed/Unlisted	Tradability
Agrochov Kasejovice-Smolivec, a.s.	Shares	197	197	Unlisted	Not traded
Agrobanka Praha, a.s. v likvidaci	Shares	3 258	0	Unlisted	Not traded
ZVVZ, a.s.	Shares	65 820	65 820	Unlisted	Not traded
Českomoravská zár. a roz. banka, a.s.	Shares	65 495	65 495	Unlisted	Not traded
ČESKÝ TELECOM, a.s.	Shares	200 371	103 835	Listed	Main market
DEW-H, a.s.	Shares	25	25	Unlisted	Not traded
Investiční fond bohatství, a.s.	Shares	79 737	71 061	Listed	Auxiliary market
Investiční fond obchodu, cestovního ruchu a služeb, a.s.	Shares	40 569	36 731	Listed	Auxiliary market
Kříšťálový investiční fond, a.s.	Shares	5 800	5 819	Listed	Auxiliary market
P.I.F., a.s.- 1. Privatizační investiční fond	Shares	1 440	1 890	Listed	RMS
Rentierský investiční fond 1.IN, a.s.	Shares	24 819	22 252	Listed	RMS
TEXLEN, a.s.	Shares	11	11	Unlisted	Not traded
Union Group, a.s.	Shares	206 532	162 510	Unlisted	Not traded
ROVNER, a.s.	Shares	21	21	Unlisted	Not traded
ŽIVNOBANKA-1. INVESTIČNÍ FOND, a.s.	Shares	267 326	256 302	Listed	Auxiliary market
1.IN-Akciový fond, otevřený podílový fond První investiční společnosti, a.s.	Mutual Shares	5 545	3 735	Unlisted	Not traded
1.IN-Restituční fond, otevřený podílový fond První investiční společnosti, a.s.	Mutual Shares	435 864	434 400	Unlisted	Not traded
1.IN-Středoevropský fond, otevřený podílový fond První investiční společnosti, a.s.	Mutual Shares	303 931	279 053	Unlisted	Not traded
IKS Plus balancovaný, otevřený podílový fond Investiční kapitálové společnosti KB, a.s.	Mutual Shares	59 251	64 539	Unlisted	Not traded
Nový podílový fond-MAPIS, investiční společnost, a.s. otevřený PF	Mutual Shares	85 121	90 072	Unlisted	Not traded
YSE Akcionářů, NEWTON Investment-investiční společnost, a.s., balancovaný otevřený podílový fond	Mutual Shares	28 346	27 120	Listed	RMS
Živnobanka-mezinárodní akciový fond investiční společnosti ŽB-Trust, a.s., otevřený podílový fond	Mutual Shares	28 192	25 775	Unlisted	Not traded
<b>Total not traded</b>		<b>1 259 263</b>	<b>1 191 653</b>		



Total auxiliary market PSE <sup>1)</sup>		<b>393 432</b>	<b>369 913</b>		
Total main market PSE <sup>1)</sup>		<b>200 371</b>	<b>103 835</b>		
Total RMS <sup>2)</sup>		<b>54 605</b>	<b>51 262</b>		
<b>Total</b>		<b>1 907 671</b>	<b>1 716 663</b>		
Specific provisions (note 14)		-201 717			
<b>Total net book amount</b>		<b>1 705 954</b>			

<sup>1)</sup> PSE - the Prague Stock Exchange

<sup>2)</sup> RMS - the RMS system (an organized over-the counter market)

Securities transferred from ČSOB in accordance with the Agreement with ČSOB (note 18) are presented within the category of securities available for sale. These securities have been valued in accordance with the Agency's accounting policy (note 2).

#### **At 1 September 2001**

<b>Emitent</b>	<b>Druh CP</b>	<b>At cost CZK 1 000</b>	<b>Market value CZK 1 000</b>	<b>Listed/Unlisted</b>	<b>Tradability</b>
Agrochov Kasejovice-Smolivec, a.s.	Shares	197	197	Unlisted	Not traded
Union Group, a.s.	Shares	206 532	162 510	Unlisted	Not traded
ZVVZ, a.s.	Shares	65 820	65 820	Listed	Auxiliary market
<b>Total not traded</b>		<b>206 729</b>	<b>162 707</b>		
<b>Total auxiliary market PSE</b>		<b>65 820</b>	<b>65 820</b>		
<b>Total</b>		<b>272 549</b>	<b>228 527</b>		
Specific provisions (note 14)		-44 022			
<b>Total net book amount</b>		<b>228 527</b>			



## Other securities with fixed income

At 31 December 2001

Issuer	Type of security	At cost CZK 1 000	Market value CZK 1 000	Listed/Unlisted	Tradability
NOVÁ HUŤ 12,7/03	Bonds	41 308	0	Listed	Free market
ST. DLUHOPIS VAR/02	Bonds	5	5	Listed	Main market
SLOVENSKÉ EL. VAR/03	Bonds	204 795	207 254	Listed	Auxiliary market
TEPLÁRNA ÚL 11,7/04	Bonds	5 450	5 493	Listed	Free market
UNION LEASING VAR/05	Bonds	189 733	185 005	Listed	Auxiliary market
VOJENSKÉ STAVBY 13,4/01	Bonds	463 868	0	Unlisted	Not traded
Válcovny trub Chomutov, a.s.	Bills of exchange	73 583	0	Unlisted	Not traded
<b>Total not traded</b>		<b>537 451</b>	<b>0</b>		
<b>Total free market PSE</b>		<b>46 758</b>	<b>5 493</b>		
<b>Total main market PSE</b>		<b>5</b>	<b>5</b>		
<b>Total auxiliary market PSE</b>		<b>394 528</b>	<b>392 259</b>		
<b>Total</b>		<b>978 742</b>	<b>397 757</b>		
Specific provisions (note 14)		-583 487			
<b>Total net book amount</b>		<b>395 255</b>			

The Agency had no other securities with fixed income at 1 September 2001 in the category of securities available for sale.

## 8. Investments in subsidiary and associated undertakings

### A. Investments in subsidiary undertakings

At 31 December 2001

Name and registered office	At cost CZK 1 000	Nominal value CZK 1 000	Share capital CZK 1 000	Share %
PRISKO a.s., Praha	0	794 760	794 760	100
Revitalizační agentura, a.s., Praha <sup>1)</sup>	270 000	270 000	270 000	100
Konpo, s.r.o., Praha	100	100	100	100
Česká finanční, s.r.o., Praha	0	13 833 540	13 833 540	100
VSM ČR akciová společnost, v likvidaci	545	500	1 000	50
Zetor, a.s.	3 593 158	4 046	4 139	97,74
<b>Total</b>	<b>3 863 803</b>	<b>14 902 946</b>		
Specific provisions (note 14)	-3 863 703			
<b>Total net book amount</b>	<b>100</b>			

<sup>1)</sup> As at 31 December 2001 Revitalizační agentura, a.s. has potential liabilities to creditors of Vítkovice, a.s. (note 28).



**At 1 September 2001**

Name and registered office	At cost CZK 1 000	Nominal value CZK 1 000	Share capital CZK 1 000	Share %
PRISKO a.s., Praha	0	794 760	794 760	100
Revitalizační agentura, a.s., Praha	270 000	270 000	270 000	100
Konpo, s.r.o., Praha	100	100	100	100
Česká finanční, s.r.o., Praha	0	13 833 540	13 833 540	100
<b>Total</b>	<b>270 100</b>	<b>14 898 400</b>		
Specific provisions (note 14)	-270 000			
<b>Total net book amount</b>	<b>100</b>			

**Summary financial information on subsidiary undertakings**

**At 31 December 2001**

Name of the company	Net book amount CZK 1 000	Total equity CZK 1 000	Total assets CZK 1 000	Revenues CZK 1 000	Profit (loss) before tax CZK 1 000
Česká finanční, s.r.o.	0	12 204 509	38 820 884	6 331 011	-5 096 755
Konpo, s.r.o. <sup>1)</sup>	100	100	23 782 882	6 041 004	-5 853 903
PRISKO a.s. <sup>1)</sup>	0	1 173 126	1 194 221	2 057 484	52 807
Revitalizační agentura, a.s.	0	26 503	35 978	8 490	-10 023
VSM ČR akciová společnost, v likvidaci <sup>2)</sup>	0	975	1 010	0	-31
Zetor, a.s. <sup>3)</sup>	0	-2 234 264	3 634 395	866 918	-627 636
<b>Total</b>	<b>100</b>				

Note: Data has been drawn from the companies' preliminary unaudited financial statements as at 31 December 2001, if not stated otherwise.

<sup>1)</sup> The companies' financial statements were available audited as at 31 December 2001.

<sup>2)</sup> The company's financial statements were available only unaudited as at 31 December 2000.

<sup>3)</sup> The company's financial statements were available only unaudited as at 30 November 2001.



**At 1 September 2001**

Name of the company	Net book amount CZK 1 000	Total equity CZK 1 000	Total assets CZK 1 000	Revenues CZK 1 000	Profit (loss) before tax CZK 1 000
Česká finanční, s.r.o.	0	12 679 990	42 074 146	2 189 126	-3 693 738
Konpo, s.r.o.	100	100	24 625 300	3 707 230	-2 962 160
PRISKO a.s.	0	1 146 273	1 167 722	822 656	25 954
Revitalizační agentura, a.s.	28,309	28 472	38 683	7 995	-8 054
<b>Total</b>	<b>28,409</b>				

Note: Data has been drawn from the companies' unaudited financial statements as at 31 July 2001.

**B. Investments in associated undertakings**

**At 31 December 2001**

Name and registered office	At cost CZK 1 000	Nominal value CZK 1 000	Share capital CZK 1 000	Share %
a) Shares:				
České aerolinie, a.s., Praha	2 052 930	946 170	2 735 510	34,59
Letov, a.s., Praha	565 829	565 829	1 798 833	31,46
Výzkumný a zkušební letecký ústav, a.s.	236 219	236 219	750 968	31,46
AERO Vodochody, a.s., Odolena Voda	1 602 342	780 606	2 691 926	29
ŠKODA HOLDING a.s., Praha	1 667 340	1 050 330	2 171 000	48,38
KORADO, a.s. Česká Třebová	86 183	287 700	840 700	34,22
ČKD DOPRAVNÍ SYSTÉMY, a.s., Praha	40 597	462 068	925 989	49,9
WALTER, a.s., Praha	627 883	1 452 545	3 163 689	45,91
b) Deposits:				
SANAKON, s.r.o., Praha	53	49	100	49
Bankovní fond penzijního nadlepení, Praha <sup>1)</sup>	500	500	25 500	1,96
<b>Total</b>	<b>6 879 876</b>	<b>5 782 016</b>		
Specific provisions (note 14)	-2 992 115			
<b>Total net book amount</b>	<b>3 887 761</b>			

<sup>1)</sup> Bankovní fond penzijního nadlepení is an associated company of the Agency through its managerial rights.



**At 1 September 2001**

Name and registered office	At cost CZK 1 000	Nominal value CZK 1 000	Share capital CZK 1 000	Share %
a) Shares:				
Zetor, a.s., Brno	3 558 742	2 070	4 139	50
České aerolinie, a.s., Praha	2 052 930	946 170	2 735 510	34,59
Letov, a.s., Praha	565 829	565 829	1 798 833	31,46
Výzkumný a zkušební letecký ústav, a.s.	236 219	236 219	750 968	31,46
AERO Vodochody, a.s., Odolena Voda	1 602 342	780 606	2 691 926	29
TATRA, a.s., Kopřivnice	1 202 694	2 586 673	5 174 382	49,99
ŠKODA HOLDING a.s., Praha	1 666 980	1 050 000	2 171 000	48,36
SPOLANA, a.s., Neratovice	728 791	2 376 671	4 998 494	47,55
KORADO, a.s. Česká Třebová	86 183	287 700	840 700	34,22
ČKD DOPRAVNÍ SYSTÉMY, a.s., Praha	40 598	462 068	925 989	49,9
WALTER, a.s., Praha	627 883	1 452 545	3 163 689	45,91
b) Deposits:				
SANAKON, s.r.o., Praha	53	49	100	49
Bankovní fond penzijního nadlepšení, Praha <sup>1)</sup>	500	500	25 500	1,96
<b>Total</b>	<b>12 369 744</b>	<b>10 747 100</b>		
Specific provisions (note 14)	-7 199 257			
<b>Total net book amount</b>	<b>5 170 487</b>			

<sup>1)</sup> Bankovní fond penzijního nadlepšení is an associated company of the Agency through its managerial rights.

**Summary financial information on associated undertakings**

**At 31 December 2001**

Name of the company	Net book amount CZK 1 000	Total equity CZK 1 000	Total assets CZK 1 000	Revenues CZK 1 000	Profit (loss) before tax CZK 1 000
České aerolinie, a.s.	2 052 930	1 831 722	9 982 347	18 581 599	-402 453
Letov, a.s.	265 374	-	-	Company in bankruptcy	
Výzkumný a zkušební letecký ústav, a.s.	236 219	846 187	893 794	181 433	6 327
AERO Vodochody, a.s.	760 652	-5 827 161	15 758 357	14 835 246	1 156 682
ŠKODA HOLDING a.s.	485 850	2 082 515	4 050 771	849 346	-709 277
KORADO, a.s.	86 183	763 119	4 374 064	3 064 319	-52 096
ČKD DOPRAVNÍ SYSTÉMY, a.s.	0	-	-	Company in bankruptcy	
WALTER, a.s.	0	597 486	1 341 113	816 587	-10 128
SANAKON, s.r.o.	53	109	440	1	-1 341
Bankovní fond penz. nadlepšení	500	194 446	831 641	2 007 338	41 238
<b>Total</b>	<b>3 887 761</b>				



Data has been drawn from the companies' preliminary unaudited financial statements as at 31 December 2001.

**At 1 September 2001**

Name of the company	Net book amount CZK 1 000	Total equity CZK 1 000	Total assets CZK 1 000	Revenues CZK 1 000	Profit (loss) before tax CZK 1 000
Zetor, a.s.	0	-2 003 364	3 802 518	595 288	-396 736
České aerolinie, a.s.	2 052 930	2 340 576	10 106 367	10 783 985	106 303
Letov, a.s.	260 848	-	-		Company in bankruptcy
Výzkumný a zkušební letecký ústav, a.s.	236 219	846 275	920 875	87 942	6 294
AERO Vodochody, a.s.	760 652	-7 249 263	12 866 574	7 850 672	-265 420
TATRA, a.s.	1 202 694	1 684 524	4 009 865	2 565 723	52 004
ŠKODA HOLDING a.s.	833 490	2 236 666	4 347 424	248 681	-551 683
SPOLANA, a.s.	728 791	4 700 436	7 772 625	5 248 428	13 295
KORADO, a.s.	86 183	756 329	4 411 512	1 649 541	-58 885
ČKD DOPRAVNÍ SYSTÉMY, a.s.	0	-	-		Company in bankruptcy
WALTER, a.s.	0	621 246	1 364 505	428 810	13 632
SANAKON, s.r.o.	53	-295	374	1	-704
Bankovní fond penz. nadlepšení	500	186 909	793 618	2 166 920	37 201
<b>Total</b>	<b>6 162 360</b>				

Note: Data has been drawn from the companies' unaudited financial statements.



**Changes in investments in subsidiary and associated undertakings in the period from 1 September 2001 to 31 December 2001**

	Subsidiary undertakings		Associated undertakings	
	At cost (CZK 1000)	Nominal value (CZK 1000)	At cost (CZK 1000)	Nominal value (CZK 1000)
<b>Balance at 1 September 2001 <sup>1)</sup></b>	<b>270 100</b>	<b>14 898 400</b>	<b>12 369 744</b>	<b>10 747 100</b>
Acquisition of Zetor, a.s.	34 416	1 976	-	-
Transfer of remaining shares of Zetor, a.s. to subsidiary undertakings	3 558 742	2 070	-3 558 742	-2 070
Acquisition of TATRA, a.s.	1 131 141	2 154 052	-	-
Transfer of remaining shares of TATRA, a.s. to subsidiary undertakings	1 202 694	2 586 673	-1 202 694	-2 586 673
Acquisition of VSM ČR akciová společnost, v likvidaci	545	500	-	-
Sale of SPOLANA, a.s.	-	-	-728 792	-2 376 671
Acquisition of ŠKODA HOLDING, a.s.	-	-	360	330
Sale of TATRA, a.s.	-2 333 835	-4 740 725	-	-
<b>Balance at 31 December 2001</b>	<b>3 863 803</b>	<b>14 902 946</b>	<b>6 879 876</b>	<b>5 782 016</b>

<sup>1)</sup> The balance at 1 September 2001 is also comprised of WALTER, a.s. shares, subscribed on 30 June 2001, however, the increase in share capital was entered into the Commercial Register on 5 October 2001.





## 9. Tangible and intangible fixed assets

### Tangible assets

	1 September 2001 CZK 1 000	Additions/Charge CZK 1 000	Disposals CZK 1 000	31 December 2001 CZK 1 000
<b>Operating</b>				
At Cost				
Land	31 723	0	0	31 723
Buildings	683 356	2 389	0	685 745
Fixtures and fittings	262 610	19 400	4 638	277 372
Other	9 934	0	0	9 934
<b>Total</b>	<b>987 623</b>	<b>21 789</b>	<b>4 638</b>	<b>1 004 774</b>
Accumulated depreciation				
Buildings	-120 443	-7 951	0	-128 394
Fixtures and fittings	-205 713	-7 489	4 640	-208 562
Other	-6 233	-363	0	-6 596
<b>Total</b>	<b>-332 389</b>	<b>-15 803</b>	<b>4 640</b>	<b>-343 552</b>
<b>Net book amount</b>	<b>655 234</b>			<b>661 222</b>
<b>Non-operating</b>				
At Cost				
Land	191	41 621	0	41 812
Buildings	32 797	376 356	0	409 153
Fixtures and fittings	5 613	5	9	5 609
Other	1 055	0	0	1 055
<b>Total</b>	<b>39 656</b>	<b>417 982</b>	<b>9</b>	<b>457 629</b>
Accumulated depreciation				
Buildings	-6 821	-364	0	-7 185
Fixtures and fittings	-5 716	-120	9	-5 827
Other	-233	0	0	-233
<b>Total</b>	<b>-12 770</b>	<b>-484</b>	<b>9</b>	<b>-13 245</b>
<b>Net book amount</b>	<b>26 886</b>			<b>444 384</b>
<b>Acquisition of tangible fixed assets</b>	<b>508</b>			<b>617 404</b>
<b>Total tangible fixed assets</b>	<b>682 628</b>			<b>1 723 010</b>

Non-operating tangible assets include tangible assets transferred from ČSOB, in accordance with the Agreement with ČSOB (note 18).



## Intangible assets

	1 September 2001 CZK 1 000	Additions/Charge CZK 1 000	Disposals CZK 1 000	31 December 2001 CZK 1 000
Cost	268 171	10 770	589	278 352
Accumulated depreciation	-170 874	-19 983	53	-190 804
<b>Net book amount</b>	<b>97 297</b>			<b>87 548</b>
<b>Acquisition of intangible fixed assets</b>	<b>0</b>	<b>1 252</b>	<b>0</b>	<b>1 252</b>
<b>Total net book amount</b>	<b>97 297</b>			<b>88 800</b>

Intangible assets consist of software.

