

Heršpická 5

658 26 Brno

Tel.: +420 5 43 52 51 11

Fax: +420 5 43 52 55 55

Volksbank CZ

mail@volksbank.cz

www.volksbank.cz



Oldřich Bystřický (1981)

Amber path - cycle:

What next? - a meeting with Kosmas after Jewish disaster in the 14th century

CONTENTS



ANNUAL REPORT

7

Foreword from the Board of Directors

8

Key Figures in Summary

9

The Volksbank Group

10

Governing Bodies

11

Economic Environment

12

Lines of Business

14

Balance Sheet

20

Profit and Loss Account

26

Notes to the Financial Statements

29

Report on Relationships

61

Independent Auditor's Report

62

Report of the Supervisory Board

64

SERVICE

67

International Desks

68

Our Network

70



Oldřich Bystřický (1981)

Amber path - cycle:

Metamorphosis IX - Veles - Slavonic God of droves - the miraculous transformation during the corn harvesting



ANNUAL REPORT 2001

01

Austria

Bosnia and Herzegovina

Croatia

Hungary

CZECH REPUBLIC

Italy

Malta

Romania

Slovakia

Slovenia

Foreword from the Board of Directors

Ladies and Gentlemen,
Dear Clients and Business Partners,

To begin the Annual Report, we would like to highlight some of the keywords which give an overview of business in 2001 at Volksbank CZ: expansion on all fronts, impressive financial results, risk-conscious behaviour and a continuous enhancement of staff qualifications.

In line with the expansion of the branch network, the key figures of Volksbank CZ also developed in a very positive way. Total assets as of 31 December 2001 reached almost CZK 12bn. Clients' deposits grew strongly in the trading year 2001 - by more than CZK 1.6bn to CZK 6.3bn, that is by 34 %. In the same period of time, loans to clients increased by about CZK 1.9bn to CZK 8.5bn. This corresponds to an increase of 29 %.

As this enhancement of business activities can only be accomplished with the right staff, Volksbank CZ has always supported a good **education and training** system for its employees and will continue this as an important focus in the future as well.

Substantial success has been achieved by Volksbank CZ

above all within its **target groups**, i.e. small and medium-sized enterprises as well as municipalities. In addition, the activity of the International Desk has been expanded and perfected.

Last year Mr. Václav Vitha's appointment as a Member of the Board of Directors at an extraordinary general meeting on December 18, 2001 was of great importance. His long experience on the Czech banking market, combined with excellent education, ensures the basis for the ongoing development of Volksbank CZ.

On the basis of the consistently strong commitment of all employees, as well as the ongoing good investment climate in the Czech Republic, we look to the financial **year 2002** with great optimism.

In this sense, we would like to thank you, our valued trading partners and clients, as well as our employees and our shareholders, for the trust you have placed in us and the excellent relationship we enjoy with you. It is our conviction that this trust will continue to unite us in the future.



The year 2001 was one of the most successful trading years in the history of Volksbank CZ. Four **new branches** were opened for our clients - Prague-Karlín, Liberec, České Budějovice and Brno-Panská.

On May 14, 2001, our modern and largest branch in Prague's Karlín district started operations. CORSO-Karlín is the main branch for Prague and the large area of Bohemia, and one of the focal points for banking support for large national and international clients.

On June 1, 2001, the Liberec branch in Northern Bohemia was opened. The geographic proximity to Germany also gives this branch a certain supra-regional importance in addition to regional significance.

On June 20, 2001, we opened another branch on the historical central square in České Budějovice, a region near to the Austrian border. At the end of the year we relocated our city branch in Brno to Panská Street, thereby moving our oldest branch on August 27.

We will continue with branch expansion during the course of 2002 - beginning with Pilsen in January, then the Znojmo branch will start up in April 2002, and, by the end of the year, branches in Hradec Králové and Ostrava as well as other branch offices in Prague will open their doors.