## 10. Other assets

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Receivable from State due to loss of the Bank from 1999	12 089 207	36 089 207
Receivable from State due to loss of the Bank from 2000	0	0
Receivable from State due to loss of the Bank for the period from 1 January 2001 to 31 August 2001	35 683 988	37 933 839
Receivable from State due to loss of the Agency for the period from 1 September 2001 to 31 December 2001	16 122 466	0
Receivable from NPF (subsidiaries - note 16)	8 873 582	6 825 715
Receivables from various debtors	2 063 075	26 212
Estimated receivables	14 842	148 031
Clearing accounts for foreign currency operations	3 303	0
Settlement clearance accounts - debit balances <sup>1)</sup>	483 177	837 440
Inventories	1 182	1 147
Receivables from securities market (note 28) - shares in Západočeská energetika, a.s.	705 000	0
<b>Total</b>	<b>76 039 822</b>	<b>81 861 591</b>

<sup>1)</sup> This item mainly represents the difference between advances paid to health insurance companies for ceded receivables and actual amounts of receivables transferred to the Bank as at 31 August 2001. According to a Government regulation from December 2000, the Agency acquired receivables from health insurance companies totalling CZK 4,221,182,000 as at 31 December 2001. The receivables were fully provided.

The receivable from the State due to loss of the Bank incurred in 1999 was paid in January and February 2002 (note 28). The receivable from the NPF from losses incurred by subsidiaries was also paid in February 2002.

The Bank's loss of CZK 41,526,363,000 for the period from 1 January 2001 to 31 August 2001 will be covered by the Agency's special purpose reserve fund, CZK 3,108,642,000 (note 17), by the MF ČR, of CZK 37,933,839,000, and by the NPF, CZK 483,882,000.

The disclosed loss of the Agency from 1 September 2001 to 31 December 2001, CZK 16,122,466,000, will be covered by the Agency's reserve fund of CZK 204,405,000 (note 17) and by the MF ČR, CZK



13,872,614,000. The remaining loss of CZK 2,045,447,000 will be settled by the NPF. Receivables from the State and the NPF for payment of losses do not bear interest and are not discounted to net present value.

## 11. Amounts owed to banks and clients

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Amounts owed to central banks	11 651 574	11 998 574
Amounts owed to other banks	97 937 976	109 261 664
Payables from securities (to other banks)	2 100 000	0
Amounts owed to governmental entities (note 4)	25 402 327	6 577 978
Deposits received from clients	3 778 576	2 498 924
<b>Total</b>	<b>140 870 453</b>	<b>130 337 140</b>

### Deposits from related parties

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Deposits from subsidiary undertakings	656 702	107 261
Deposits from associated undertakings	257 447	233 931

The Agency has accepted deposits from related parties. Such deposits were accepted under substantially the same terms and conditions, including interest rates, as were prevailing at the same time for comparable transactions with other customers.

## 12. Bonds issued

As at 31 December 2001, the Agency had outstanding short-term bonds issued (deposit bills) redeemable within one year of CZK 1,455,223,000 (at 1 September 2001: CZK 1,032,212,000) and outstanding issued long-term bonds of CZK 12 billion (at 1 September 2001: CZK 12 billion). The long-term bonds issue comprises:

Issue	Notional amount ( CZK 1 000)	Maturity	Interest rate
1st	7 000 000	15 April 2004	10,875 % p.a.
2nd	5 000 000	17. March 2005	6 months PRIBOR + 0.125 %
<b>Total</b>	<b>12 000 000</b>		

The Agency has in its trading securities portfolio own bonds of nominal value CZK 200,000,000 (at 1 September 2001: CZK 200,000,000), costing CZK 201,273,000 (note 7).

## 13. Pledged assets

As at 31 December 2001 and 1 September 2001 the Agency did not have any pledged assets in respect of its own liabilities or liabilities of a third party.



## 14. General and specific provisions and write offs

As at 31 December 2001 and at 1 September 2001 the Agency had the following specific and general provisions for assets at risk:

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Specific provisions for impaired loans to clients (note 5)	72 680 829	62 692 867
General provisions for loans (note 5)	10 039 293	6 270 293
Specific provisions for investments in subsidiaries and associates (note 8)	6 855 818	7 469 257
Specific provisions for available-for-sale securities (note 7)	785 204	44 022
Specific provisions for securities held-to-maturity (note 7)	1 001 231	1 001 231
Specific provisions for trading securities (note 7)	1 075 349	1 033 075
General provisions for guarantees (note 18)	4 362 957	3 054 957
General provisions for the "black" and "other" assets from ČSOB (note 18)	29 263 482	32 130 200
General provisions for purchase of receivables	294 000	0
<b>Total</b>	<b>126 358 163</b>	<b>113 695 902</b>

### A. General provisions

	General provisions for overdue receivables CZK 1 000	General provisions for standard loans CZK 1 000	General provisions for "ring fence" assets guarantees - ČS IV CZK 1 000	General provisions for the "black" and "other" assets <sup>1)</sup> CZK 1 000	General provision for purchase of receivables <sup>2)</sup> CZK 1 000	Total CZK 1 000
1 September 2001	5 812 983	457 310	3 054 957	32 130 200	0	41 455 450
Creation	3 769 000	0	1 308 000	13 435 000	294 000	18 806 000
Release	0	0	0	-16 301 718	0	-16 301 718
<b>31 December 2001</b>	<b>9 581 983</b>	<b>457 310</b>	<b>4 362 957</b>	<b>29 263 482</b>	<b>294 000</b>	<b>43 959 732</b>

<sup>1)</sup> Certain "black" and "other" assets received in accordance with the Agreement with ČSOB recorded as at 1 September 2001 in the off balance sheet have been transferred to the Agency and recorded in the balance sheet as at 31 December 2001. General provisions created for these assets have been released and the balance sheet exposure has been covered by allowances (notes 5 and 18).

<sup>2)</sup> Purchase of receivables from Revitalizační agentura, a.s. (note 28)

As at 1 March 2000 the Bank signed a restructuring and guarantee agreement relating to the transfer of the credit risk associated with low-quality balance sheet and off-balance sheet assets of Česká spořitelna, a.s. and companies CORFINA, a.s., CORFINA TRADE, s.r.o. and CF Danube leasing, s.r.o. (hereinafter "ČS IV group"). During the year 2001, Česká spořitelna, a.s. exercised a put option with the Agency and transferred selected assets, with an associated value of CZK 4,700,000,000, into the Agency. For these transferred assets, the Bank created specific provisions amounting to CZK 3,645,043,000 (included in the specific provisions for impaired loans). The general provision for the guarantees relating to the above mentioned transfers as at 31 December 2001 was CZK 4,362,957,000.



As at 31 December 2001, the Agency created a general provision for so the called "black" and "other" assets transferred from ČSOB amounting to CZK 29,263,482,000 (note 18).

## B. Specific provisions

The movements in specific provisions can be analysed as follows:

	Impaired loans to clients CZK 1000	Trading securities CZK 1000	Available-for-sale securities CZK 1000	Securities held-to-maturity CZK 1000	Investments in subsidiaries and associates CZK 1000	Total CZK 1000
At 1 September 2001	62 692 867	1 033 075	44 022	1 001 231	7 469 257	72 240 452
Additions	20 051 763	48 776	788 837	0	34 961	20 924 337
Usage	-9 884 341	-6 502	-47 655	0	-648 400	-10 586 898
Written back <sup>1)</sup>	-179 460	0	0	0	0	-179 460
<b>At 31 December 2001</b>	<b>72 680 829</b>	<b>1 075 349</b>	<b>785 204</b>	<b>1 001 231</b>	<b>6 855 818</b>	<b>82 398 431</b>

<sup>1)</sup> Written back specific provisions for classified loans of CZK 179,460,000 includes:

- Specific provisions of CZK 12,323,000 representing repurchase differences booked as provisions when originated, in accordance with existing methodology;
- Foreign exchange differences of CZK 167,137,000 from the revaluation of provisions in foreign currencies.

Specific provisions for investments in subsidiaries and associates as at 31 December 2001 consist of CZK 3,863,703,000 (1 September 2001: CZK 270,000,000) of specific provisions for subsidiaries and CZK 2,992,115,000 (1 September 2001: CZK 7,199,257,000) of specific provisions to associates.

### Creation of specific provisions

The amount of specific provisions created in the period from 1 September 2001 to 31 December 2001 is based upon the identified risk taking into consideration the realisable value of collateral accepted and a special-purpose reserve fund (note 17). Specific provisions are created against securities and investments on individual loans.

### Specific provisions to loans (CZK '000):

	Gross impaired amounts receivable at 31 December 2001	Average in gross impaired amounts receivable from 1 September to 31 December 2001	Specific provision at 31 December 2001
Watched	558 603	226 896	25 464
Substandard	1 541 701	2 449 189	37 318
Doubtful	14 684 476	15 213 140	288 059
Loss	115 033 142	104 300 408	72 329 988
<b>Total (note 5)</b>	<b>131 817 922</b>	<b>122 189 633</b>	<b>72 680 829</b>



### C. Write-offs and recovery of amounts written off previously

	1 September - 31 December 2001	
	Amounts written off CZK 1000	Recovery of amounts written off previously CZK 1 000
State sector	183 717	0
Private clients	69 684	0
<b>Total</b>	<b>253 401</b>	<b>0</b>

### 15. Subordinated debt

The Agency had no subordinated debt as at 31 December 2001 or as at 1 September 2001.

### 16. Other liabilities

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Payables to subsidiaries for settlement of losses (note 10)	8 873 582	6 825 715
Payables to various creditors	189 426	78 887
Funds in the course of transfer	96 466	91 406
Estimated payables	156 227	162 260
Funds analogous to subsidies	110 912	110 912
Settlement clearing accounts - credit balances	0	45 512
<b>Total</b>	<b>9 426 613</b>	<b>7 314 692</b>



## 17. Equity and covering of losses

### Changes in equity

	Share capital CZK 1 000	Other capital funds CZK 1 000	Other funds CZK 1 000	Reserve fund CZK 1 000	Accumulated loss CZK 1 000	Loss of current period CZK 1 000	Total CZK 1 000
<b>As at 1 September 2001</b>	<b>5 950 000</b>	<b>38 420 375</b>	<b>5 588</b>	<b>29 319 560</b>	<b>0</b>	<b>-41 526 363</b>	<b>32 169 160</b>
Transfer of loss to Accumulated losses	0	0	0	0	-41 526 363	41 526 363	0
Use of Reserve fund	0	0	0	-3 670	0	0	-3 670
No consideration acquisition of shares of DEW-H, a.s. company	0	24	0	0	0	0	24
No consideration acquisition of high-water bonds	0	4	0	0	0	0	4
No consideration acquisition of shares of ROWNER, a.s. company	0	21	0	0	0	0	21
No consideration acquisition of shares of TEXLEN, a.s. company	0	11	0	0	0	0	11
Loss for the period 1 September - 31 December 2001	0	0	0	0	0	-16 122 466	-16 122 466
Contribution from the State for the 2001 loss	0	54 335 782	0	0	0	0	54 335 782
Usage of Capital funds for the loss of the period 1 January - 31 August 2001	0	-38 417 721	0	0	0	0	-38 417 721
Contribution to WF	0	0	1 767	-1 767	0	0	0
Drawings from WF	0	0	-749	0	0	0	-749
<b>As at 31 December 2001</b>	<b>5 950 000</b>	<b>54 338 496</b>	<b>6 606</b>	<b>29 314 123</b>	<b>-41 526 363</b>	<b>-16 122 466</b>	<b>31 960 396</b>

Czech law required that the State guarantees Agency liabilities and thus pays losses incurred by the Agency. Since 2000 the claim for settling the loss of the current period is recorded as a receivable from the State against the Capital fund, and consequently total assets are increased. The settlement of the loss from the capital fund is recorded in the following accounting period.

The Agency records a receivable from the NPF and a liability to a subsidiary (notes 10 and 16) in accordance with the agreements concluded with the NPF on covering expenses and losses of subsidiaries. This transaction has no impact on the results of the Agency.

The Bank, the legal predecessor of the Agency, has received an official interpretation of the relevant accounting legislation from the MF ČR (in its capacity as the body responsible for setting accounting standards in the Czech Republic), which was issued having regard to the State's general guarantee to cover losses of the Agency. In accordance with this interpretation, the Agency has set aside, within the statutory reserve fund, which forms part of the equity of the Agency, an amount of CZK 24,400,000,000 (1 September 2001: CZK 24,600,000,000) to cover expected losses on certain specific loans and no provision has been separately reflected for these expected losses. This reserve fund was contributed by the NPF. In the period from 1 September 2001 to 31 December 2001 the Agency released an amount of CZK 204,405,000 to cover losses related to the old block receivables (in the period from 1 January 2001 to 31 August 2001: CZK



3,108,642,000). The disclosed loss from the old block loans for the period will be covered for by the released part of the reserve fund.

## 18. Contingencies and commitments

Contingent assets and liabilities may be analysed as follows:

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
<b><u>Guarantees granted</u></b>		
On behalf of the Bank's clients	978 217	974 043
On behalf of ČS IV group clients	13 069 675	11 204 471
On behalf of Komerční banka, a.s. clients <sup>1)</sup>	20 000 000	20 000 000
<b>Total</b>	<b>34 047 892</b>	<b>32 178 514</b>
General provisions for guarantees (note 14)	-4 362 957	-3 054 957
<b>Total</b>	<b>29 684 935</b>	<b>29 123 557</b>
<b><u>Loan commitments made</u></b>		
Revocable	258 804	1 171 493
Irrevocable	5 036 198	5 741 225
<b>Total</b>	<b>5 295 002</b>	<b>6 912 718</b>
<b><u>Commitments on the cession of assets</u></b>		
ČSOB "black" assets from IPB Restructuring Plan	17 847 461	45 900 000
ČSOB "other" assets from IPB Restructuring Plan <sup>2)</sup>	11 654 000	0
General provisions to ČSOB assets from IPB Restructuring Plan	-29 263 482	-32 130 200
<b>Total</b>	<b>237 979</b>	<b>13 769 800</b>
<b><u>Guarantees received</u></b>		
From the State	2 686 044	3 708 398
From NPF <sup>1)</sup>	34 776 300	35 103 143
From other entities	410 898	798 200
<b>Total</b>	<b>37 873 242</b>	<b>39 609 741</b>
<b>Irrevocable loan commitments accepted</b>	<b>133 786 330</b>	<b>110 823 460</b>

<sup>1)</sup> This amount includes CZK 20,000,000,000 representing the Agency's guarantee for selected assets of Komerční banka, a.s. up to CZK 20,000,000,000 based on Government regulations. The losses of the Agency will be settled by the NPF according to the Agreement on the repayment of losses and expenses of Konsolidační banka, a.s. concluded on 4 May 2001 (note 26).

<sup>2)</sup> Based on the IPB Restructuring Plan Agreement the Agency will assume a part of the ČSOB "other" assets. Certain "black" assets were already transferred to the Agency (note 5).

The Agency is obliged, due to an agreement on the Restructuring Plan dated 31 August 2001 signed between its legal predecessor, the Bank, ČSOB and the MF ČR, to accept, at the request of ČSOB, selected assets acquired as a result of ČSOB's rescue of IPB at the book amount recorded by IPB on the date of acquisition plus interest to the date of transfer. This Agreement segregates the portfolio of assets of CZK 45,900,000,000, which may be transferred into so called "black assets", which ČSOB had already decided to transfer at the date of the Agreement and "other assets", for which no decision had been made at that date. Based on the Restructuring Plan, "other assets" of CZK 11,654,000,000 were transferred in the period from 1 January 2002 until these financial statements were approved. Based on an analysis performed, the Agency has created provisions of CZK 11,468,000,000 to cover the expected losses associated with the "other assets" transferred as at 31 December 2001. As of the date of approval of these financial statements, "other assets" with a net book value of CZK 23,870,700,000, have been transferred. No provision has been recorded by the Agency for these "other assets" since insufficient information was available on which to make a reliable estimate of the expected losses on this portfolio as at 31 December 2001. Further transfers





from ČSOB are expected in the second quarter of 2002. The total net book value of these transfers is estimated to be approximately CZK 70 billion for which no provision has been recorded as at 31 December 2001, also due to insufficient information.

## 19. Interest income

	Period from 1 September to 31 December CZK 1 000
Interest on inter-bank transactions	368 054
Interest on loans to clients and State	2 791 628
Interest and discount on debt securities	35 972
<b>Total</b>	<b>3 195 654</b>

An estimated amount of CZK 1,200,000,000 representing income on impaired loans was included in the period from 1 September 2001 to 31 December 2001. Overdue penalty interest of CZK 400,000,000 as at 31 December 2001 was not recorded in revenues.

## 20. Interest expense

	Period from 1 September to 31 December CZK 1 000
Interest on inter-bank transactions	2 478 718
Interest on deposits from clients and State	167 847
Interest and discount on deposit certificates and issued bonds	371 793
<b>Total</b>	<b>3 018 358</b>

## 21. Net gains (losses) from financial operations

Net gains (losses) from financial operations, including compensation interest and operating costs, for the period from 1 September to 31 December 2001 may be analysed as follows:

	Period from 1 September to 31 December CZK 1 000
Realised gains less losses from securities trading	23 381
Net gains less losses from foreign currency transactions	37 633
Compensation of property losses by the Ministry of Finance (loans to housing co-operatives) (note 5)	18 613
Net provision for unrealised losses from securities trading	-42 274
<b>Total</b>	<b>37 353</b>



## 22. Other income and expenses

	Period from 1 September to 31 December 2001 CZK 1 000
<u>Other income</u>	
Commission and fee income	14 899
Other operating income	125 705
Release of provisions	26 882 114
Extraordinary income	5 163
<b>Total</b>	<b>27 027 881</b>
<u>Other expenses</u>	
Commission and fee expense	5 064
General operating expenses	274 878
Other operating expenses	3 206 981
Additions to provisions	39 681 561
Extraordinary expenses	196 512
<b>Total</b>	<b>43 364 996</b>

General operating expenses can be analysed as follows:

	Period from 1 September to 31 December 2001 CZK 1 000
Wages and salaries	90 337
Emoluments to the members of the Board of Directors	0
Emoluments to Supervisory Board	2 262
Social insurance and other social expenses	36 418
Depreciation charges - tangible and intangible assets	36 255
Other general operating expenses	109 606
<b>Total</b>	<b>274 878</b>

### Staff statistics

	As at 31 December 2001
Average number of employees	582
Number of members of the Board of Directors	5
Number of Supervisory Board members	8

## 23. Taxation

From 1 September 2001 the income of the Agency has been non-taxable, based on the Income Tax Act.



## 24. Assets and liabilities denominated in foreign currency

	31 December 2001		1 September 2001	
	Assets (CZK 1000)	Liabilities (CZK 1000)	Assets (CZK 1000)	Liabilities (CZK 1000)
Residents	23 568 152	23 488 571	5 670 442	3 489 415
Non-residents	77 625	305 021	69 406	357 471
<b>Total</b>	<b>23 645 777</b>	<b>23 793 592</b>	<b>5 739 848</b>	<b>3 846 886</b>

## 25. Derivative financial instruments

	31 December 2001	1 September 2001
Receivables from currency spot operations	42 920	5 746
Receivables from fixed term foreign exchange derivatives	75 760	-
Receivables from fixed term share derivatives	705 000	-
<b>Total</b>	<b>823 680</b>	<b>5 746</b>
Payables from currency spot operations	42 859	5 751
Payables from fixed term foreign exchange derivatives	72 518	-
Payables from fixed term share derivatives	705 000	-
Payables from share options	51	-
<b>Total</b>	<b>820 428</b>	<b>5 751</b>

The receivables and payables from share derivatives with a nominal value of CZK 705,000,000 relate to the purchase of shares in Západočeská energetika, a.s. (notes 10 and 28) settled in January 2002.