Václav Vitha 

Johann Lurf 

Herbert Škok 



KEY FIGURES IN SUMMARY

CZK'000	1999	2000	2001
Total assets	7,609,745	9,743,128	11,899,124
Customers liabilities	3,376,685	4,718,015	6,342,717
Receivables to customers	5,734,268	6,652,689	8,544,076
Operating income	379,417	470,260	531,708
Operating expenses	275,880	305,363	381,076
Profit on ordinary activities before taxation	6,893	49,460	68,011
Number of employees	183	208	307
Number of branches	9	10	13

The Volksbank Group

Volksbank has been successfully active on the Czech market since 1993. The bank's main shareholder is Volksbank International AG (100% subsidiary of Österreichische Volksbanken-AG, here in after referred to as ÖVAG).

Österreichische Volksbanken-AG was established in 1922 as the umbrella organisation for several co-operative lending institutions and is the central institute of the Austrian co-operative banks (Volksbanken). ÖVAG is majority owned by 68 Volksbanken which have more than 600 branches. Other shareholders are DZ Bank and the Victoria Group. The Austrian Volksbank Group is one of the most successful Austrian banking groups and had total cumulative assets of EUR 33.4 billion and a total of 8,350 staff in the year 2000.

More than 10 years ago ÖVAG began its successful expansion into Central and Eastern Europe in Slovakia. To date ÖVAG has an international network comprising more than 80 offices in nine countries. ÖVAG's subsidiaries - with strategic shareholdings held by German, French, Italian and Turkish partner banks - are located in Slovenia, Croatia, Bosnia-Herzegovina, the Czech Republic, Slovakia, Hungary and Romania and employ 1,500 staff. As per June 30, 2001 the subsidiaries had combined total assets of EUR 1.6 billion. In addition, in Italy ÖVAG has a representative office in Verona and a branch in Pordenone as well as a subsidiary in Malta.

Via its co-operation with the Confédération Internationale des Banques Populaires (CIBP),

which has a network of 45,000 banking outlets in the member states in Europe, North Africa, Argentina, Canada and Japan, as well as the stake in ÖVAG held by DZ Bank, Volksbank CZ is able to offer its clients a presence in all major financial centres worldwide.

Shareholders	Shares in %
Volksbank International AG, Vienna	69.00 %
Banque Fédérale des Banques Populaires, Paris	10.00 %
WGZ Bank, Düsseldorf	3.33 %
DZ Bank AG, Frankfurt	6.67 %
Veneto Banca, Montebelluna	2.50 %
Banca Popolare di Vicenza, Vicenza	2.50 %
Banca Agricola Mantovana, Mantova	2.50 %
Banca Popolare dell' Emilia Romagna, Modena	2.50 %
Niederösterreichische Landesbank-Hypothekenbank AG	1.00 %

As per 31.12.2001

However size is not everything! In line with the bank's motto, our commitment to being a special partner for our clients has proved very successful. Personal contact with our clients and mutual trust are of primary importance to us. "Volksbank: United in Trust".

Governing Bodies

SUPERVISORY BOARD

CHAIRMAN

Mr Klaus Thalhammer

Chairman of the Board of Directors
Österreichische Volksbanken-AG

MEMBERS

Mr Hans Janeschitz

Director, Head of Subsidiaries Management
Department and Business Services Department
Österreichische Volksbanken-AG

Mr Ekkehard Fügl

Head of the Group Audit Department
Österreichische Volksbanken-AG

Mr Primo Brioni

Head of International Division
Banca Agricola Mantovana

Mr Daniel Duquesne

Chairman of the Managing Board
Banque Populaire De Lyon

Mr Rainer Schon

Head of International Department
Westdeutsche Genossenschafts-Zentralbank eG

Ms Jaroslava Schafferová

Manager of the Legal department
Volksbank CZ, a.s.

Ms Irena Štěrbová

Manager of the Branch Zlín
Volksbank CZ, a.s.

Mr Luboš Vlček

Manager of the Administration
Volksbank CZ, a.s.