As at 1 September 2001, the Agency had no outstanding financial derivative contracts.

The Agency is obliged to accept, at the request of ČSOB, selected assets acquired on ČSOB's rescue of IPB (note 18). The Agency has the right to request that it can purchase some of the "other assets" at their book amount as described in note 18. On serving such a request, ČSOB has the right to keep the "other asset" selected only when ČSOB announces this fact to the Agency within 15 days of the Agency's announcement of the selection of the asset. Notwithstanding the above, the Agency can require ČSOB to transfer any other asset relating to a Restructuring/Revitalisation Program of the Agency or its subsidiaries. The Government of the Czech Republic approved these programs. The fair value of these rights and obligations cannot be reliably stated.

The total impact of the exercise of the respective put and call options is the same to the Agency and has been provided for as described in note 18.



## 26. Total exposure to state and NPF

	31 December 2001 CZK millions	1 September 2001 CZK millions
Guarantees from State (note 18)	2 686	3 708
Receivable from State due to repayment of losses (note 10)	63 896	74 023
<b>Total exposure to State</b>	<b>66 582</b>	<b>77 731</b>
Guarantees issued by NPF (note 18) <sup>1)</sup>	34 776	35 103
Receivable from NPF due to repayment of losses of the subsidiaries (note 10)	8 874	6 826
Loan granted to NPF	22 217	26 217
<b>Total exposure to NPF</b>	<b>65 867</b>	<b>68 146</b>
<b>Total</b>	<b>132 449</b>	<b>145 877</b>

<sup>1)</sup> Guarantees issued by NPF include CZK 20,000,000 to cover the Agency's potential losses from asserted guarantee rights relating to selected assets of Komerční banka, a.s.

## 27. Residual maturities of financial assets and liabilities

At 31 December 2001

ASSETS	Within 3 months CZK 1 000	3 - 12 months CZK 1 000	1 - 2 years CZK 1 000	2 - 4 years CZK 1 000	4 - 5 years CZK 1 000	Over 5 years CZK 1 000	Not specified CZK 1 000	Total CZK 1 000
Due from banks	26 839 456	0	0	0	0	5 500 000	0	32 339 456
Intergroup loans	2 708 087	4 759 790	7 517 413	22 897 484	138 715	91 599	4 567 465	42 680 553
Loans to other clients	17 641 720	14 489 823	3 566 526	5 189 958	1 880 863	12 826 690	96 457 302	152 052 882
Trading securities	3 255	47 387	0	563 353	198 800	0	0	812 795
Investment securities	0	0	0	0	0	0	10 743 679	10 743 679
Other financial assets	14 904 423	64 287 459	238 195	185 058	0	0	4 224 217	83 839 352
<b>Total financial assets</b>	<b>62 096 941</b>	<b>83 584 459</b>	<b>11 322 134</b>	<b>28 835 853</b>	<b>2 218 378</b>	<b>18 418 289</b>	<b>115 992 663</b>	<b>322 468 717</b>
<b>LIABILITIES</b>								
Due to banks	9 281 547	19 687 458	19 129 680	29 890 547	6 816 828	26 883 490	0	111 689 550
Due to clients	23 653 903	5 527 000	0	0	0	0	0	29 180 903
Securities issued	806 692	648 531	0	12 000 000	0	0	0	13 455 223
Other financial liabilities	9 234 300	741 143	0	0	0	2 456	78 628 495	88 606 394
<b>Total financial liabilities</b>	<b>42 976 442</b>	<b>26 604 132</b>	<b>19 129 680</b>	<b>41 890 547</b>	<b>6 816 828</b>	<b>26 885 946</b>	<b>78 628 495</b>	<b>242 932 070</b>



At 1 September 2001

ASSETS	Within 3 months CZK 1 000	3 - 12 months CZK 1 000	1 - 2 years CZK 1 000	2 - 4 years CZK 1 000	4 - 5 years CZK 1 000	Over 5 years CZK 1 000	Not specified CZK 1 000	Totalkem CZK 1 000
<b>Due from banks</b>	9 274 123	200 000	0	0	0	5 500 000	0	14 974 123
Intergroup loans	0	3 163 228	7 783 677	26 053 600	0	3 899	0	37 004 404
Loans to other clients	19 270 491	19 860 266	3 330 746	6 373 929	1 680 401	12 740 738	84 192 304	147 448 875
Trading securities	4 640	23 792	0	757 583	0	0	0	786 015
Investment securities	0	0	0	0	0	0	12 639 844	12 639 844
Other financial assets	8 119 998	74 484 898	0	0	0	0	1 893 713	84 498 609
<b>Total financial assets</b>	<b>36 669 252</b>	<b>97 732 184</b>	<b>11 114 423</b>	<b>33 185 112</b>	<b>1 680 401</b>	<b>18 244 637</b>	<b>98 725 861</b>	<b>297 351 870</b>
<b>LIABILITIES</b>								
Due to banks	8 482 906	13 861 212	18 555 536	39 420 871	4 560 412	36 379 301	0	121 260 238
Due to clients	9 075 902	1 000	0	0	0	0	0	9 076 902
Securities issued	250 621	781 591	0	12 000 000	0	0	0	13 032 212
Other financial liabilities	7 239 697	534 576	0	0	0	2 653	76 043 468	83 820 394
<b>Total financial liabilities</b>	<b>25 049 126</b>	<b>15 178 379</b>	<b>18 555 536</b>	<b>51 420 871</b>	<b>4 560 412</b>	<b>36 381 954</b>	<b>76 043 468</b>	<b>227 189 746</b>

## 28. Subsequent events

### Acquisition of shares in Západočeská energetika, a.s.

In accordance with Czech Government decision No. 940 of 17 September 2001 and the declaration of the MF ČR No. 04/71983/2001 of 26 September 2001, the Agency acquired shares in Západočeská energetika, a.s. at a cost of CZK 705,000,000 effective 17 January 2002. The Agency had already advanced this amount as at 31 December 2001 (note 10). The Agency has not created any provisions for this participation interest based on the agreement dated 4 February 2002 on the settlement of potential losses of the Agency resulting from the increased influence of the State in Západočeská energetika, a.s. with respect to the privatisation of the energy sector.

### Repayment of losses of the Bank for the year 1999

Based on Act No. 21/1992, the Act on Banks and Act No. 239/2001, on Česká konsolidační agentura, the Agency obtained repayment of losses incurred by the Bank for 1999 from the MF ČR as follows: CZK 6,000,000,000 on 28 January 2002 and CZK 6,089,207,000 on 26 February 2002. The loss of the Bank for the year 1999 has therefore been fully covered by these repayments (note 10).

### Transfer of IPB assets from ČSOB to the Agency

Based on the Restructuring Plan Agreement dated 31 August 2001 between ČSOB, the Bank and the Czech Republic represented by the MF ČR, the Agency took over from ČSOB, CZK 17,847,461,000 of IPB's so called "black" assets during the period from 1 January 2001 to the date of approval of these financial statements. The Agency has released general provisions covering expected losses created before the date of transfer to eliminate risks on these assets, and has created specific provisions of CZK 17,562,482,000 to cover estimated expected losses from the acquired portfolio (note 18).



## **Transfer of assets from Komerční banka, a.s. to the Agency**

Based on the Guarantee agreement dated 21 December 2000 between Komerční banka, a.s. and the Bank/Agency, the Board of Directors of the Agency decided to purchase Komerční banka, a.s. receivables against KORAMO, a.s. with a book value of CZK 105,900,000 on 4 February 2002 and against TUSCULUM, a.s. with a book value of CZK 209,500,000 on 25 February 2002. Expected losses should be covered by the NPF guarantee over the entire scheme (note 18).

## **Return of ceded receivables from pilot portfolio in the Agency**

The Bank sold for CZK 1,352,630,000 a pilot portfolio of 503 receivables with a total value CZK 19,051,121,000 on 25 April 2001 to CDV-1, Ltd.

Based on the Master agreement covering the cession of the pilot portfolio and amendment to this agreement dated 5 February 2002, the Agency took over 48 receivables against 18 clients with a nominal amount of CZK 3,000,000,000 for CZK 98,291,000 from CDV-1, Ltd. This return of receivables did not materially impact the Agency's financial position.

## **Refinancing loan repayment**

In accordance with the repayment schedule, the Agency repaid CZK 2,746,000,000 of the refinancing loan to Komerční banka, a.s. on 25 March 2002. The purpose of this loan was to refinance receivables transferred from Komerční banka, a.s. to the Bank in 1999 based on the Czech Government decision No. 820/1999. This loan is included in Amounts owed to banks (note 11).

## **Transfer of assets from Česká spořitelna, a.s. into the Agency**

The Bank signed a Restructuring and guarantee agreement with Česká spořitelna, a.s. (hereinafter referred to as "CS") on 1 March 2000. In accordance with special arrangements of this agreement, CS has the right to exclude items which will remain in its portfolio and will not be ceded to the Agency as so called "Spin-off items". This right must be executed before 31 May 2002. Simultaneously, within the period from 30 September to 31 December 2001, CS was entitled to provide the Agency with a list of "Spin-off items" to be covered by guarantees of the Agency. The list will become effective as at 30 June 2002.

Based on CS's notification there will be a transfer of 989 items with a book value of CZK 12,269,400,000 and a sales value of CZK 9,071,700,000 as at 31 December 2001.

It is probable that as at the effective date of the list of "spin-off items", certain receivables will have been repaid and CS also expects to exclude some receivables. Consequently, the management of the Agency estimates that receivables ceded at 30 June 2002 will have a balance sheet value of CZK 8,500,000,000. The purchase price of these receivables is estimated by the Agency at CZK 6,400,000,000 and will be settled on 22 July 2002 according to the above mentioned agreement. The agreements for the transfer will be signed during June 2002. The expected losses from the assets to be transferred are covered by a general provision created by the Agency for the guarantee provided on behalf of ČS IV group clients (note 18) as at 31 December 2001.

## **Revitalizační Agentura, a.s.**

Revitalizační agentura, a.s. - a subsidiary of the Agency - concluded, in connection with the Czech Republic Government decisions No. 504 and No. 1193 from 2000, agreements on the purchase of receivables from Vítkovice, a.s. as part of Vítkovice, a.s.'s restructuring. The amount for consideration is CZK 487,000,000. The nominal value of these receivables is CZK 646,000,000. These receivables will be ceded to the Agency. The Agency has created a provision to cover expected losses arising from this transaction, CZK 294,000,000, as at 31 December 2001 (note 14).

## **Odien Restructuring Services, s.r.o.**

On 3 April 2002, Odien Restructuring Services, s.r.o. (hereinafter referred to as "Odien") with whom the Agency entered into service agreements for restructuring and identification of strategic partners for its stakes in Tatra, Zetor, Hutní montáže and Škoda Holding, brought an arbitration action against the Agency with the International Court of Arbitration in London.

As part of this action, Odien asserts that the Agency broke its contractual obligations arising from the above agreements (particularly with respect to the success fee, the Agency's failure to enter into a service



agreement for an additional fifth company, and claims arising from the alleged impairment of Odien's reputation due to press statements made by the Agency's representatives).

The total sum claimed by Odien from the Agency amounts to approximately USD 4,600,000. The Agency has denied all of these claims in their entirety before the arbitration court and on the contrary, it claims the recovery of the payment of compensation for damage allegedly caused to the Agency by Odien with the proviso that the amount to be claimed will be assessed by the Agency at a later date.

Therefore, the final amount of compensatory payment which the Agency will be obliged to pay to Odien, or which Odien will be obliged to pay to the Agency, depends on the verdict of the arbitration tribunal, which is, as agreed by the parties, binding upon the parties and enforceable without the recourse of court review.

As the Agency is not able to make a reliable estimate of any future settlement, it has not created any provisions, nor has it reflected any receivable, arising from these actions as at 31 December 2001.

### **Sale of Zetor, a.s.**

The Agency recommended the Slovak company HTC Holding, a.s. to take over the Brno-based tractor maker, Zetor, a.s. The Agency's Board of Directors, Supervisory Board and the Government of the Czech Republic had already approved the bidder. The Agency has created provisions to cover expected losses from the sale as at 31 December 2001.

### **Osinek, a.s.**

The Antimonopoly Office questioned the role of the State-owned company Osinek, which has funded Vítkovice steelworks for two years through loans of CZK 1.8 billion and CZK 1.0 billion from the Agency/Bank. Currently, the Antimonopoly Office has not yet finished its investigation and the final verdict has subsequently not been made. However, if the decision of the Antimonopoly Office is unfavourable to Osinek, Osinek's financing of Vítkovice would be deemed to be an unlawful public subsidy and Osinek could, potentially, be unable to cover all of its liabilities. The Agency's total exposure to Osinek is CZK 2,343,896,000. The Agency has not created any provisions against this exposure, as the exposure is entirely covered by a guarantee of the NPF.



# CONSOLIDATED FINANCIAL STATEMENT, FROM 1 SEPT 2001 TO 31 DEC 2001

## REPORT OF INDEPENDENT AUDITORS TO THE BOARD OF DIRECTORS AND SUPERVISORY BOARD OF ČESKÁ KONSOLIDAČNÍ AGENTURA



PricewaterhouseCoopers Audit, s. r. o.

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IČ 40765521

We have audited the accompanying consolidated balance sheet of Česká konsolidační agentura and its subsidiaries Česká finanční, s.r.o., Prisko a.s. and Konpo, s.r.o. as at 31 December 2001 (hereinafter referred to as "the Group"), the related consolidated income statement and notes, for the period from 1 September 2001 to 31 December 2001 presented in the annual report of Česká konsolidační agentura ("the consolidated financial statements"). The consolidated financial statements and underlying accounting records are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

The accompanying consolidated financial statements are not intended to present the assets, liabilities and equity and the results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than the Czech Republic. Accordingly the accompanying consolidated balance sheet, the related consolidated income statement and consolidated notes are not designed for those who are not informed about Czech accounting principles, procedures and practices.

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

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the assets, liabilities and equity of the Group as at 31 December 2001, and the results of its operations for the period from 1 September 2001 to 31 December 2001 in accordance with the Act on Accounting and other relevant legislation of the Czech Republic.

Without qualifying our opinion, we draw attention to Note 17 to the consolidated financial statements, which explains that the Konsolidační banka Praha, s. p. ú, the legal predecessor of Česká konsolidační agentura, has received an official interpretation of the relevant accounting legislation by the Ministry of Finance (in its capacity as the body responsible for setting accounting standards in the Czech Republic), which was issued having regard to the State's general guarantee to cover losses of Česká konsolidační agentura. In accordance with this interpretation, the Group has set aside within the statutory reserve fund, which forms part of the equity of the Group, an amount of CZK 24.4 billion to cover expected losses on certain specific loans and no provision has been separately reflected for these expected losses.

We have examined whether the supplementary financial information included in the annual report of the Group, which does not form part of the consolidated financial statements for the year ended 31 December





2001, is consistent with the audited consolidated financial statements of the Group. In our opinion, all other supplementary information included in the annual report is consistent with the audited consolidated financial statements in all material respects.

20 April 2002

The logo for PricewaterhouseCoopers, written in a cursive script.

PricewaterhouseCoopers Audit, s. r. o.

A handwritten signature in cursive script, likely belonging to Paul Cunningham.

Paul Cunningham  
partner

A handwritten signature in cursive script, likely belonging to Petr Kříž.

Ing. Petr Kříž  
Auditor, Licence No. 1140



## CONSOLIDATED BALANCE SHEET - ASSETS

(CZK 1 000)

Item No.	Item	31 December 2001			1 September 2001
		Gross	Provision	Net	Net
		1	2	3	4
1	Cash, balances due from central banks, post giro accounts	13 380	0	13 380	8 101
2	Treasury Bills and other bills rediscountable with central bank	2 100 000	0	2 100 000	0
	Treasury Bills and other bills issued by the State	0	0	0	0
	Other bills rediscountable with central bank	2 100 000	0	2 100 000	0
3	Due from other banks	32 560 904		32 560 904	15 269 625
	Receivable on demand	302 426	0	302 426	373 882
	Other	32 258 478	0	32 258 478	14 895 743
	Of which: Subordinated loans	5 500 000	0	5 500 000	5 500 000
4	Due from clients	207 940 996	95 878 569	112 062 427	113 224 656
	Receivable on demand	50 018	0	50 018	3 899
	Other	207 890 978	95 878 569	112 012 409	113 220 757
	Of which: Subordinated loans	0	0	0	0
5	Bonds and other fixed income securities in trading portfolio	1 888 144	1 075 349	812 795	1 186 018
	Issued by banks	204 145	2 091	202 054	204 621
	Of which: Own bonds	204 145	2 091	202 054	204 621
	Issued by other entities	1 683 999	1 073 258	610 741	981 397
6	Shares and other equities in trading portfolio	0	0	0	0
7	Unconsolidated equity investments	13 006 473	6 855 818	6 150 655	7 433 380
8	Other investments	4 165 947	1 786 435	2 379 512	506 830
9	Intangible assets	292 949	195 514	97 435	99 877
10	Tangible fixed assets	2 530 896	406 511	2 124 385	1 076 498
	Land and building used for banking operations	1 115 252	150 509	964 743	971 284
	Other	1 415 644	256 002	1 159 642	105 214
11	Own shares	0	0	0	0
12	Other assets	89 138 302	2 270 130	86 868 172	94 980 728
13	Unpaid own capital issued and called	0	0	0	0
14	Prepayments and accrued income	452 778	0	452 778	641 789
	<b>Total Assets</b>	<b>354 090 769</b>	<b>108 468 326</b>	<b>245 622 443</b>	<b>234 427 502</b>



## CONSOLIDATED BALANCE SHEET - LIABILITIES AND EQUITY

(CZK 1 000)

Item No.	Item	31 December 2001	1 September 2001
		5	6
1	Due from other banks	125 438 660	135 865 841
	Payable on demand	0	0
	Other	125 438 660	135 865 841
2	Due to clients	28 560 117	9 005 488
	Deposits	0	0
	Other payables	28 560 117	9 005 488
	Of which: Payable on demand	1 580 753	2 104 106
3	Certificates of deposits and similar debentures	12 292 663	12 282 252
4	Accruals and deferred income	3 244 634	2 875 282
5	General provisions	43 959 733	41 455 450
	Provisions for pass loans and guarantees	4 820 267	3 512 267
	Provision for foreign exchange losses	0	0
	Provisions for other banking risks	0	0
	Other provisions	39 139 466	37 943 183
6	Subordinated debt	0	0
7	Other liabilities	605 872	1 240 480
8	Share capital	5 950 000	5 950 000
9	Capital and Revenue Reserves	54 439 256	38 520 117
	Capital Reserves	54 417 433	38 499 312
	Other Revenue Reserves	21 823	20 805
10	Reserves	38 766 915	35 712 209
	Legal Reserve	38 766 915	35 712 209
	Own Shares Redemption Reserve	0	0
	Statutory Reserve	0	0
11	Retained earnings / (loss)	-48 479 617	-48 479 617
12	Profit / (loss) for the year	-19 155 790	0
13	Minority interest	0	0
	<b>Total liabilities</b>	<b>245 622 443</b>	<b>234 427 502</b>