BOARD OF DIRECTORS

Mr Johann Lurf

Chairman

Mr Herbert Skok

Member

Mr Martin Heilinger

Member
till the 18th of December

Mr Václav Vitha

Member
since the 18th of December,
effective since March 1, 2002

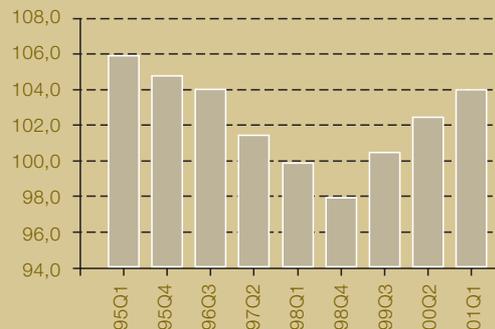
Economic Environment

The Czech economy demonstrated its openness and interconnected nature in relation to the development of the world economy even more strongly in 2001. The slowing of economic growth that has been felt by almost all highly-developed countries around the world was also reflected in the development of the domestic economy, yet not as strongly as originally expected. The recessive trends in the most important trading partners' economies, especially in Germany, led to

companies were able to achieve a high level of competitiveness even in these internationally unfavorable conditions.

Besides pressure on the Czech gross domestic product, the global decline also led to a reduction in the inflation rate. This can be ascribed particularly to a steep drop in prices on the commodity markets. This global decline in inflation rates, combined with the strengthening of the Czech currency, also influenced the domestic

GDP GROWTH (YEAR-TO-YEAR CHANGE)



a reduction in demand for Czech export goods. On the other hand, strong domestic demand and a good investment climate prevented a possible major weakening. The Czech economy - measured by GDP - grew by 3.6 % in 2001 as against the previous year, which represents the best result in five years.

The trade deficit also improved. In 2001, the negative balance actually decreased and, in the first months of 2002, almost disappeared. The figures for GDP as well as the trade balance numbers show that the restructuring of the Czech economy has progressed relatively far, so that the

economy as a result of stronger foreign trade.

The high investment rate and the good GDP growth rate development - in connection with structural changes - also had a positive effect on the labour market. The unemployment rate marginally declined on a year-on-year basis and is only slightly under the EU average. The growing productivity in the economy has had a positive effect.

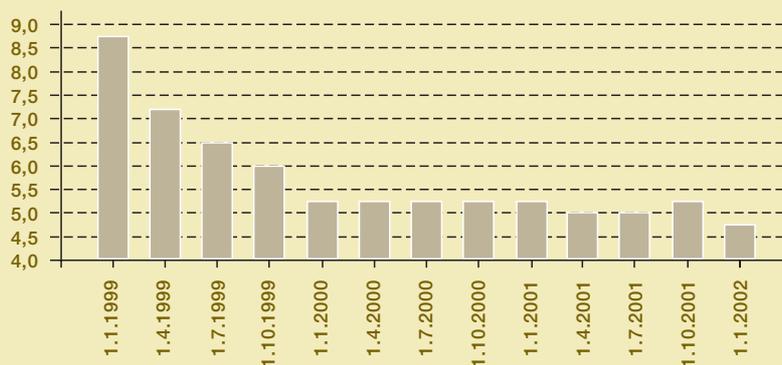
A decrease in inflation made it possible for the Czech National Bank (ČNB), to maintain a neutral monetary policy in the first half of the year. The terrorist attacks on the United States of America on

September 11, 2001, evoked a global wave of monetary policy easing: Interest rates were lowered in an effort to restore the confidence of the population in the economic strength of the individual countries and to avert a possible recession. The ČNB also followed this trend. After a series of interest rate cuts, the rates came down to their lowest ever level at the beginning of 2002. In this sense, the Czech Republic has passed the stage in its economic development when it still

secure assets, the Crown often became a "safe haven".

The banking sector can now be seen as fully consolidated. In the long run the banking sector in the Czech Republic will continue to clearly follow the international trend towards concentration and the creation of bigger units and financial institutions, that offer the client the full range of financial products and services under one roof. The Czech economy can be described as a normal

TWO WEEK REPO RATE CNB



fulfilled many of the parameters of a transition economy.

Throughout the year the Czech Crown exchange rate strengthened in particular as result of the influx of FDI as well the income from privatisation. The Czech Crown gained almost 10% against the Euro on a year-on-year basis. This appreciation slightly weakened the price-related competitiveness of Czech exporters. The Crown also proved extremely resistant to financial crises: in the politically unfavourable phases, when tension dominated on the world financial markets and investors looked for

market economy today, which shows only minimal characteristics of a transition economy. Even faster growth rates can be expected in the second half of 2002. The Crown should stay strong against the Euro, supported by the ongoing influx of foreign direct investments, the privatisation of the remaining state-run companies and - in the long term - by accession to the European Union.