## CONSOLIDATED OFF BALANCE SHEET

(CZK 1 000)

Item No.	Item	31 December 2001	1 September 2001
1	Contingent liabilities	34 047 892	32 178 514
	including:		
	Accepted or endorsed bills of exchange	0	0
	Guarantees granted	34 047 892	32 178 514
	Assets pledged as collateral	0	0
2	Other irrevocable commitments	5 036 198	5 741 225
3	Receivables from spot, forward and option contracts	823 680	723 766
4	Liabilities from spot, forward and option contracts	820 428	1 153 912



## CONSOLIDATED PROFIT AND LOSS ACCOUNT

(CZK 1 000)

Item No.	Item	Current accounting period1	
		September 2001 - 31 December 2001	
1	Interest and similar income		3 755 085
	Interest income from fixed income securities		35 972
2	Interest and similar expense		3 256 151
	Interest expense on fixed income securities		353 242
3	Income from dividends		
	Income from shares and other equities		0
	Income from investments in associated undertakings		0
	Income from investments in subsidiary undertakings		0
	Income from other equity investments		0
4	Fee and commission income		14 782
5	Fee and commission expense		5 198
6	Gains (losses) from financial operation		11 532
7	Other income		1 961 412
8	General operating expenses		415 452
	Staff costs		204 147
	Other operating expenses		211 305
9	Additions to provisions on fixed assets		0
	Additions to general provisions on fixed assets		0
	Additions to specific provisions on tangible fixed assets		0
	Additions to specific provisions on intangible assets		0
10	Additions to provisions for fixed assets		0
	Use of general provisions for fixed assets		0
	Use of specific provisions for tangible fixed assets		0
	Use of specific provisions for intangible assets		0
11	Other expenses		6 601 254
12	Additions to provisions for loans and guarantees		42 374 005
13	Use of provisions for loans and guarantees		28 068 838
14	Additions to provisions for investments		34 961
15	Use of provisions for investments		648 400
16	Additions to provisions for securities available for sale		788 837
17	Use of provisions for securities available for sale		47 655
18	Additions to other provisions		0
19	Use of other provisions		0
20	Income tax on ordinary activities		0
21	Net profit (loss) on ordinary activities		-18 968 154
22	Extraordinary income		9 299
23	Extraordinary expense		196 935
24	Income tax on extraordinary activities		0
25	Net profit (loss) on extraordinary activities		-187 636
<b>26</b>	<b>Net profit (loss) for the year</b>		<b>-19 155 790</b>



# ČESKÁ KONSOLIDAČNÍ AGENTURA: NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD FROM 1 SEPTEMBER 2001 (INCEPTION) TO 31 DECEMBER 2001

## 1. General information

The ČKA Group ("the Group") consists of four companies and employs over 850 people. The parent company of the Group is Česká konsolidační agentura ("the Agency"). The other consolidated companies are Česká finanční, s.r.o. ("Česká finanční" or "ČF"), Konpo, s.r.o. ("Konpo") and Prisko a.s. ("PRISKO").

### A. Agency

The Agency was incorporated on 1 September 2001 in accordance with the Act on Česká konsolidační agentura, No. 239/2001 as the legal successor of Konsolidační banka Praha, a State financial institution ("the Bank").

The registered office of the Agency is located at Janovského 438/2, Prague 7.

The Agency administers receivables assumed and purchased from commercial banks. Other core activities of the Agency include revitalising and restructuring programs, the financing and support of important development projects of large Czech companies, and long term social, transportation, telecommunication, water and environmental infrastructure projects.

Whilst the Agency retains most of the original activities of the Bank, it does not retain the status of a bank as its activities do not include taking customer deposits or the provision of loans. The Ministry of Finance of the Czech Republic ("MF ČR") has issued a binding representation that the liabilities of the Agency will be fully guaranteed by the State.

Related to the transformation of the Bank, new members of statutory bodies were appointed, effective from 1 September 2001.

#### Members of the Board of Directors as at 31 December 2001:

Name	Position
Pavel Řežábek	Chairman and general director
Jan Liška	Member and Head of department
Zlata Gröningerová	Member and Head of department
Libor Svoboda	Member and Head of department
Jiří Jurán	Member and Head of department from 1 October 2001

#### Members of the Banking Board of the Bank as at 31 August 2001:

Name	Position
Pavel Řežábek	Chairman
Jan Liška	Member
Zlata Gröningerová	Member



**Members of the Supervisory Board as at 31 December 2001:**

Name	Position
Vlastimil Tlustý	Chairman
Josef Hojdar	Vice-Chairman
Vladimír Doležal	Member
Libor Ježek	Member
Milan Urban	Member
Miloslav Vlček	Member
Michal Doktor	Member
Pavel Tollner	Member

**Members of the Supervisory Board of the Bank as at 31 August 2001:**

Name	Position
Eduard Janota	Chairman
Ivan Salinger	Vice-Chairman
Pavel Balek	Member
Ladislav Zelinka	Member
Jiří Šiman	Member

**B. Prisko**

PRISKO was incorporated on 1 October 1992, and has its registered office at Janovského 438/2, 170 00 Praha 7. PRISKO's business activity is the management and settlement of assets and liabilities relating to the privatised assets of Škoda Mladá Boleslav. The sole shareholder from 15 April 1996 was the Bank and from 1 September 2001, its legal successor, the Agency.

**Members of the Board of Directors as at 31 December and 31 August 2001:**

Name	Position
Olga Mihalčíková	Chairman
Blanka Knyblová	Vice-Chairman
Zlata Gröningerová	Member

**Members of the Supervisory Board as at 31 December and 31 August 2001:**

Name	Position
Pavel Řežábek	Chairman
Martin Drinka	Vice-Chairman
Roman Dziadkiewicz	Member



## C. Konpo

Konpo was incorporated on 25 January 2000 and had its registered office at Prague 1, Na Příkopě 3-5, 111 21. The Company requested a change in the Commercial register to record the new location of its registered office. The new address is Prague 1, Na Příkopě č.p. 390/ III. This change was recorded on 25 March 2002.

Konpo's business activities are:

- purchase and sale of receivables;
- providing administrative and technical support services to banks (auxiliary banking services);
- administration of receivables;
- collection of receivables (by administrative methods);
- acting as a real estate property agency.

Konpo was founded on 7 January 2000 by Komerční banka, a.s. ("KB"), the sole owner. With effect from 16 March 2000 the sole owner was the Bank and from 1 September 2001 the sole owner is the Bank's legal successor, the Agency.

### The statutory representatives as at 31 December 2001:

Name	Position
Pavel Obruča	Statutory representative and Managing Director
Zdeněk Čáp, Ph.D.	Statutory representative and 1st Deputy Managing Director

### The statutory representatives as at 31 August 2001:

Name	Position
Štěpán Pecka	Statutory representative and Managing Director
Petr Smejkal	Statutory representative and 1st Deputy Managing Director

### Members of the Supervisory Board as at 31 December and 31 August 2001:

Name	Position
Zlata Gröningerová	Chairman
Pavel Řežábek	Vice-Chairman
Jan Liška	Member
Jaromír Hejda	Member
Pavel Suchý	Member
Luděk Vilím	Member

All potential and actual losses of Konpo are covered by the Agency based on an Agreement concluded between the Bank (currently the Agency) and Konpo. The agreement covers items including the payment of costs and coverage of losses incurred by Konpo in relation to KB's asset restructuring operations performed in connection with the privatisation of KB. All potential and actual losses of Konpo are ultimately covered by the National Property Fund ("NPF") and repaid through the Agency. Therefore, Konpo only creates provisions for additions to administrated assets caused by the posting of interest and penalty interest and for bankruptcies declared after the time of the transfer of assets from KB.

NPF provides Konpo, via the Agency, quarterly funding in the form of advances utilised to cover Konpo's costs and losses. At the end of the year, Konpo performs a comparison of actual losses, based on audited





financial statements, to anticipated losses. Any favourable difference is paid back. Any adverse difference is settled by the NPF via the Agency.

## D. Česká finanční

Česká finanční was entered in the Commercial Register held by the City court in Prague, section C, no. 47185, on 2 July 1992 and it has registered offices located at Hybernská 18, Prague 1.

The scope of ČF activities are:

- purchase of merchandise for further sale and resale - except for merchandise stated in the Appendix to Act No. 455/1991 Col. and merchandise excluded by that Act;
- performance of forfeiting and factoring transactions;
- economic and organisational advice;
- recovery of receivables by administrative methods;
- provision of administrative and technical services for banks (auxiliary banking services);
- administration of data, database services, and network administration services. Effective from 9 July 2001, an amendment was made to the Commercial Register on 4 February 2002 to reflect this change;
- real estate activities - renting real estate. Effective from 23 April 2001, an amendment was made to the Commercial Register on 4 February 2002 to reflect this change.

The core activity of ČF is the administration of assets (i.e. loan receivables, securities and equity interests) taken over by ČF as part of the Program of stabilising the banking sector in the Czech Republic, as approved by Czech Government Resolution No. 539 ("the Stabilisation Program"), dated 16 October 1996 and the Program declared by the Czech National Bank ("ČNB"), primarily in connection with the merger of smaller banks ("the Consolidation Program").

### The statutory representatives at 31 December 2001:

Name	Position
Vladimír Franc	Managing Director
Pavel Obruča	1st Deputy Managing Director
Jiří Pivrnec	Deputy Managing Director

### The statutory representatives at 31 August 2001:

Name	Position
Vladimír Franc	Managing Director
Pavel Obruča	1st Deputy Managing Director
Petr Štýbr	Deputy Managing Director



## The members of the Supervisory board as at 31 December and 31 August 2001:

Name	Position
Libor Svoboda	Chairman
Pavel Řežábek	Vice-Chairman
Dagmar Polanská	Member
Jan Schmidt	Member
Markéta Povejšilová	Member
Petra Lasotová	Member

The sole shareholder from 29 June 2000 (the date of acquisition from ČNB) to 1 September 2001 was the Bank and from 1 September 2001 its legal successor, the Agency.

The Stabilisation Program is funded by the Agency, the legal successor of the Bank. The realised and potential costs and losses generated within the Stabilisation Program are covered by an Agreement signed by ČF and the Agency. All potential and actual losses incurred by ČF in realising the Stabilisation and Consolidation Programs are ultimately covered by the NPF.

The Consolidation Program is financed by ČNB. The losses generated within this Program are covered by ČNB on the basis of an Agreement on the repayment of costs from operating activities and the settlement of losses from assets transferred within the Consolidation Program. In accordance with this agreement the loss is covered by the ČNB to the extent that such losses exceed the capital of the Company as at 29 June 2000. As a result, no provisions are recorded against the assets mentioned above to the extent that these exceed this amount.

## 2. Accounting policies

### A. Basis of preparation

The consolidated financial statements of the Group, being comprised of a balance sheet, an income statement and accompanying Notes, are prepared based on the MF ČR guideline in accordance with the Act on Accounting, the Chart of accounts and accounting procedures for banks and some financial institutions and relevant regulations and decrees of the Czech Republic. Accounts of consolidated subsidiaries which are based on the Chart of accounts and accounting procedures for non-financial institutions has been adjusted for material differences in comparison to the Chart of Accounts and accounting procedures for banks. The consolidated financial statements were prepared by the Group under the accrual principle and the historical cost convention as modified by the revaluation to fair value of derivatives.

The consolidated financial statements are prepared for the period from 1 September 2001 to 31 December 2001 and include the accounts of the Agency, all subsidiaries controlled by the Agency, other than those excluded because of the reasons listed below. The amounts are rounded to thousands of Czech Crowns (CZK'000) unless stated otherwise.

In compliance with Czech accounting legislation, the Group did not perform full consolidation with certain subsidiary companies or equity consolidation with associated companies for the period from 1 September 2001 to 31 December 2001 for the following reasons:

- Companies with immaterial balance sheet amounts from the consolidation point of view: Revitalizační agentura, a.s., Sanakon, s.r.o. and Bankovní fond penzijního nadlepení;
- Companies in bankruptcy proceedings, in liquidation, or insolvent: VSM ČR, a.s. in liquidation, Baska, a.s. in liquidation, COOP BANKA, a.s. in liquidation, Ekoagrobanka, a.s. in liquidation, Banka Bohemia, a.s. in liquidation, H-SYSTEM a.s. and 1. českoamerická realitní společnost, a.s. in liquidation;
- Companies for which the management of the Group expects the shares to be transferred or a sale process to be commenced during 2002: Zetor, a.s., H-SYSTEM LUXUS a.s., Spolek pro chemickou a hutní výrobu, a.s., COLORLAK, a.s.
- Companies which are not financial institutions nor do they provide banking support services to the Agency: WALTER, a.s., České aerolinie, a.s., Letov, a.s., VZLÚ, a.s., AERO Vodochody, a.s., Škoda holding, a.s., Korado, a.s., ČKD Dopravní systémy, a.s.



Subsidiary companies included in the Group consolidation i.e. PRISKO, Konpo and Česká finanční are fully consolidated within rules defined for banks. In accordance with the Czech rules for full consolidation, the following steps have been made:

- Items of the separate financial statements of the companies consolidated were combined on a line-by-line basis;
- Items treated differently in consolidated subsidiaries were reclassified in accordance with the defined consolidation rules to be in accordance with the Agency's accounting policies;
- Measurement policies which are materially different in consolidated subsidiaries than the Agency's accounting policies were adjusted on consolidation;
- All significant intergroup balances and transactions were eliminated.

In accordance with the Czech consolidation rules, the consolidation of the Group was prepared based on the statutory accounts of consolidated companies. In particular, as a result no account is taken of subsequent events which occurred after the date of signing of the holding company financial statements.

## **B. Methods of measurement of assets and liabilities**

The Group records tangible and intangible fixed assets at cost. Securities and investments are recorded under the principles disclosed in Note 2D. Other receivables and payables, cash, stamps and vouchers are stated at nominal values. Purchased receivables are initially stated at cost. Where possible to determine, financial derivatives are recorded at fair value; in other cases financial derivatives are shown at cost. Asset impairment is reflected in the measurement of its carrying amount in accordance with the prudence principle, unless its value is supported by a guarantee or other compensation mechanism from a third party. Such support is recognised as part of the carrying value of such an asset.

Repairs and maintenance expenditures are charged to expenses as incurred. Improvement expenditures (i.e. expenditures enhancing the value of property) exceeding CZK 40,000 per unit within a period of one year are capitalised.

## **C. Foreign currencies**

Assets and liabilities of the Group denominated in foreign currencies were, at the balance sheet date, translated and recorded at the exchange rate announced by ČNB.

Realised and unrealised exchange rate gains and losses incurred from assets and liabilities denominated in foreign currencies are calculated based on the movements of exchange rates announced by ČNB and are recognised in net results from financial transactions. Exchange rate gains and losses from currency derivatives as well as changes in the fair value of those currency derivatives are also included in net results from financial transactions.

## **D. Securities**

Securities (other than investments in subsidiary and associated undertakings) held by the Group are allocated to one of the following three portfolios of securities:

### **Trading securities**

Trading securities are securities, which were either acquired for generating profit from short-term fluctuations in price or dealer's margin, securities purchased in repo operations or securities acquired under borrowing contracts. Trading securities are recognised at the lower of cost excluding expenses incurred in connection with their acquisition and market value based on quoted market prices on an individual basis.

All related realised gains and losses are included in net results from financial transactions. Spot purchases and sales are recognised on a settlement date basis. Forward trades are recognised as derivatives on the trade date. Interest earned on trading securities is reported as interest income from securities.

### **Investment securities held-to-maturity**

Investment securities held-to-maturity are debt securities with fixed maturity where the Group has both the intent and the ability to hold them to maturity. Investment securities held-to-maturity are measured at amortised cost, including any provision for impairment.



No provision for securities assigned within the Consolidation Program has been created to the extent that the valuation is secured by the agreement with ČNB (Note 1D). Securities assigned within the Stabilisation Program are not provided for either because they are secured on guarantees of individual banks and on the co-surety provided by the NPF (Note 1D).

### **Available-for-sale securities**

Available-for-sale investment securities are neither trading securities nor securities held to maturity. They are comprised mainly of shares in companies other than in subsidiaries and associates. The Group measures available-for-sale securities at the lower of cost and fair value based on quoted market prices. For unquoted equity instruments the valuation is estimated using the Group's share of net assets in the issuer's equity.

## **E. Securities financing arrangements**

Securities purchased or borrowed under agreements to resell (resale or reverse repo agreements) are trading securities. These securities are recognised at fair value together with the corresponding liability, if the Group is allowed to sell or pledge them to a third party. Securities sold or lent under agreements to repurchase (repo agreements) might be trading securities, securities available-for-sale or securities held-to-maturity. They are retained in their original portfolio and valued under the same method of valuation as used prior to entering into the repo agreements. These agreements are recorded on a settlement date basis and are carried at the amounts at which the securities were initially acquired or sold and generally do not include accrued interest.

## **F. Investments in subsidiary and associated undertakings and other investment securities**

Subsidiary undertakings, which are those companies, and other entities (including Special Purpose Entities) in which the Group, directly or indirectly, has power to exercise control over the financial and operating policies, have been consolidated.

Subsidiaries are consolidated from the date on which the effective control is transferred to the Group and are no longer consolidated from the date of disposal. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between Group companies have been eliminated. Where necessary, the accounting policies used by the subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Goodwill represents the excess of the cost of an acquisition over the carrying amount of the Group's share of the net assets of the acquired subsidiary/associated undertaking at the date of acquisition. Goodwill on acquisitions of subsidiaries is fully amortised upon acquisition.

Associated undertakings are undertakings over which the Group generally has between 20% and 50% of the voting rights, and over which the Group has significant influence, but which it does not control. The Group does not have any associated undertakings consolidated using the equity method.

Investments of the Group in unconsolidated subsidiary and associated undertakings (for reasons of non-consolidation refer to the Note 2A) are measured at lower of cost and the Group's share of the net equity of the unconsolidated subsidiary or associated undertakings. Provisions for any impairment arising are disclosed in Note 8.

## **G. Interest income and expense**

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

Suspended or forgiven penalty interest income is excluded from interest income until received.

## **H. General and specific provisions**

General provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation,



and a reliable estimate of the amount of the obligation can be made. General provisions for off balance sheet exposures and general provisions for loans are included within liabilities.

Specific provisions created by the Group are deducted from the cost of each asset at risk. The amount of specific provision for impaired loans and other assets at risk is based on appraisals of these assets at the balance sheet date after taking into consideration the present forced sale value of collateral and the expected cash flows received from these assets. The market in the Czech Republic for many of the types of collateral accepted is in an early stage of development and there is a low level of liquidity for certain types of assets. As a result, the realisable value on foreclosure may differ from the value ascribed in estimating specific provisions.

In the estimation of impairment and related specific and general provisions, the Group takes into account the net value of various covenants, guarantees and loss compensation arrangements provided by third parties, the details of which are specified in Note 1 C and D. The Group creates specific provisions to fully provide for penalty interest on receivables transferred within the Consolidation and Stabilisation Programs. When creating specific provisions for loans for working capital finance (hereinafter "the old block of loans")<sup>5</sup>, the partial coverage provided by the special-purpose reserve fund and general provisions is taken into consideration as described in Note 17.

## **I. Fee and commission income**

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

## **J. Depreciation of tangible and intangible fixed assets**

Tangible and intangible fixed assets of the Group are depreciated by applying the straight-line method, recognising the depreciation periods of relevant asset categories in accordance with the Income Tax Act, over their estimated useful lives.

Repairs and maintenance expenditures are charged to expenses as incurred. Improvement expenditures (i.e. expenditures enhancing the value of property) exceeding CZK 40,000 for tangible and CZK 60,000 for intangible assets per unit within a period of one year are capitalised.

Non - operating fixed assets are not depreciated.

The costs of assets held under finance leases are recorded as expenses evenly over the lives of the leases.

## **K. Taxation**

The tax payable of the Group is stated in compliance with relevant legislation of the Czech Republic. The Agency itself is exempted from corporate income tax, therefore, deferred and current taxes are not recognised by the Agency.

## **L. Deferred tax**

Deferred tax liabilities of the Group are recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. A deferred tax asset is recognised if it is beyond reasonable doubt that sufficient future taxable profit will be available against which this asset can be utilised. The Agency does not recognise deferred tax due to its exemption from corporate income tax, however deferred tax is recognised on other Group companies where relevant.

## **M. Pension plans and other social expenses**

The pension plans are voluntary and the Group makes contributions for some employees in accordance with agreed additional pension plans in addition to statutory social security paid in accordance with the Act on Social Insurance. These contributions are charged directly to expense. Other social expenses of the Group are settled from the Welfare fund ("WF"), disclosed as Other funds in equity.

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<sup>5</sup> "The old block of loans" represents loans taken over by the Bank from commercial banks. The loans were granted by commercial banks prior to November 1989.



## N. Subsequent events

The effects of events, which occurred between the balance sheet date and the date of signing the holding company's financial statements (i.e. those of the Agency), are reflected in the consolidated financial statements in the case that these events provide further evidence of conditions, which existed at the balance sheet date.

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

### 3. Cash and deposits with central bank

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Cash on hand	8 786	8 085
Other deposits with central banks	4 594	16
<b>Total</b>	<b>13 380</b>	<b>8 101</b>

### 4. Due from banks

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Current accounts with banks	302 426	373 882
Term deposits with banks <sup>1)</sup>	24 658 246	9 395 743
Loans based on resale agreements	2 100 000	0
Subordinated loans to banks	5 500 000	5 500 000
Other receivables from banks	232	0
<b>Total</b>	<b>32 560 904</b>	<b>15 269 625</b>

Note:

<sup>1)</sup> A significant increase in term deposits with banks represents the Group's EUR denominated term deposits with banks. On 7 December 2001, the NPF received payment for the privatisation of KB and subsequently deposited the cash with the Group (Note 11).

#### Repo and resale agreements

Resale agreements as at 31 December 2001 include State treasury bills with a total nominal value of CZK 2,100,000,000 (at 1 September 2001: CZK nil). All resale agreements are due within 30 days.

At 31 December 2001 and 1 September 2001 no repo agreements were outstanding.



## 5. Loans to clients

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Standard loans to companies and individuals	5 088 910	4 516 311
Standard loans to housing co-operatives <sup>1)</sup>	11 500 693	11 978 846
Impaired loans to companies and individuals	136 474 179	121 114 164
Impaired loans to housing co-operatives <sup>1)</sup>	2 719	2 791
Standard loans to governmental entities	24 017 166	28 017 018
Impaired loans to governmental entities	94 816	92 881
Standard loans to municipalities	5 747	0
Impaired loans to municipalities	341 769	336 527
Loans within the Consolidation and Stabilisation Programs (Notes 1C and D)	30 414 997	32 535 532
	<b>207 940 996</b>	<b>198 594 070</b>
Specific provisions for impaired loans (Note 14) <sup>2)</sup>	-95 878 569	-85 369 414
<b>Total</b>	<b>112 062 427</b>	<b>113 224 656</b>

Notes:

<sup>1)</sup> In its portfolio the Group has loans granted to housing co-operatives. These loans were acquired from Investiční a Poštovní banka, a.s. ("IPB"). The difference between funding costs and interest income is compensated by the MF ČR (Note 21).

<sup>2)</sup> In addition to the specific provision for loans the Group has reflected a general provision for loans of CZK 10,039,293,000 as at 31 December 2001 (1 September 2001: CZK 6,270,293,000) in liabilities as required by Czech accounting regulations (Note 14).

A statutory reserve fund of the Group is used to cover expected losses of CZK 24,416,505,000 (1 September 2001: CZK 24,620,910,000) from the old block of loans. In the period from 1 September to 31 December 2001 the losses of CZK 204,405,000 from assigned and written off old block receivables were covered by the reserve fund of the Group (Note 17).

The Group received part of the so-called "black assets" from Československá obchodní banka, a.s. ("ČSOB") during the period from 1 September 2001 to 31 December 2001 (Note 18). The Group has established a specific provision of CZK 22,017,000,000 for expected losses on "black assets" of CZK 24,867,306,000 as at 31 December 2001.

### Impaired loans

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Watch	558 603	319 868
Substandard	1 541 701	3 241 719
Doubtful	2 208 266	3 263 153
Loss	163 019 910	147 257 155
<b>Total</b>	<b>167 328 480</b>	<b>154 081 895</b>



The present forced sale value ascribed to assets received as collateral for total loans to clients can be estimated as follows:

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Cash	124 765	124 015
Securities	331 278	364 619
Land and buildings	11 572 172	10 144 340
Other collaterals	2 071 906	2 656 470
<b>Total</b>	<b>14 100 121</b>	<b>13 289 444</b>

Assets received as collateral for loans to clients do not include collateral for loans within the Consolidation and Stabilisation Programs.

#### **Loans to unconsolidated related parties**

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
<u>Associated undertakings</u>	<b>4 923 954</b>	<b>8 472 669</b>
Specific provisions for impaired loans	-1 133 104	-3 207 013
<b>Total</b>	<b>3 790 850</b>	<b>5 265 656</b>
<u>Subsidiary undertakings</u>	<b>2 992 834</b>	<b>0</b>
Specific provisions for impaired loans	-2 193 449	0
<b>Total</b>	<b>799 385</b>	<b>0</b>
<u>Agency Board of Directors member</u>	250	274

Loans to related parties include loans provided to unconsolidated subsidiaries or associated companies (Note 2A) by the Group. The Group has granted a loan to one member of the Agency's Board of Directors for housing needs under the same conditions that are usually applied when granting loans to the Group's employees.

The transactions with unconsolidated subsidiaries or associated undertakings were made in the ordinary course of business on substantially the same terms and conditions, including interest rates, as those prevailing at the same time for comparable transactions with other customers or have been initiated by the government of the Czech Republic in order to improve the financial position of selected companies.

Assets received as collateral for loans to clients do not consist of collateral for loans within the Consolidation and Stabilisation Program.

## **6. Syndicated loans**

At 31 December 2001 and 1 September 2001 the Group led no syndicated loans.





## 7. Securities

### A. Trading securities

#### Bonds and other securities with fixed income

At 31 December 2001

Name of security	Type of security	At cost CZK 1 000	Market value CZK 1 000	Accrued interest CZK 1 000	Listed/ Unlisted	Tradability
KOB VAR/05	Own bonds	201 273	202 054	2 872	Listed	Main market
ŠKODA VAR/02	Bonds	502 583	0	0		Bankruptcy
	Coupon overdue			325 136	-	
ZPS Zlín 12,0/02	Bonds	30 400	0	0		Bankruptcy
	Coupon overdue			15 714	-	
Teplárny ÚL 11,7/04	Bonds	555 829	664 487	54 911	Listed	Auxiliary market
NOVÁ HUŤ 12,7/03	Bonds	63 530	0	2 237	Listed	Auxiliary market
ASPEKTA HOLDING 13,4/00	Bonds	13 000	0	1 742	Unlisted	Not traded,
	Coupon overdue			3 136		overdue
Vítkovice 13,5/00	Bonds	102 010	0	0	Unlisted	Not traded,
	Coupon overdue			13 771		overdue
<b>Total</b>		<b>1 468 625</b>	<b>866 541</b>	<b>419 519</b>		
<b>Total including accrued interest</b>		<b>1 888 144</b>				
Specific provisions (Note 14)		-1 075 349				
<b>Total net book amount</b>		<b>812 795</b>				



**At 1 September 2001**

Name of security	Type of security	At cost CZK 1 000	Market value CZK 1 000	Accrued interest CZK 1 000	Listed/ Unlisted	Tradability
KOB VAR/05	Own bonds	201 273	204 621	4 348	Listed	Main market
ŠKODA VAR/02	Bonds	502 583	0	13 174	Listed	Auxiliary market
	Coupon overdue			267 192		
ZPS Zlín 12,0/02	Bonds	30 400	0	0	-	Bankruptcy
	Coupon overdue			14 271		
Teplárny ÚL 11,7/04	Bonds	555 829	640 892	25 565	Listed	Auxiliary market
NOVÁ HUŤ 12,7/03	Bonds	63 530	78 913	7 266	Listed	Auxiliary market
ASPEKTA HOLDING 13,4/00	Bonds	13 000	0	1 742	Unlisted	Not traded, overdue
	Coupon overdue			3 136		
Vítkovice 13,5/00	Bonds	102 010	0	0	Unlisted	Not traded, overdue
	Coupon overdue			13 771		
State bond 6.95/16	State bonds	400 003	415 990	0	Listed	Main market
<b>Total</b>		<b>1 868 628</b>	<b>1 340 416</b>	<b>350 465</b>		
<b>Total including accrued interest</b>		<b>2 219 093</b>				
Specific provisions (Note 14)		-1 033 075				
<b>Total net book amount</b>		<b>1 186 018</b>				

Bonds and other securities with fixed income in the trading portfolio at 31 December 2001 include CZK 764,769,000 of securities bearing fixed interest until maturity which represents 52.1% of the total balance (1 September 2001: CZK 1,164,772,000 which represents 62.3% of the total balance). Bonds in the trading portfolio at 31 December 2001 include CZK 703,856,000 of bonds bearing variable interest, which represents 47.9% of the total balance (1 September 2001: CZK 703,856,000 which represents 37.7% of the total balance).



## B. Securities held-to-maturity

### Securities held-to-maturity

Bonds and other securities with fixed income (continued)

At 31 December and 1 September 2001

Name of security	Type of security	At cost CZK 1 000	Market value CZK 1 000	Listed/ Unlisted	Tradability
ČKD Praha, a.s. VAR+2%/05	Bonds	1 001 231	0	Unlisted	Not traded
<b>Total non-traded</b>		<b>1 001 231</b>			
Specific provisions (Note 14)		-1 001 231			
<b>Net book amount</b>		<b>0</b>			

## C. Securities available-for-sale

### Shares and similar equity securities with variable income

At 31 December 2001

Issuer	Type of security	At cost CZK 1 000	Market value CZK 1 000	Listed/ Unlisted	Tradability
Agrochov Kasejovice-Smolivec, a.s.	Shares	197	197	Unlisted	Not traded
Agrobanka Praha, a.s. v likvidaci	Shares	3 258	0	Unlisted	Not traded
ZVVZ, a.s.	Shares	65 820	65 820	Unlisted	Not traded
Českomoravská zár. a roz. banka, a.s.	Shares	65 495	65 495	Unlisted	Not traded
ČESKÝ TELECOM, a.s.	Shares	200 371	103 835	Listed	Main market
DEW-H, a.s.	Shares	25	25	Unlisted	Not traded
Investiční fond bohatství, a.s.	Shares	79 737	71 061	Listed	Auxiliary market
Invest. fond obch., cest.ruchu a služeb,a.s.	Shares	40 569	36 731	Listed	Auxiliary market
Křišťálový investiční fond, a.s.	Shares	5 800	5 819	Listed	Auxiliary market
P.I.F., a.s.- 1. Privatizační inv.fond	Shares	1 440	1 890	Listed	RMS
Rentierský investiční fond 1.IN, a.s.	Shares	24 819	22 252	Listed	RMS
TEXLEN	Shares	11	11	Unlisted	Not traded
Union Group, a.s.	Shares	206 532	162 510	Unlisted	Not traded
ROVNER, a.s.	Shares	21	21	Unlisted	Not traded
Živnobanka-1. Investiční fond, a.s.	Shares	267 326	256 302	Listed	Auxiliary market
1.IN-Akciový fond, OPF První investiční společnosti a.s.,	Units	5 545	3 735	Unlisted	Not traded
1.IN-Restituční fond. OPF První	Units	435 864	434 400	Unlisted	Not traded



investiční společnosti a.s.,					
1.IN-Středoevropský fond, OPF První investiční společnosti a.s.,	Units	303 931	279 053	Unlisted	Not traded
IKS Plus balancovaný, OPF Investiční kapitálové společnosti KB, a.s.	Units	59 251	64 539	Unlisted	Not traded
Nový podílový fond-MAPIS, investiční společnost, a.s., OPF	Units	85 121	90 072	Unlisted	Not traded
YSE Akcionářů, NEWTON Investment - investiční společnost, a.s., balancovaný OPF	Units	28 346	27 120	Listed	RMS
Živnobanka-mezinárodní akciový fond investiční společnosti ZB-Trust, a.s., OPF	Units	28 192	25 775	Unlisted	Not traded
Agrobanka Praha, a.s. v likvidaci	Shares	75 773	0	Unlisted	Not traded
Česká banka, a.s. v likvidaci	Shares	0	0	Unlisted	Not traded
Integra Service, a.s.	Shares	100	0	Unlisted	Not traded
J&T Banka, a.s.	Shares	0	15	Unlisted	Not traded
MCI Holding, a.s. v likvidaci	Shares	47 250	8 687	Unlisted	Not traded
Pamela, a.s. v konkurzu	Shares	1 425	0	Unlisted	Not traded
Pivovar Litovel, a.s.	Shares	115 899	7 854	Unlisted	Not traded
ŘEMPO, a.s. v konkurzu	Shares	230	0	Unlisted	Not traded
Tepna, a.s. <sup>1)</sup>	Shares	37 626	490	Listed	RMS
PF Bankéř II (IS ISAAC)	Units	0	0	Unlisted	Not traded
PF Bankéř III (IS ISAAC)	Units	0	0	Unlisted	Not traded
<b>Total traded</b>		<b>1 499 940</b>	<b>1 208 209</b>		
Total auxiliary market PSE <sup>2)</sup>		<b>393 432</b>	<b>369 913</b>		
Total main market PSE <sup>2)</sup>		<b>200 371</b>	<b>103 835</b>		
Total RMS <sup>3)</sup>		<b>92 231</b>	<b>51 752</b>		
<b>TOTAL</b>		<b>2 185 974</b>	<b>1 733 709</b>		
Specific provisions (Note 14)		-201 717			
<b>Net book amount</b>		<b>1 984 257</b>			

Notes:

<sup>1)</sup> The issue is completely illiquid

<sup>2)</sup> the Prague Stock Exchange ("PSE")

<sup>3)</sup> RMS - the RMS system (an organized over-the counter market)

Securities transferred from ČSOB in accordance with the Agreement with ČSOB (Note 18) are presented within the category of securities available-for-sale. These securities have been valued in accordance with the Group's accounting policy (Note 2).



**At 1 September 2001**

<b>Issuer</b>	<b>Type of security</b>	<b>At cost CZK 1 000</b>	<b>Market value CZK 1 000</b>	<b>Listed/ Unlisted</b>	<b>Tradability</b>
Agrochov Kasejovice-Smolivec, a.s.	Shares	197	197	Unlisted	Not traded
UNION GROUP a.s.	Shares	206 532	162 510	Unlisted	Not traded
ZVVZ, a.s.	Shares	65 820	65 820	Listed	Auxiliary market
Agrobanka, a.s. v likvidaci	Shares	75 773	205	Unlisted	Not traded
Česká banka, a.s. v likvidaci	Shares	0	3	-	Bankruptcy
INTEGRA SERVICE, a.s.	Shares	100	0	Unlisted	Not traded
J&T Banka, a.s.	Shares	0	15	Unlisted	Not traded
MCI Holding, a.s. v likvidaci	Shares	47 250	8 687	Unlisted	Not traded
Pamela, a.s. v konkurzu	Shares	1 425	0	Unlisted	Not traded
Pivovar Litovel, a.s.	Shares	115 899	7 854	Unlisted	Not traded
ŘEMPO, a.s. v konkurzu	Shares	230	0	Unlisted	Not traded
Tepna, a.s. <sup>1)</sup>	Shares	37 626	0	Listed	RMS
<b>Total not traded</b>		<b>447 406</b>	<b>179 468</b>		
<b>Total auxiliary market PSE</b>		<b>65 820</b>	<b>65 820</b>		
<b>Total RMS</b>		<b>37 626</b>	<b>0</b>		
<b>Total</b>		<b>550 852</b>	<b>245 288</b>		
Specific provisions (Note 14)		-44 022			
<b>Net book amount</b>		<b>506 830</b>			

Note:

<sup>1)</sup> The issue is completely illiquid



## Other securities with fixed income

At 31 December 2001

Name of security	Type of security	At cost CZK 1 000	Market value CZK 1 000	Listed/ Unlisted	Tradability
NOVÁ HUŤ 12,7/03	Bonds	41 308	0	Listed	Free market
ST. DLUHOPIS VAR/02	Bonds	5	5	Listed	Main market
SLOVENSKÉ EL. VAR/03	Bonds	204 795	207 254	Listed	Auxiliary market
TEPLÁRNA ÚL 11,7/04	Bonds	5 450	5 493	Listed	Free market
UNION LEASING VAR/05	Bonds	189 733	185 005	Listed	Auxiliary market
VOJENSKÉ STAVBY 13,4/01	Bonds	463 868	0	Unlisted	Not traded
VÁLCOVNY TRUB CHOMUTOV, A.S.	Bills of exchange	73 583	0	Unlisted	Not traded
<b>Total non-traded</b>		<b>537 451</b>	<b>0</b>		
<b>Total free market PSE</b>		<b>46 758</b>	<b>5 493</b>		
<b>Total main market PSE</b>		<b>5</b>	<b>5</b>		
<b>Total auxiliary market PSE</b>		<b>394 528</b>	<b>392 259</b>		
<b>Total</b>		<b>978 742</b>	<b>397 757</b>		
Specific provisions (Note 14)		-583 487			
<b>Net book amount</b>		<b>395 255</b>			

The Group had no Other securities with fixed income available-for-sale at 1 September 2001.



## 8. Investments in unconsolidated subsidiary and associated undertakings

### A. Investments in unconsolidated subsidiary undertakings

At 31 December 2001

Name and registered office	At cost CZK 1 000	Nominal value CZK 1 000	Share capital CZK 1 000	Share %
Revitalizační agentura, a.s., Praha <sup>1)</sup>	270 000	270 000	270 000	100
VSM ČR, a.s. v likvidaci, Praha	545	500	1 000	50
Zetor, a.s., Brno	3 593 158	4 046	4 139	97,74
Baska, a.s. v likvidaci, Praha	100 787	570 500	570 500	100
COOP BANKA, a.s. v likvidaci, Brno	500 000	500 000	501 000	99,8
Ekoagrobanka, a.s. v likvidaci, Ústí nad Labem	11	500 011	501 200	99,76
Banka Bohemia, a.s. v likvidaci, Praha	5	524 300	800 290	65,51
Spolek pro chemickou a hutní výrobu, a.s., Ústí nad Labem	939 440	1 042 004	1 939 408	53,73
COLORLAK, a.s., Staré Město	72 651	72 651	187 894	38,67
<b>Total</b>	<b>5 476 597</b>			
Specific provisions (Note 14)	-3 863 703			
<b>Net book amount</b>	<b>1 612 894</b>			

Note:

<sup>1)</sup> As at 31 December 2001, Revitalizační agentura, a.s. has potential liabilities to creditors of Vítkovice, a.s. (Note 28.1).