Lines of Business

International Desk

Volksbank's International Desk in Prague intensified its contacts with foreign partners and continued to extend its activities in 2001, in particular via French Desk. Our team of 6 employees speaks altogether 8 languages. This creates a good basis for being able to offer a high standard of services. The main activities are still primarily oriented to the real estate market in Prague, while other business activity areas are gaining in importance as well. What was and is especially significant is the acquisition of new clients and partners from the ranks of small and medium-sized enterprises, as well as big firms which are opening new production sites in the Czech Republic or are planning to open them. Relations with domestic institutions have been intensified, while also important contacts to international companies and chambers of commerce contribute to further developing the bank's international activities. Among other activities, we would like to mention the membership of Volksbank and some of its clients in the Franco-Czech and Italian-Czech Chamber of Commerce, as well as our good relationship with our partner banks in France (Banques Populaires), Italy (Banca Agricola Mantovana, Banca Popolare di Vicenza, Banca Popolare dell'Emilia Romagna, Veneto Banca) and Germany (DZ Bank, WGZ-Bank).

The outcome is very positive, which results from our great flexibility, our ability to adapt our products and services to the needs of our clients and our highly qualified employees. This allows Volksbank CZ to offer "custom made" products in the client's native language.

International & Major Corporate Clients

In 2001, the bank reorganised its client support structure, which resulted in greater concentration on the core business for the International & Major Corporate Clients Department. This allowed the company to better deploy its available resources. The planned division of the department into the two economic areas of Bohemia and Moravia will enable an even stronger concentration on the Prague economic area. In the first half of the year, new premises at Corso Karlín were opened, thus creating an atmosphere that corresponds better to international standards. The focus of our client support continues to be based on developing personal relations with our business partners which we achieve via direct discussions and close cooperation. At present, 9 employees take care of clients from the German speaking area, as well as from many other countries such as Great Britain, U.S.A., Canada, Sweden and Israel. In order to be able to offer the support it is important for our staff



to have a knowledge of languages and the ability to live in a multicultural environment. The team regards itself as a partner for wide-ranging financial services in all matters concerning banking. They offer their business partners professionally competent, flexible and active support on the basis of a partnership with their clients - a concept which is followed in the entire Volksbank Group.

Municipalities

The Public Sector and Institutional Clients Department worked in an atmosphere of legislative changes in the year 2001. The new budgetary principles for the allocation of taxes to the Czech municipalities took effect on January 1st, 2001, which had a corresponding impact on the financial situation of our clients. These principles have placed great demands on the analytical activity of the department to ensure their correct implementation. The Law on the distribution of public orders for selecting the financing banks in the municipal sector led to the regular participation of Volksbank CZ in public tenders in the area of loan financing for municipalities. One of Volksbank's biggest successes was winning the public tender this year for providing overall banking services for the Vysočina Region with its capital in Jihlava. The Public Sector and Institutional Clients Department enlarged its geographical business area to include Prague and thus Bohemia, hiring an additional employee for this region.

The Bohemia Region with Prague

A substantial expansion in the branch network took place in the business region of Bohemia in 2001. During the year Volksbank CZ extended its activities in the Prague Region. The opening of

a new branch, was celebrated from May 1 to May 5, 2001 in its wonderfully reconstructed building Corso Karlín on Křížík Street. This branch has additionally become a regional base for the wider area of Bohemia. Altogether, Volksbank now has three branches in Prague. A team of six employees provides both the private clientele and corporate customers with a complete range of financing products as part of the Group's "All in One" concept. For this purpose, the existing branch on Wenceslas Square has been modernised. Furthermore, the České Budějovice branch started operations on July 3, 2001. It is located on the historical square that is called "the most beautiful square in the Czech Republic" by local patriots. It won a good name and positive reactions from clients in its region quickly. The focal point of the branch's range is represented by comprehensive financial services for corporate clients. On October 17, Volksbank in České Budějovice took part in the so called "Economic Cocktail Reception" - a regional meeting of Austrian business people with their Czech counterparts. The company co-financed it as the main sponsor and presented the range of its services as well as those of the whole Group. The Jihlava branch approached its goal steadily step by step in its fourth year of operations to become one of the most important bank branches in the Jihlava Region. A very big success contributed to meeting this objective: in August 2001 Volksbank CZ won a public tender and became the supplier of all banking services for the Vysočina Region and thus its house bank. Also in 2001, Volksbank CZ supported some important regional and supra-regional events and activities. Let's briefly name just a few of the most important ones: participation at the opening of the "Water Paradise" swimming