At 1 September 2001

Name and registered office	At cost CZK 1 000	Nominal value CZK 1 000	Share capital CZK 1 000	Share %
Revitalizační agentura, a.s., Praha	270 000	270 000	270 000	100
Baska, a.s. v likvidaci, Praha	100 787	570 500	570 500	100
COOP BANKA, a.s. v likvidaci, Brno	500 000	500 000	501 000	99,8
Ekoagrobanka, a.s. v likvidaci, Ústí nad Labem	11	500 011	501 200	99,76
Banka Bohemia, a.s. v likvidaci, Praha	5	524 300	800 290	65,51
Spolek pro chemickou a hutní výrobu, a.s., Ústí nad Labem	939 440	1 042 004	1 939 408	53,73
COLORLAK, a.s., Staré Město	72 651	72 651	187 894	38,67
<b>Total</b>	<b>1 882 894</b>			
Specific provisions (Note 14)	-270 000			
<b>Net book amount</b>	<b>1 612 894</b>			



## Summary financial information for unconsolidated subsidiary undertakings

At 31 December 2001

Name and registered office	Net book amount CZK 1 000	Total equity CZK 1 000	Total assets CZK 1 000	Revenues CZK 1 000	Profit (loss) before tax CZK 1 000
Revitalizační agentura, a.s., Praha	0	26 503	35 978	8 490	-10 023
VSM ČR, a.s. v likvidaci, Praha <sup>2)</sup>	0	975	1 010	0	-31
Zetor, a.s., Brno <sup>1)</sup>	0	-2 234 264	3 634 395	866 918	-627 636
Baska, a.s. v likvidaci, Praha <sup>3)</sup>	100 787	0	0	0	0
COOP BANKA, a.s. v likvidaci, Brno	500 000	-2 691 002	3 591 096	223 308	16 852
Ekoagrobanka, a.s. v likvidaci, Ústí nad Labem	11	-7 279 449	7 886 194	841 418	85 579
Banka Bohemia, a.s. v likvidaci, Praha	5	-15 854 414	17 662 170	20 559	-2 566 603
Spolek pro chemickou a hutní výrobu, a.s., Ústí nad Labem	939 440	1 743 607	2 795 532	4 124 357	159 695
COLORLAK, a.s., Staré Město	72 651	206 673	398 452	616 482	8 496
<b>Total</b>	<b>1 612 894</b>				

Notes: Data has been drawn from the companies' preliminary unaudited financial statements as at 31 December 2001, unless stated otherwise:

<sup>1)</sup> The company's financial statements were only available unaudited as at 30 November 2001.

<sup>2)</sup> The company's financial statements were only available unaudited as at 31 December 2000.

<sup>3)</sup> The company was wound up. The court rejected the deletion from the Commercial Register.

At 1 September 2001

Name and registered office	Net book amount CZK 1 000	Total equity CZK 1 000	Total assets CZK 1 000	Revenues CZK 1 000	Profit (loss) before tax CZK 1 000
Revitalizační agentura, a.s., Praha	0	28 472	38 683	7 995	-8 054
Baska, a.s. v likvidaci, Praha <sup>1)</sup>	100 787	0	0	0	0
COOP BANKA, a.s. v likvidaci, Brno	500 000	-2 691 002	3 591 096	223 308	16 852
Ekoagrobanka, a.s. v likvidaci, Ústí nad Labem	11	-7 279 449	7 886 194	841 418	85 579
Banka Bohemia, a.s. v likvidaci, Praha	5	-15 854 414	17 662 170	20 559	-2 566 603
Spolek pro chemickou a hutní výrobu, a.s. Ústí nad Labem	939 440	1 743 607	2 795 532	4 124 357	159 695
COLORLAK, a.s., Staré Město	72 651	206 673	398 452	616 482	8 496
<b>Total</b>	<b>1 612 894</b>				

Note: Data has been drawn from the companies' unaudited financial statements as at 31 July 2001.

<sup>1)</sup> The company was wound up. The court rejected the deletion from the Commercial Register.





## B. Investments in unconsolidated associated undertakings

At 31 December 2001

Name and registered office	At cost CZK 1 000	Nominal value CZK 1 000	Share capital CZK 1 000	Share %
a) Shares:				
České aerolinie, a.s., Praha	2 052 930	946 170	2 735 510	34,59
Letov, a.s., Praha	565 829	565 829	1 798 833	31,46
VZLÚ, a.s., Praha	236 219	236 219	750 968	31,46
AERO Vodochody, a.s., Odolena Voda	1 602 342	780 606	2 691 926	29
Škoda holding, a.s., Praha	1 667 340	1 050 330	2 171 000	48,38
Korado, a.s., Česká Třebová	86 183	287 700	840 700	34,22
ČKD Dopravní systémy, a.s., Praha	40 597	462 068	925 989	49,9
WALTER, a.s., Praha	627 883	1 452 545	3 163 689	45,91
H-System, a.s., Praha	438 100	432 760	1 738 501	24,89
H- System Luxus, a.s. , Praha	112 900	109 000	439 800	24,78
1. českoamerická realitní společnost a.s. v likvidaci, Praha	99 000	99 000	463 200	21,37
b) Deposits:				
Sanakon, s.r.o., Praha	53	49	100	49
Bankovní fond penzijního nadlepení, Praha <sup>1)</sup>	500	500	25 500	1,96
<b>Total</b>	<b>7 529 876</b>	<b>6 422 776</b>		
Specific provisions (Note 14)	-2 992 115			
<b>Net book amount</b>	<b>4 537 761</b>			

Note:

<sup>1)</sup> Bankovní fond penzijního nadlepení is an associated company of the Group through the Group's managerial rights.



**At 1 September 2001**

Name and registered office	At cost CZK 1 000	Nominal value CZK 1 000	Share capital CZK 1 000	Share %
a) Shares:				
Zetor, a.s., Brno	3 558 742	2 070	4 139	50
České aerolinie, a.s., Praha	2 052 930	946 170	2 735 510	34,59
Letov, a.s., Praha	565 829	565 829	1 798 833	31,46
VZLÚ, a.s., Praha	236 219	236 219	750 968	31,46
AERO Vodochody, a.s., Odolena Voda	1 602 342	780 606	2 691 926	29
Tatra, a.s., Kopřivnice	1 202 694	2 586 673	5 174 382	49,99
Škoda holding, a.s., Praha	1 666 980	1 050 000	2 171 000	48,36
SPOLANA, a.s., Neratovice	728 791	2 376 671	4 998 494	47,55
Korado, a.s., Česká Třebová	86 183	287 700	840 700	34,22
ČKD Dopravní systémy, a.s., Praha	40 598	462 068	925 989	49,9
WALTER, a.s., Praha	627 883	1 452 545	3 163 689	45,91
H-Systém, a.s., Praha	438 100	432 760	1 738 501	24,89
H- Systém Luxus, a.s. , Praha	112 900	109 000	439 800	24,78
1. českoamerická realitní společnost a.s., v likvidaci, Praha	99 000	99 000	463 200	21,37
b) Deposits:				
Sanakon, s.r.o., Praha	53	49	100	49
Bankovní fond penzijního nadlepšení, Praha <sup>1)</sup>	500	500	25 500	1,96
<b>Total</b>	<b>13 019 744</b>	<b>11 387 860</b>		
Specific provisions (Note 14)	-6 207 384			
<b>Net book amount</b>	<b>6 812 360</b>			

Note:

<sup>1)</sup> Bankovní fond penzijního nadlepšení is an associated company of the Group through Group's managerial rights.



## Summary financial information on unconsolidated associated undertakings

At 31 December 2001

Name of the company	Net book amount <sup>2)</sup> CZK 1 000	Total equity CZK 1 000	Total assets CZK 1 000	Revenues CZK 1 000	Profit (loss) before tax CZK 1 000
AERO Vodochody, a.s.	760 652	-5 827 161	15 758 357	14 835 246	1 156 682
Bankovní fond penzijního nadlepšení <sup>2)</sup>	500	194 446	831 641	2 007 338	41 238
České aerolinie, a.s.	2 052 930	1 831 722	9 982 347	18 581 599	-402 453
Letov, a.s.	265 374				Bankruptcy
Škoda holding, a.s. <sup>2)</sup>	485 850	2 082 515	4 050 771	849 346	-709 277
ČKD Dopravní systémy, a.s.	0				Bankruptcy
Sanakon , s.r.o. <sup>2)</sup>	53	109	440	1	-1 341
Korado , a.s.	86 183	763 119	4 374 064	3 064 319	-52 096
VZLÚ, a.s. <sup>2)</sup>	236 219	846 187	893 794	181 433	6 327
WALTER, a.s.	0	597 486	1 341 113	816 587	-10 128
H-System, a.s. <sup>1)</sup>	438 100				Bankruptcy
H- System Luxus, a.s. <sup>1)</sup>	112 900	<sup>1)</sup>	<sup>1)</sup>	<sup>1)</sup>	<sup>1)</sup>
1. českoamerická realitní společnost a.s. v likvidaci <sup>1)</sup>	99 000				Bankruptcy
<b>Total</b>	<b>4 537 761</b>				

Note: Data has been drawn from the companies' unaudited financial statements as at 31 December 2001, unless stated otherwise:

<sup>1)</sup> Data was not available.

<sup>2)</sup> The net book amount takes into account agreements described in Notes 1 C and D.



**At 1 September 2001**

<b>Name of the company</b>	<b>Net book amount CZK 1 000</b>	<b>Total equity CZK 1 000</b>	<b>Total assets CZK 1 000</b>	<b>Revenues CZK 1 000</b>	<b>Profit (loss) before tax CZK 1 000</b>
AERO Vodochody, a.s.	760 652	-7 249 263	12 866 574	7 850 672	-265 420
Bankovní fond penzijního nadlepšení	500	186 909	793 618	2 166 920	37 201
České aerolinie, a.s.	2 052 930	2 340 576	10 106 367	10 783 985	106 303
Letov, a.s.	260 848	Bankruptcy			
Škoda holding, a.s.	833 490	2 236 666	4 347 424	248 681	-551 683
ČKD Dopravní systémy, a.s.	0	Bankruptcy			
Zetor, a.s.	0	-2 003 364	3 802 518	595 288	-396 736
SPOLANA, a.s.	728 791	4 700 436	7 772 625	5 248 428	13 295
Sanakon, s.r.o.	53	-295	374	1	-704
Korado, a.s.	86 183	756 329	4 411 512	1 649 541	-58 885
VZLÚ, a.s.	236 219	846 275	920 875	87 942	6 294
WALTER, a.s.	0	621 246	1 364 505	428 810	13 632
Tatra, a.s.	1 202 694	1 684 524	4 009 865	2 565 723	52 004
H-System, a.s.	438 100			Bankruptcy	
H- System Luxus, a.s.	112 900	<sup>1)</sup>	<sup>1)</sup>	<sup>1)</sup>	<sup>1)</sup>
1. českoamerická realitní společnost a.s. v likvidaci	99 000			Bankruptcy	
<b>Total</b>	<b>6 812 360</b>				

Note: Data has been drawn from the companies' unaudited financial statements as at 31 July 2001, unless stated otherwise

<sup>1)</sup> Data was not available.

<sup>2)</sup> net book amount takes into account agreements described in Notes 1 C and D.



**Changes in investments in unconsolidated subsidiary and associated undertakings in the period from 1 September 2001 to 31 December 2001**

	Subsidiary undertakings		Associated undertakings	
	At cost CZK 1 000	Nominal value CZK 1 000	At cost CZK 1 000	Nominal value CZK 1 000
Balance at 1 September 2001 <sup>1)</sup>	1 882 894	3 479 466	13 019 744	11 387 860
Acquisition of ZETOR, a.s.	34 416	1 976	0	0
Transfer of remaining shares of ZETOR, a.s.	3 558 742	2 070	-3 558 742	-2 070
Acquisition of TATRA, a.s.	1 131 141	2 154 052	0	0
Transfer of remaining shares of TATRA, a.s.	1 202 694	2 586 673	-1 202 694	-2 586 673
Acquisition of VSM ČR, a.s. v likvidaci	545	500	0	0
Sale of SPOLANA, a.s.	0	0	-728 792	-2 376 671
Acquisition of ŠKODA HOLDING, a.s.	0	0	360	330
Sale of TATRA, a.s.	-2 333 835	-4 740 725	0	0
<b>Balance at 31 December 2001</b>	<b>5 476 597</b>	<b>3 484 012</b>	<b>7 529 876</b>	<b>6 422 776</b>

Note:

<sup>1)</sup> The balance at 1 September 2001 also comprises WALTER, a.s. shares, subscribed on 30 June 2001, however, the increase in share capital was only entered into the Commercial Register on 5 October 2001.



## 9. Tangible and intangible fixed assets

### Tangible assets

	1 September 2001 CZK 1 000	Additions/Charge CZK 1 000	Disposals CZK 1 000	31 December 2001 CZK 1 000
<b>Operating</b>				
<b>At Cost</b>				
Land	38 770	50	-1 298	37 522
Buildings	1 074 007	4 033	-309	1 077 731
Fixtures and fittings	292 381	19 891	-5 254	307 018
Other	20 184	40	-39	20 185
<b>Total</b>	<b>1 425 342</b>	<b>24 014</b>	<b>-6 900</b>	<b>1 442 456</b>
<b>Accumulated depreciation</b>				
Buildings	-138 478	-12 340	309	-150 509
Fixtures and fittings	-222 417	-8 898	5 256	-226 059
Other	-16 307	-429	38	-16 698
<b>Total</b>	<b>-377 202</b>	<b>-21 667</b>	<b>5 603</b>	<b>-393 266</b>
<b>Net book amount</b>	<b>1 048 140</b>			<b>1 049 190</b>
<b>Non-operating</b>				
<b>At Cost</b>				
Land	191	41 621	0	41 812
Buildings	32 797	376 356	0	409 153
Fixtures and fittings	5 613	5	-9	5 609
Other	1 055	0	0	1 055
<b>Total</b>	<b>39 656</b>	<b>417 982</b>	<b>-9</b>	<b>457 629</b>
<b>Accumulated depreciation</b>				
Buildings	-6 821	-364	0	-7 185
Fixtures and fittings	-5 716	-120	-9	-5 827
Other	-233	0	0	-233
<b>Total</b>	<b>-12 770</b>	<b>-484</b>	<b>-9</b>	<b>-13 245</b>
<b>Net book amount</b>	<b>26 886</b>			<b>444 384</b>
<b>Acquisition of tangible fixed assets</b>	<b>1 472</b>			<b>630 811</b>
<b>Total tangible fixed assets</b>	<b>1 076 498</b>			<b>2 124 385</b>

Non-operating tangible assets include tangible assets transferred from ČSOB in accordance with the Agreement with ČSOB (Note 18).



## Intangible assets

	1 September 2001 CZK 1 000	Additions/Charge CZK 1 000	Disposals CZK 1 000	31 December 2001 CZK 1 000
At Cost	274 967	11 886	-589	286 264
Accumulated depreciation	-175 095	-20 472	53	-195 514
<b>Net book amount</b>	<b>99 872</b>			<b>90 750</b>
<b>Acquisition of intangible fixed assets</b>	<b>5</b>			<b>6 685</b>
<b>Total net book amount</b>	<b>99 877</b>			<b>97 435</b>

## 10. Other assets

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Receivable from State due to loss of the Bank for the year ended 31 December 1999	12 089 207	36 089 207
Receivable from State due to loss of the Bank for the year ended 31 December 2000	0	0
Receivable from State due to loss of the Agency for the period from 1 January 2001 to 31 August 2001	35 683 988	37 933 839
Receivable from State due to loss of the Group for the period from 1 September 2001 to 31 December 2001	16 122 466	0
Receivable from NPF (receivables for losses of consolidated subsidiaries)	8 873 582	6 825 715
Receivables from various debtors	15 159 816	14 441 403
Estimated receivables	14 892	148 141
Clearing accounts for foreign currency operations	3 303	0
Settlement clearance accounts - debit balances <sup>1)</sup>	484 866	837 440
Inventories	1 182	1 147
Receivables from securities market (Note 28) - shares in Západočeská energetika, a.s.	705 000	0
<b>Total</b>	<b>89 138 302</b>	<b>96 276 892</b>
Specific provisions (Note 14)	-2 270 130	-1 296 163
<b>Total</b>	<b>86 868 172</b>	<b>94 980 729</b>

Note:

<sup>1)</sup> This item mainly represents the difference between advances paid to health insurance companies for ceded receivables and actual amounts of receivables transferred to the Group as at 31 August 2001. According to a Government regulation from December 2000, the Group acquired receivables from health insurance companies totalling CZK 4,221,182,000 as at 31 December 2001. The receivables were fully provided for.

The receivable from the State due to the loss the Bank incurred in 1999 was paid in January and February 2002 (Note 28). The receivable from the NPF for losses incurred by consolidated subsidiaries was also paid in January 2002.



The disclosed loss of the Agency from 1 September 2001 to 31 December 2001, CZK 16,122,466,000 will be covered by the Group's reserve fund of CZK 204,405,000 (Note 17) and CZK 13,872,614,000 by the MF ČR. The remaining loss of CZK 2,045,447,000 will be settled by the NPF. Receivables from the State and the NPF for payment of losses do not bear interest and are not discounted to net present value.

## 11. Amounts owed to banks and clients

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Amounts owed to central banks	11 651 574	11 998 574
Amounts owed to other banks	111 687 086	123 867 267
Payables from securities (to other banks)	2 100 000	0
Amounts owed to governmental entities (Note 4)	25 402 327	6 577 978
Deposits received from clients	3 157 790	2 427 510
<b>Total</b>	<b>153 998 777</b>	<b>144 871 329</b>

### Deposits from unconsolidated related parties

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Deposits from unconsolidated subsidiary undertakings	35 916	35 849
Deposits from unconsolidated associated undertakings	257 447	233 931

The Group has accepted deposits from related parties. Such deposits were accepted under substantially the same terms and conditions, including interest rates, as were prevailing at the same time for comparable transactions with other customers.

## 12. Bonds issued

As at 31 December 2001, the Group had outstanding short-term bonds issued (deposit bills) redeemable within one year of CZK 292,663,000 (at 1 September 2001: CZK 282,252,000) and outstanding issued long-term bonds of CZK 12 billion (at 1 September 2001: CZK 12 billion). The long-term bonds issue comprises:

Issue	Notional amount CZK 1 000	Maturity	Interest rate
1 <sup>st</sup>	7 000 000	15 April 2004	10,875 % p.a.
2 <sup>nd</sup>	5 000 000	17 March 2005	6 months PRIBOR + 0.125 %
<b>Total</b>	<b>12 000 000</b>		

The Group has in its trading securities portfolio the Agency's bonds with a nominal value of CZK 200,000,000 (at 1 September 2001: CZK 200,000,000), acquired at a cost of CZK 201,273,000 (Note 7).

## 13. Pledged assets

As at 31 December 2001 and 1 September 2001 the Group did not have any pledged assets in respect of its own liabilities or liabilities of a third party.