complex in Jihlava; support of an exhibition of large-scale photographs of animals by the director of Jihlava Zoo Mr. Vladimír Jiroušek; Volksbank CZ as a partner in the cultural festival "Vacation in Telč". Volksbank CZ supports the education of the young generation and donated PCs to some elementary schools. The oldest branch in the South Bohemian Region at Kaplice, also the only Volksbank branch in a small Czech town, serves mostly private clients and small company clients. The Kaplice branch continues to be successful which is reflected in the numbers of clients: the ratio of the number of clients to the number of inhabitants has reached higher-than-average levels compared to all Volksbank branches in the Czech Republic. In November, Volksbank financed an event under the title "Hele lidi, hele socha" (Look, people. Look, a statue.) that introduced the world of our sightless fellow citizens to pupils and aimed to teach us all to live together. A new branch was opened in Liberec in 2001. Suitable premises were found in the centre of the town, which lie near to as many clients as possible and not only correspond with the needs of the bank, but also fulfill the requirements of the philosophy of partnership with our clients, which is a characteristic of the Volksbank Group. The new branch has been situated in the reconstructed cinema Lípa. The infrastructure of the branch meets our customers' needs. Before the branch was opened, its employees had already been trained extensively. On the day of opening (June 1, 2001), they had completed several training sessions in special departments at headquarters and in various regional branches in Bohemia and Moravia. From the beginning, they were able to advise clients actively and have been perfectly accepted by the market as well as by clients.

The Region of Moravia with Brno

The Olomouc branch continued to implement the Volksbank's strategy in its fourth year of existence. It offers clients products for small and medium-sized enterprises (also working with the state-run warranty and development bank ČMZRB), as well as products for the municipal sector (including financing facilities for housing associations and PHARE projects). The branch worked excellently with the regional agency for the development of Central Moravia and with the chambers of commerce in Šumperk and Přerov.

ISocially we financially supported the ACADEMIA Film Festival in Olomouc (popular science films) of our client the University of Palacký.

The Zlín branch succeeded in strengthening its position on the market. Despite the ever-increasing competition from other local banks, the branch increased its total assets by 35%. Our staff was correspondingly enlarged. The target figure for planned revenues has also been more than met. A large number of new clients opened their accounts with Volksbank in Zlín in 2001.

The branch actively took part in regional cultural and sports life. Projects which promoted the bank's good name included the now traditional support of the theatre festival "Setkání -Stretnutie", support of school youth as well as of some of the physically challenged or a donation to some local sportclubs for development of sports facilities.

Payment System

The expansion of the bank was also reflected in the area of domestic and foreign payments. Domestic payments sent grew by 36% (transactions) or by 41% (volume) in 2001. As for incoming payments, the growth rates were similar:

32% and 42% respectively. Payments from foreign countries increased greatly as well: by 44% (transactions) and 24% (volume). As for outgoing payments, the increase was a slightly less: 12 % for both transactions and volume.

Electronic banking has proven attractive to the clients of Volksbank. Almost half of all outgoing payments have been effected via homebanking. This service constantly attracted new clients - 1,409 clients used electronic banking in 2001. The interest in documentary business increased likewise. The number of documentary import letters of credit grew by 75%, for export letters of credit, there was a 33% growth, and for documentary export collection, there was a growth of 18%. Import collection decreased by 25%.

Treasury

The Treasury Department built up and further strengthened Volksbank's position on the domestic and international interbank market. On the domestic market the biggest turnover in 2001 was achieved in CZK as well as in FX trading on the foreign currency spot market and in trading with derivative instruments. The Treasury Department actively traded with most banks on the Czech market, as well as strengthening its cooperation with many foreign banks and financial institutions. Activities with bank clients were also expanded last year. A significant increase in transactions can be ascribed to meticulous daily client care. The biggest growth was recorded on the spot market and in deposit trading. The number of forward and swap transactions also increased.