## 14. General and specific provisions and write offs

As at 31 December 2001 and at 1 September 2001 the Group had the following specific and general provisions for assets at risk:

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Specific provisions for impaired loans to clients (Note 5)	95 878 569	85 369 414
General provisions for loans (Note 5)	10 039 293	6 270 293
Specific provisions for investments in subsidiaries and associates (Note 8)	6 855 818	7 469 257
Specific provisions for available-for-sale securities (Note 7)	785 204	44 022
Specific provisions for securities held-to-maturity (Note 7)	1 001 231	1 001 231
Specific provisions for trading securities (Note 7)	1 075 349	1 033 075
Specific provisions for other assets (Note 10)	2 270 130	1 296 163
General provisions for guarantees (Note 18)	4 362 957	3 054 957
General provisions for the "black" and "other" assets from ČSOB (Note 18)	29 263 482	32 130 200
General provisions for the purchase of receivables	294 000	0
<b>Total</b>	<b>151 826 033</b>	<b>137 668 612</b>

### A. General provisions

	General provisions for overdue receivables from loans CZK 1 000	General provisions for standard loans CZK 1 000	General provisions for "ring fence" asset guarantees - ČS IV CZK 1 000	General provisions for the "black" and "other" assets <sup>1)</sup> CZK 1 000	General provision for purchase of receivables <sup>2)</sup> CZK 1 000	Total CZK 1 000
<b>At 1 September 2001</b>	<b>5 812 983</b>	<b>457 310</b>	<b>3 054 957</b>	<b>32 130 200</b>	<b>0</b>	<b>41 455 450</b>
Additions	3 769 000	0	1 308 000	13 435 000	294 000	18 806 000
Release	0	0	0	-16 301 718	0	-16 301 718
<b>At 31 December 2001</b>	<b>9 581 983</b>	<b>457 310</b>	<b>4 362 957</b>	<b>29 263 482</b>	<b>294 000</b>	<b>43 959 732</b>

Notes:

<sup>1)</sup> Certain "black" and "other" assets received in accordance with the Agreement with ČSOB recorded as at 1 September 2001 in the off balance sheet have been transferred to the Group and recorded in the balance sheet as at 31 December 2001. General provisions created for these assets have been released and the balance sheet exposure has been covered by specific provisions (Notes 5 and 18).

<sup>2)</sup> Purchase of receivables from Revitalizační agentura, a.s. (Note 28.1)

As at 1 March 2000 the Bank signed a restructuring and guarantee agreement relating to the transfer of the credit risk associated with low-quality balance sheet and off-balance sheet assets of Česká Spořitelna, a.s. and companies CORFINA, a.s., CORFINA TRADE, s.r.o. and CF Danube leasing, s.r.o. (hereinafter "ČS IV group"). During the year 2001, Česká spořitelna, a.s. exercised a put option with the Group and transferred selected assets, with an associated value of CZK 4,700,000,000, into the Group. For these transferred



assets, the Group created specific provisions amounting to CZK 3,645,043,000 (included in the specific provisions for impaired loans). The general provision for the guarantees relating to the above mentioned transfers as at 31 December 2001 was CZK 4,362,957,000.

As at 31 December 2001, the Group created a general provision for the so called "black" and "other" assets transferred from ČSOB amounting to CZK 29,263,482,000 (Note 18).

## B. Specific provisions

The movements in specific provisions can be analysed as follows:

	Impaired loans to clients CZK 1 000	Trading securities CZK 1 000	Available-for-sale securities CZK 1 000	Securities held-to-maturity CZK 1 000	Investments in unconsolidated subsidiaries and associates CZK 1 000	Other assets CZK 1 000	Total CZK 1 000
<b>At 1. September 2001</b>	<b>85 369 414</b>	<b>1 033 075</b>	<b>44 022</b>	<b>1 001 231</b>	<b>7 469 257</b>	<b>1 296 163</b>	<b>96 213 162</b>
Additions	22 593 823	48 776	788 837	0	34 961	974 182	24 440 579
Usage	-11 905 208	-6 502	-47 655	0	-648 400	-215	-12 607 980
Written back <sup>1)</sup>	-179 460	0	0	0	0	0	-179 460
<b>At 31 December 2001</b>	<b>95 878 569</b>	<b>1 075 349</b>	<b>785 204</b>	<b>1 001 231</b>	<b>6 855 818</b>	<b>2 270 130</b>	<b>107 866 301</b>

Notes:

<sup>1)</sup> Written back specific provisions for classified loans of CZK 179,460,000 include:

a) Specific provisions of CZK 12,323,000 representing repurchase differences booked as provisions when originated, in accordance with the existing methodology;

b) Foreign exchange differences of CZK 167,137,000 from the revaluation of provisions in foreign currencies.

Specific provisions for investments in unconsolidated subsidiaries and associates as at 31 December 2001 consist of CZK 3,863,703,000 (1 September 2001: CZK 270,000,000) of specific provisions for unconsolidated subsidiaries and CZK 2,992,115,000 (1 September 2001: CZK 6,207,384,000) of specific provisions for unconsolidated associates.

Additions to specific provisions

The amount of specific provisions created in the period from 1 September 2001 to 31 December 2001 is based upon the identified risk taking into consideration the realisable value of collateral accepted and a special-purpose reserve fund (Note 17). Specific provisions are created against securities and investments on an individual basis.

### Specific provisions to loans

	Gross impaired amounts receivable at 31 December 2001 CZK 1 000	Average of gross impaired amounts receivable from 1 September to 31 December 2001 CZK 1 000	Specific provisions at 31 December 2001 CZK 1 000
Watched	558 603	226 896	25 464
Substandard	1 541 701	2 449 189	37 318
Doubtful	2 208 266	2 711 247	149 756
Loss	163 019 910	160 705 188	95 666 031
<b>Total (Note 5)</b>	<b>167 328 480</b>	<b>166 092 520</b>	<b>95 878 569</b>



## C. Write-offs and recovery of amounts written off previously

	Period from 1 September to 31 December 2001	
	Amounts written off CZK 1 000	Recovery of amounts written off previously CZK 1 000
State sector	183 717	0
Private clients	1 291 201	714
<b>Total</b>	<b>1 474 918</b>	<b>714</b>

## 15. Subordinated debt

The Group had no subordinated debt as at 31 December 2001 and 1 September 2001.

## 16. Other liabilities

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Payables to various creditors	227 372	830 206
Funds in the course of transfer	96 466	91 406
Estimated payables	171 122	162 444
Funds analogous to subsidies	110 912	110 912
Settlement clearing accounts - credit balances	0	45 512
<b>Total</b>	<b>605 872</b>	<b>1 240 480</b>



## 17. Equity and covering of losses

### Changes in equity

	Share capital CZK 1 000	Other capital funds CZK 1 000	Other funds CZK 1 000	Reserve fund CZK 1 000	Accumulated loss CZK 1 000	Loss of current period CZK 1 000	Total CZK 1 000
<b>As at 1 September 2001</b>	<b>5 950 000</b>	<b>38 499 312</b>	<b>20 805</b>	<b>35 712 209</b>	<b>-48 479 617</b>	<b>0</b>	<b>31 702 709</b>
Addition to Reserve fund	0	0	0	4 893 988	0	0	4 893 988
Use of Reserve fund	0	0	0	-1 837 515	0	0	-1 837 515
No consideration acquisition of shares of DEW-H, a.s. company	0	24	0	0	0	0	24
No consideration acquisition of high-water bonds	0	4	0	0	0	0	4
No consideration acquisition of shares of ROWNER, a.s. company	0	21	0	0	0	0	21
No consideration acquisition of shares of TEXLEN, a.s. company	0	11	0	0	0	0	11
Contribution from the State for the 2001 loss	0	54 335 782	0	0	0	0	54 335 782
Usage of Capital funds for the loss of the period 1 January - 31 August 2001	0	-38 417 721	0	0	0	0	-38 417 721
Contribution to WF	0	0	1 767	-1 767	0	0	0
Drawings from WF	0	0	-749	0	0	0	-749
Loss for the period 1 September - 31 December 2001	0	0	0	0	0	-19 155 790	-19 155 790
<b>At 31 December 2001</b>	<b>5 950 000</b>	<b>54 417 433</b>	<b>21 823</b>	<b>38 766 915</b>	<b>-48 479 617</b>	<b>-19 155 790</b>	<b>31 520 764</b>

Czech law requires that the State guarantees the Bank's / Agency's liabilities and thus pays losses incurred by the Group. The claim for settling the loss of the current period is recorded as a receivable from the State against the Capital fund, and consequently total assets are increased. The settlement of the loss from the capital fund is recorded in the following accounting period.

The Group records a receivable from the NPF (Note 10) in accordance with the agreements concluded with the NPF on covering expenses and losses of consolidated subsidiaries. This transaction has no impact on the results of the Agency.

The Bank, the legal predecessor of the Agency, has received an official interpretation of the relevant accounting legislation from the MF ČR (in its capacity as the body responsible for setting accounting standards in the Czech Republic), which was issued having regard to the State's general guarantee to cover losses of the Agency. In accordance with this interpretation, the Group has set aside, within the statutory reserve fund which forms part of the equity of the Group, an amount of CZK 24,416,505,000 (1 September 2001: CZK 24,620,910,000) to cover expected losses on certain specific loans and no provision has been separately reflected for these expected losses. This reserve fund was contributed to by the NPF. In the period from 1 September 2001 to 31 December 2001 the Group released CZK 204,405,000 to cover losses



related to the old block of loans. The disclosed loss from the old block of loans for the period will be covered by the released part of the reserve fund.

## 18. Contingencies and commitments

Contingent assets and liabilities may be analysed as follows:

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
<b><u>Guarantees granted</u></b>		
On behalf of the Group's clients	978 217	974 043
On behalf of ČS IV group clients	13 069 675	11 204 471
On behalf of KB clients <sup>1)</sup>	20 000 000	20 000 000
<b>Total</b>	<b>34 047 892</b>	<b>32 178 514</b>
General provisions for guarantees (Note 14)	-4 362 957	-3 054 957
<b>Total</b>	<b>29 684 935</b>	<b>29 123 557</b>
<b><u>Loan commitments made</u></b>		
Revocable	258 804	1 171 493
Irrevocable	5 036 198	5 741 225
<b>Total</b>	<b>5 295 002</b>	<b>6 912 718</b>
<b><u>Commitments on the cession of assets</u></b>		
ČSOB "black" assets from IPB Restructuring Plan	17 847 461	45 900 000
ČSOB "other" assets from IPB Restructuring Plan <sup>2)</sup>	11 654 000	0
General provisions to ČSOB assets from IPB Restructuring Plan	-29 263 482	-32 130 200
<b>Total</b>	<b>237 979</b>	<b>13 769 800</b>
<b><u>Guarantees received</u></b>		
From the State	2 686 044	3 708 398
From NPF <sup>1)</sup>	34 776 300	35 103 143
From other entities	410 898	798 200
From banks	548 793	0
<b>Total</b>	<b>38 422 035</b>	<b>39 609 741</b>
<b>Irrevocable loan commitments accepted</b>	<b>133 786 330</b>	<b>110 823 460</b>

Notes:

<sup>1)</sup> This amount includes CZK 20,000,000,000 representing the Group's guarantee for selected assets of KB up to CZK 20,000,000,000 based on Government regulations. The losses of the Group will be settled by the NPF according to the Agreement on the repayment of losses and expenses of the Bank concluded on 4 May 2001 (Note 26).

<sup>2)</sup> Based on the IPB Restructuring Plan Agreement the Group will assume a part of the ČSOB "other" assets. Certain "black" assets were already transferred to the Group (Note 5).

### Transfers of IPB assets from ČSOB

The Group is obliged, due to the agreement on the Restructuring Plan signed between the Agency's legal predecessor, the Bank, ČSOB and the MF ČR, to accept, at the request of ČSOB, selected assets acquired as a result of ČSOB's rescue of IPB at the book amount recorded by IPB on the date of acquisition plus interest to the date of transfer. This Agreement segregates the portfolio of assets of CZK 45,900,000,000, which may be transferred into so called "black assets", which ČSOB had already decided to transfer at the date of the Agreement and "other assets", for which no decision had been made at that date. Based on the Restructuring Plan, "other assets" of CZK 11,654,000,000 were transferred in the period from 1 January 2002 until these financial statements were approved. Based on an analysis performed, the Group has



created provisions of CZK 11,468,000,000 to cover the expected losses associated with the "other assets" transferred as at 31 December 2001. As of the date of approval of these financial statements, miscellaneous "other assets" with a net book value of CZK 23,870,700,000, have been transferred. No provision has been recorded by the Group for these "other assets" since insufficient information was available on which to make a reliable estimate of the expected losses on this portfolio as at 31 December 2001. Further transfers from ČSOB are expected in the second quarter of 2002. The total net book value of these transfers is estimated to be approximately CZK 70 billion for which no provision has been recorded as at 31 December 2001, also due to insufficient information.

#### **Legal proceedings with Wignes Real, s.r.o. and První privátní chirurgické centrum, s.r.o.**

Legal proceedings are currently taking place between the companies Wignes Real, s.r.o. ("WR"), První privátní chirurgické centrum, s.r.o. and Konpo. WR claims a refund of damages amounting to CZK 36,910,000 relating to the cancellation of the competitive tendering for receivables cession. Konpo does not accept the validity of this claim for damages as according to Konpo management and court representatives the competitive tender cancellation was a justified action in compliance with the legal requirements. With regard to the above no provisions were created by Konpo. The contingent loss would be covered based on the agreement concluded with the Agency and ultimately by NPF (Note 1C).

#### **Settlement of assets and liabilities relating to the privatisation of Škoda Mladá Boleslav**

Based on its business activities, PRISKO has contingent liabilities resulting from the settlement of assets and liabilities relating to the privatised assets of the Škoda Mladá Boleslav concern and based on the buy-out and transfer of assets into Škoda Auto, a.s. as defined in the Transaction documents dated 16 April 1991 and the Appendix dated 19 December 1994. These contingent liabilities cannot be reliably estimated.

#### **Legal proceedings with Motokov, a.s.**

Motokov, a.s. has made a claim against PRISKO for the recovery of unlawful benefits amounting to CZK 181,000,000 and interest which ought to have been repaid in 1991 by the legal predecessor of PRISKO. On 15 February 2001 the Court of the City of Prague decided in favour of Motokov, a.s. and PRISKO appealed against this decision. On 20 August 2001, by verdict No. 8 Cmo 182/2001, the Superior Prague court cancelled the City Court decision. The proceedings continue at the City Court of Prague. As a result of the fact that the Superior Court has decided in PRISKO's favour, PRISKO has not created any general provision to cover this claim.

#### **Legal proceedings with the inheritors of Mr. Svoboda**

Škoda Auto, a.s. is leading legal proceedings with the inheritors of Mr Svoboda, the owner of the former electro-technical factory in Kosmonosy. The real estate concerned currently belongs to Škoda Auto, a.s. If the defendant party Škoda Auto, a.s. loses the proceedings against the inheritors, PRISKO will have the obligation to buy back the real estate in question from the inheritors based on the Article V, par. 5.2 of the Agreement on the capital contribution binding the Czech government to cover via PRISKO all expenses of the company Škoda Auto, a.s. relating to the transfer of the real estate into the assets of Škoda Auto, a.s. An estimate of any contingent liability cannot be reliably made.

#### **Pragobanka, a.s.**

Pragobanka, a.s., based on the ČNB's decision, was excluded from the Stabilisation Program as of 13 August 1998. Subsequently, it was declared bankrupt on 19 November 1998. Česká finanční put in a claim of CZK 4,395,633,000 to the bankruptcy administrator.

In January 2001 the bankruptcy administrator of Pragobanka, a.s. paid CZK 203,850,000 to Česká finanční according to the repayment approved by the Court with its seat in Prague. The bankruptcy administrator proposed to ask the Court to approve the 2nd partial schedule to repay about 11% of this nominal value of debts to the creditors. The return for Česká finanční would represent about CZK 85,000,000.

The loss generated by this receivable is ultimately covered by NPF.



### **Universal banka, a.s.**

Based on the ČNB decision, Universal banka, a.s. was excluded from the Stabilisation Program on 23 November 1998 and it was declared bankrupt on 12 February 1999. Česká finanční put in a claim of CZK 1,405,851,000 on 25 February 1999 to the bankruptcy administrator.

On 3 April 2001 a review meeting on the bankruptcy of Universal banka, a.s. was held at the Court in Ústí nad Labem, on which the receivable of CZK 1,383,440,000 was entirely rejected because of the objection to title of the bank guarantees. Česká finanční raised a legal action to settle the existence of the receivable on 3 July 2001.

The loss generated by this receivable is ultimately covered by NPF.

### **Moravia Banka, a.s.**

On 2 September 1999, ČNB notified Česká finanční about the ČNB Board decision to exclude Moravia Banka, a.s. from the Stabilisation Program. On 8 December 1999, the Court declared the bankruptcy of Moravia Banka, a.s. Česká finanční put in a claim of CZK 820,807,000 to the bankruptcy administrator on 6 January 2000.

During 2001 Česká finanční's gross estate application related to the bankruptcy of Moravia banka, a.s. was not revised by the bankruptcy administrator.

The loss generated by this receivable is ultimately covered by NPF.

### **Českomoravská záruční a rozvojová banka, a.s.**

In compliance with the Resolution of the Government Česká finanční acquired an ownership interest of 10.66% in Českomoravská záruční a rozvojová banka during the first half of 2000. This equity interest was bought by Česká finanční from Agrobanka, a.s. in liquidation. The purchase price is paid in accordance with the concluded agreements between Česká finanční and Agrobanka, by offsetting mutual receivables.

In May 2000, an Agreement on the Transfer of Securities was concluded between Česká finanční and the MF ČR. The object of that Agreement is the transfer of shares for consideration in the same amount for which the shares concerned had been originally acquired. This purchase price is paid in five instalments by at the latest 30 June 2004. The first instalment has already been credited to Česká finanční's account, followed by formal (recorded) hand-over of the shares. During 2001 the MF ČR transferred the second instalment and the related interest to Česká finanční.

### **Moravská spořitelna, Division of Investiční a Poštovní banka, a.s. (formerly Banka Haná, a.s.)**

The following agreements were concluded between Investiční a Poštovní banka, a.s. ("IPB") and Česká finanční as of 31 December 1998: Agreement on Administration of Receivables and Agreement on Cession of Receivables with postponed validity. The agreements apply to all receivables of Banka Haná, a.s. transferred to Česká finanční within the Stabilisation Program. All these receivables are managed by IPB but Česká finanční is still the owner of the receivables until the date determined in the Agreement on Cession of Receivables with postponed validity (i.e. until 2004 to 2005).

In respect of IPB/ČSOB respectively in 2001 no progress has been made as the legal action which Česká finanční filed against IPB in respect of disagreement with IPB's termination of the Agreement on cession of the receivables with the postponed validity concluded between Česká finanční and IPB on 31 December 1998 has not been revised by the court yet. It has not been decided by the court whether the rights and duties arising from the above Agreement have been transferred to ČSOB in relation to the signed agreement on the sale of the business of IPB concluded between ČSOB and IPB.

The loss generated by this receivable is ultimately covered by NPF.

In 2001 Česká finanční in the meantime (supported by the agreement of the courts) took-over the representation in several creditors committees and is taken necessary steps to protect against consistent lapsing of the receivables. In order to preserve the rights negotiations with representatives of BH CAPITAL and ČSOB have been held and further proposals to enter the open litigations and bankruptcy procedures.



### Receivable from Agrobanka Praha, a.s. in liquidation

On 23 November 2000, Česká finanční filed with the court a proposal to sue Agrobanka Praha, a.s. in liquidation to return "unjustified enrichment". On 28 February 2001 the court issued the payment order, by which Agrobanka Praha, a.s. in liquidation is obliged to pay CZK 9,000,000,000 plus the connected charges. The payment order has not taken legal effect as at the date of these financial statements, because an appeal has been raised.

### Spolek pro chemickou a hutní výrobu, a.s.

On 28 February 2001 150,000 shares of Spolek pro chemickou a hutní výrobu, a.s. were transferred back to Česká finanční. At present its share of Spolek pro chemickou a hutní výrobu, a.s. is 53.73% (the share was acquired within the Consolidation and Stabilisation Programs). The sale process for this investment by Česká finanční is expected to begin by the end of 2002.

The loss generated by this receivable is partially covered by ČNB and partially by the Agency, ultimately by NPF.

### COLORLAK, a.s.

In the first half of 2000, Česká finanční transformed its receivables from COLORLAK, a.s. by capitalising them into COLORLAK shares. The equity share in COLORLAK, a.s. acquired in this way (58.69% of registered capital) is now being sold. The total purchase price is being paid, on a contractual basis, by successive instalments against the transfer of the relevant portion of COLORLAK shares from Česká finanční. This payment process is to be completed by the end of 2003.

## 19. Interest income

	Period from 1 September to 31 December 2001 CZK 1 000
Interest on inter-bank transactions	905 544
Interest on loans to clients and State	2 813 569
Interest and discount on debt securities	35 972
<b>Total</b>	<b>3 755 085</b>

An estimated amount of CZK 1,200,000,000 representing income on impaired loans was included in the period from 1 September 2001 to 31 December 2001. Overdue penalty interest of CZK 400,000,000 as at 31 December 2001 was not recorded in revenues.

## 20. Interest expense

	Period from 1 September to 31 December 2001 CZK 1 000
Interest on inter-bank transactions	2 735 062
Interest on deposits from clients and State	167 847
Interest and discount on deposit certificates and issued bonds	353 242
<b>Total</b>	<b>3 256 151</b>





## 21. Net gains (losses) from financial operations

Net gains (losses) from financial operations, including compensation interest and operating costs, for the period from 1 September to 31 December 2001 may be analysed as follows:

	Period from 1 September to 31 December 2001 CZK 1 000
Realised gains less losses from securities trading	53 253
Net gains less losses from foreign currency transactions	37 633
Compensation of property losses by the MF ČR (loans to housing co-operatives) (Note 5)	18 613
Net provision for unrealised losses from securities trading	-42 274
Realised foreign exchange losses	55 693
<b>Total</b>	<b>122 918</b>

## 22. Other income and expenses

	Period from 1 September to 31 December 2001 CZK 1 000
<u>Other income</u>	
Commission and fee income	14 782
Other operating income	1 961 412
Release of provisions	28 764 893
Extraordinary income	9 299
<b>Total</b>	<b>30 750 386</b>
<u>Other expenses</u>	
Commission and fee expense	5 198
General operating expenses	415 452
Other operating expenses	6 601 254
Additions to provisions	43 197 803
Extraordinary expenses	196 935
<b>Total</b>	<b>50 416 642</b>

General operating expenses can be analysed as follows:

	Period from 1 September to 31 December 2001 CZK 1 000
Wages and salaries	148 116
of which:	
Emoluments to Supervisory Board	2 262
Emoluments to the members of the Board of Directors of subsidiaries	1 494
Social insurance and other social expenses	56 031
Depreciation charges - tangible and intangible assets	42 487
Other general operating expenses	168 818
<b>Total</b>	<b>415 452</b>



## Staff statistics

	As 31 December 2001
Average number of employees of the Group	858
Number of members of the Board of Directors of the Group	15
Number of Supervisory Board members of the Group	23

## 23. Taxation

The tax charge of the Group was CZK 0. A deferred tax asset of the Group of CZK 7,613,330,000 was not recognised due to doubts that sufficient future taxable profit will be available against which this asset can be utilised.

## 24. Assets and liabilities denominated in foreign currencies

	31 December 2001		1 September 2001	
	Assets CZK 1 000	Liabilities CZK 1 000	Assets CZK 1 000	Liabilities CZK 1 000
Residents	24 474 716	23 573 984	6 899 075	3 576 906
Non-residents	77 625	305 021	69 406	357 471
<b>Total</b>	<b>24 552 341</b>	<b>23 879 005</b>	<b>6 968 481</b>	<b>3 934 377</b>

## 25. Derivative financial instruments

	31 December 2001 CZK 1 000	1 September 2001 CZK 1 000
Receivables from currency spot operations	42 920	5 746
Receivables from fixed term foreign exchange derivatives	75 760	0
Receivables from fixed term share derivatives	705 000	0
Receivables from share options	0	718 020
<b>Total</b>	<b>823 680</b>	<b>723 766</b>
Payables from currency spot operations	42 859	5 751
Payables from fixed term foreign exchange derivatives	72 518	0
Payables from fixed term share derivatives	705 000	0
Payables from share options	51	1 148 161
<b>Total</b>	<b>820 428</b>	<b>1 153 912</b>

The receivables and payables from share derivatives with a nominal value of CZK 705,000,000 relate to the purchase of shares in Západočeská energetika, a.s. (Notes 10 and 28) settled in January 2002.

As at 1 September 2001, the Group had a receivable of CZK 718,020,000 and a liability of CZK 1,148,161,000 relating to the purchase of shares in Tatra, a.s.



The Group is obliged to accept, at the request of ČSOB, selected assets acquired on ČSOB's rescue of IPB (Note 18). The Agency has the right to request that it can purchase some of the "other assets" at their book amount as described in Note 18. On serving such a request, ČSOB has the right to retain the selected "other asset" only if ČSOB announces this fact to the Group within 15 days of the Group's announcement of the selection of the asset. Notwithstanding the above, the Group can require ČSOB to transfer any other asset relating to a Restructuring/Revitalisation Program of the Group. The Government of the Czech Republic approved these programs. The fair value of these rights and obligations cannot be reliably stated.

The total impact of the exercise of the respective put and call options is the same to the Group and has been provided for as described in Note 18.

## 26. Total exposure to state and NPF

	31 December 2001 CZK 1 000 000	1. September 2001 CZK 1 000 000
Guarantees from State (Note 18)	2 686	3 708
Receivable from State due to repayment of losses (Note 10)	63 896	74 023
<b>Total exposure to State</b>	<b>66 582</b>	<b>77 731</b>
Guarantees issued by NPF (Note 18) <sup>1)</sup>	34 776	35 103
Receivable from NPF due to repayment of losses of the subsidiaries (Note 10)	8 874	6 826
Loan granted to NPF	22 217	26 217
<b>Total exposure to NPF</b>	<b>65 867</b>	<b>68 146</b>
<b>Total</b>	<b>132 449</b>	<b>145 877</b>

Notes:

<sup>1)</sup> Guarantees issued by NPF include CZK 20,000,000,000 to cover the Group's potential losses from asserted guarantee rights relating to selected assets of KB.

## 27. Residual maturities of financial assets and liabilities

At 31 December 2001

ASSETS	Within 3 months CZK 1 000	3 – 12 months CZK 1 000	1 – 2 years CZK 1 000	2 – 4 years CZK 1 000	4 – 5 years CZK 1 000	Over 5 years CZK 1 000	Not specified CZK 1 000	Total CZK 1 000
Due from banks	27 060 904	0	0	0	0	5 500 000	0	32 560 904
Loans to clients	18 393 268	15 862 461	4 309 635	5 749 325	2 019 578	12 871 801	52 856 359	112 062 427
Trading securities	3 255	47 387	0	563 353	198 800	0	0	812 795
Investment securities	0	0	0	0	0	0	6 150 655	6 150 655
Other financial assets	17 004 817	64 287 459	238 195	185 058	0	0	12 320 133	94 035 662
<b>Total financial assets</b>	<b>62 462 244</b>	<b>80 197 307</b>	<b>4 547 830</b>	<b>6 497 736</b>	<b>2 218 378</b>	<b>18 371 801</b>	<b>71 327 147</b>	<b>245 622 443</b>
<b>LIABILITIES</b>								
Due to banks	9 281 547	33 436 568	19 129 680	29 890 547	6 816 828	26 883 490	0	125 438 660
Due to clients	23 033 117	5 527 000	0	0	0	0	0	28 560 117
Securities issued	276 732	15 931	0	12 000 000	0	0	0	12 292 663
Other financial liabilities	11 334 300	741 143	0	0	0	2 456	67 253 104	79 331 003
<b>Total financial liabilities</b>	<b>43 925 696</b>	<b>39 720 642</b>	<b>19 129 680</b>	<b>41 890 547</b>	<b>6 816 828</b>	<b>26 885 946</b>	<b>67 253 104</b>	<b>245 622 443</b>



## As at 1 September 2001

ASSETS	Within 3 months CZK 1 000	3 – 12 months CZK 1 000	1 - 2 years CZK 1 000	2 – 4 years CZK 1 000	4 – 5 years CZK 1 000	Over 5 years CZK 1 000	Not specified CZK 1 000	Total CZK 1 000
Due from banks	9 569 625	200 000	0	0	0	5 500 000	0	15 269 625
Loans to clients	19 270 491	19 860 266	3 330 746	6 373 929	1 680 401	12 740 738	49 968 085	113 224 656
Trading securities	404 643	23 792	0	757 583	0	0	0	1 186 018
Investment securities	0	0	0	0	0	0	7 433 380	7 443 380
Other financial assets	8 120 145	74 484 898	0	0	0	0	14 708 780	97 313 823
<b>Total financial assets</b>	<b>37 364 904</b>	<b>94 568 956</b>	<b>3 330 746</b>	<b>7 131 512</b>	<b>1 680 401</b>	<b>18 240 738</b>	<b>72 110 245</b>	<b>234 427 502</b>
<b>LIABILITIES</b>								
Due to banks	8 482 906	28 466 815	18 555 536	39 420 871	4 560 412	36 379 301	0	135 865 841
Due to clients	9 004 488	1 000	0	0	0	0	0	9 005 488
Securities issued	250 621	31 631	0	12 000 000	0	0	0	12 282 252
Other financial liabilities	7 239 697	534 576	0	0	0	2 653	69 496 995	77 273 921
<b>Total financial liabilities</b>	<b>24 977 712</b>	<b>29 034 022</b>	<b>18 555 536</b>	<b>51 420 871</b>	<b>4 560 412</b>	<b>36 381 954</b>	<b>69 496 995</b>	<b>234 427 502</b>

## 28. Subsequent events

### 1. The Agency

#### Acquisition of shares in Západočeská energetika, a.s.

In accordance with Czech Government decision No. 940 of 17 September 2001 and the declaration of the MF ČR No. 04/71983/2001 of 26 September 2001, the Agency acquired shares in Západočeská energetika, a.s. at a cost of CZK 705,000,000 effective 17 January 2002. The Agency had already advanced this amount as at 31 December 2001 (Note 10). The Agency has not created any provisions for this participation interest based on the agreement dated 4 February 2002 on the settlement of potential losses of the Agency resulting from the increased influence of the State in Západočeská energetika, a.s. with respect to the privatisation of the energy sector.

#### Repayment of losses of the Bank for the year 1999

Based on Act No. 21/1992 Col., the Act on Banks and Act No. 239/2001 Col., on Česká konsolidační agentura, the Agency obtained repayment of losses incurred by the Bank for 1999 from the MF ČR as follows: CZK 6,000,000,000 on 28 January 2002 and CZK 6,089,207,000 on 26 February 2002. The loss of the Bank for 1999 has therefore been fully covered by these repayments (Note 10).

#### Transfer of IPB assets from ČSOB to the Agency

Based on the Restructuring Plan Agreement dated 31 August 2001 between ČSOB, the Bank and the Czech Republic represented by the MF ČR, the Agency took over from ČSOB, CZK 17,847,461,000 of IPB's so called "black" assets during the period from 1 January 2001 to the date of approval of these financial statements. The Agency has released general provisions covering expected losses created before the date of transfer to eliminate risks on these assets, and has created specific provisions of CZK 17,562,482,000 to cover estimated expected losses from the acquired portfolio (Note 18).

#### Transfer of assets from KB to the Agency

Based on the Guarantee agreement dated 21 December 2000 between KB and the Bank, the Board of Directors of the Agency decided to purchase KB receivables against KORAMO, a.s. with a book value of



CZK 105,900,000 on 4 February 2002 and against TUSCULUM, a.s. with a book value of CZK 209,500,000 on 25 February 2002. Expected losses should be covered by the NPF guarantee over the entire scheme (Note 18).

### **Return of ceded receivables from pilot portfolio in the Agency**

The Bank sold for CZK 1,352,630,000 a pilot portfolio of 503 receivables with a total value CZK 19,051,121,000 on 25 April 2001 to CDV-1, Ltd.

Based on the Master agreement covering the cession of the pilot portfolio and amendment to this agreement dated 5 February 2002, the Agency took over 48 receivables against 18 clients with a nominal amount of CZK 3,000,000,000 for CZK 98,291,000 from CDV-1, Ltd. This return of receivables did not materially impact the Agency's financial position.

### **Refinancing loan repayment**

In accordance with the repayment schedule, the Agency repaid CZK 2,746,000,000 of the refinancing loan to KB on 25 March 2002. The purpose of this loan was to refinance receivables transferred from KB to the Bank in 1999 based on the Czech Government decision No. 820/1999. This loan is included in Amounts owed to banks (Note 11).

### **Transfer of assets from Česká spořitelna, a.s. into the Agency**

The Bank signed a Restructuring and guarantee agreement with ČS on 1 March 2000. In accordance with the special arrangements of this agreement, ČS has the right to exclude items which will remain in its portfolio and will not be ceded to the Agency as so called "Spin-off items". This right must be executed before 31 May 2002. Simultaneously, within the period from 30 September to 31 December 2001, ČS was entitled to provide the Agency with a list of "Spin-off items" to be covered by guarantees of the Agency. The list will become effective as at 30 June 2002.

Based on ČS's notification there will be a transfer of 989 items with a book value of CZK 12,269,400,000 and a sales value of CZK 9,071,700,000 as at 31 December 2001.

It is probable that as at the effective date of the list of "Spin-off items", certain receivables will have been repaid and ČS also expects to exclude some receivables. Consequently, the management of the Agency estimates cession of receivables at 30 June 2002 with a balance sheet value of CZK 8,500,000,000. The purchase price of these receivables is estimated by the Agency at CZK 6,400,000,000 and will be settled on 22 July 2002 according to the above mentioned agreement. The agreements for the transfer will be signed during June 2002. The expected losses from the assets to be transferred are covered by a general provision created by the Group for the guarantee provided on behalf of ČS IV group clients (Note 18) as at 31 December 2001.

### **Revitalizační Agentura, a.s.**

Revitalizační agentura, a.s. - an unconsolidated subsidiary of the Agency - concluded, in connection with the Czech Republic Government decisions No. 504 and No. 1193 from 2000, agreements on the purchase of receivables from Vítkovice, a.s. as part of Vítkovice, a.s.'s restructuring. The amount of consideration is CZK 487,000,000. The nominal value of these receivables is CZK 646,000,000. These receivables will be ceded to the Agency. The Group has created a provision to cover expected losses arising from this transaction of CZK 294,000,000, as at 31 December 2001 (Note 14).

### **Odien Restructuring Services, s.r.o.**

On 3 April 2002, Odien Restructuring Services, s.r.o. ("Odien") with whom the Agency entered into service agreements for restructuring and identification of strategic partners for its stakes in Tatra, Zetor, Hutní montáže and Škoda Holding, brought an arbitration action against the Agency with the International Court of Arbitration in London.

As part of this action, Odien asserts that the Group broke its contractual obligations arising from the above agreements (particularly with respect to the success fee, the Group's failure to enter into a service agreement for an additional fifth company, and claims arising from the alleged impairment of Odien's reputation due to press statements made by the Agency's representatives).

The total sum claimed by Odien from the Group amounts to approximately USD 4,600,000. The Group has denied all of these claims in their entirety before the arbitration court and on the contrary, it claims the



recovery of the payment of compensation for damage allegedly caused to the Group by Odien with the proviso that the amount to be claimed will be assessed by the Group at a later date.

Therefore, the final amount of compensatory payment which the Group will be obliged to pay to Odien, or which Odien will be obliged to pay to the Group, depends on the verdict of the arbitration tribunal, which is, as agreed by the parties, binding upon the parties and enforceable without the recourse of court review. As the Group is not able to make a reliable estimate of any future settlement, it has not created any provisions, nor has it reflected any receivable, arising from these actions as at 31 December 2001.

### **Sale of Zetor, a.s.**

The Agency recommended the Slovak company HTC Holding, a.s. for the takeover of the Brno-based tractor maker, Zetor, a.s. The Agency's Board of Directors, Supervisory Board and the Government of the Czech Republic had already approved the bidder. The Agency has set aside provisions to cover expected losses from the sale as at 31 December 2001.

### **Osinek, a.s.**

The Antimonopoly Office questioned the role of the State-owned company Osinek, which has funded Vítkovice steelworks for two years through loans of CZK 1.8 billion and CZK 1.0 billion from the Agency/Bank. Currently, the Antimonopoly Office has not finished its investigation and the final verdict has subsequently not been made. However, if the decision of the Antimonopoly Office is unfavourable to Osinek, Osinek's financing of Vítkovice would be deemed to be an unlawful public subsidy and Osinek could, potentially, be unable to cover all of its liabilities. The Agency's total exposure to Osinek is CZK 2,343,896,000. The Agency has not created any provisions against this exposure, as the exposure is entirely covered by a guarantee of the NPF.

## **2. Česká finanční**

The NPF settled losses incurred from the realization of assets within the Stabilisation Program for 1997, 1998, 1999 and the first part of the year 2000 through the Agency amounting to CZK 6,825,716,000 on 31 January 2002.

### **eBanka, a.s.**

On 13 September 2001 an agreement about security of the receivable was concluded between Česká finanční and eBanka, a.s.. The full repayment of the receivables of Česká finanční from the Stabilisation Program of Zemská banka, a.s. (now eBanka, a.s.) has been covered by this agreement.

On 13 December 2001 Česká finanční concluded an agreement with eBanka, a.s. (formerly Zemská banka, a.s., Expandia Banka, a.s.) about termination of the Stabilisation Program as at 31 December 2001. The agreement about cession of the receivables was concluded between Česká finanční and eBanka, a.s. on 13 December 2001, which specifies the price and conditions under which the uncollected receivables will be ceded to eBanka, a.s. as at 31 December 2001.

On 31 December 2001 eBanka, a.s. paid to Česká finanční the cession price of CZK 450,339,000 and the costs of legal recovery amounting to CZK 1,716,000. Physical take-over of the receivables and corresponding documentation by the employees of eBanka, a.s. occurred on 9 January 2002.

The loss generated by this receivable is ultimately covered by NPF.

### **Evrobanka, a.s. in liquidation**

In the first half of November 2000 the annual meeting of Evrobanka, a.s. in liquidation was held and the decision to terminate Evrobanka, a.s. in liquidation via liquidation with a nil liquidation value was issued. In compliance with this decision the liquidator withdrew the equities and Evrobanka, a.s. in liquidation was erased from the Commercial register with effect from 5 March 2001. The assets were excluded from the balance sheet of Česká finanční.

The loss generated by this receivable is ultimately covered by NPF.