Securities

The securities business throughout the whole world

was greatly affected by the terrorist attacks on September 11. Clients in the Czech Republic responded by favoring fixed income instruments. Above all, bonds and guaranteed capital products have become the focus of investors interests. Despite the unfavourable circumstances our bank saw the turnover in securities trading for clients' accounts increase by CZK 4bn in the year under review. Mutual funds under the administration of our affiliated company from Austria, the investment company Volksbanken KAGmbH proved very popular. The Securities Commission granted a licence to nine KAG funds to trade in the Czech Republic. A new product under the name of VIP (Volksbank Investment Program) has already been totally implemented into our existing investment programs. Although mutual funds are a new product in the Czech Republic, we hope they will become the most important instrument for investors within a few years.

Credit and Risk Management

Despite its risk-conscious credit policy, Volksbank CZ recorded an increase in overall lending volume of approximately 29% to CZK 8.9bn gross and simultaneously a decrease in classified loans of 16 % last year. Improved risk management and definition of the best individual overall solution for every single client were the mainstays of this policy. For the first time in Volksbank CZ's history, the volume of CZK financing (58 % of the overall portfolio) exceeded that of foreign currency credits. This development is the result of improved CZK interest rates compared with those of the country's main trading partners and the provision of corresponding individual investment advice. Among the target groups for loans were domestic

and international small and medium-sized companies who can be supported internationally within the framework of the Volksbank Group, as well as cities and municipalities, which have an important share of the overall portfolio, and international joint ventures.

The successful cooperation with our affiliated company VB Leasing CZ has also been deepened and extended.

Bank Cards

The expansion of Volksbank's business activities can also be seen in the area of bank cards. In 2001, Volksbank CZ extended its ATM network by 3 to 11 units. The number of transactions made using Volksbank's ATMs grew to 143,000 (+55%) with an overall turnover of CZK 412m (+60%). The number of cards issued reached 3,600 as at December 31, 2001 (2,200 Maestro-Cards and 1,400 Eurocard-MasterCards), which corresponds to a year-on-year increase of 80%.

The number of card transactions jumped to 117,000 (with a turnover of CZK 270m) last year, corresponding to an increase of 60% (79% respectively).

The proportion of direct card payments comes to 38% of transactions and 28% of turnover. Volksbank CZ started to issue the prestigious Diners Club cards in 2002.

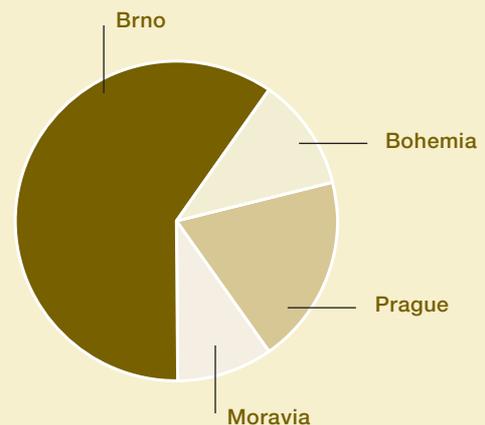
Human Resources

The number of employees grew by 48% to 308 in 2001. This development was the result of a distinct growth in business activity: on the one hand due to the further expansion of the bank into new regions and on the other hand by staff build-up in existing branches. Unlike Volksbank CZ,

reductions in the number of employees can be observed throughout the banking sector in the Czech Republic.

The areas of training and social intergration within the bank were among the main tasks of the Human Resources Department. The bank successfully completed the transition from a small to a medium-size organisation. Great demands have been

EMPLOYEES ACCORDING TO REGIONS



placed upon the existing and new staff members. A new training system for the employees of Volksbank CZ has been created in cooperation with the Austrian Volksbankenakademie. Changes in employment law also took place in 2001 to bring Czech law in line with EU employment law.

Marketing

Marketing activities went hand in hand with the Volksbank CZ's efforts to increase its share of the Czech financial market. Communication with clients

and public relations form an important part of every successful marketing campaign.

First of all the Marketing Department supported and co-organized the opening of our four new branches (Liberec, Prague-Karlín, České Budějovice and Brno-Panská). From a technical angle, the activities of the Marketing Department concentrated above all on the new info-terminals and Twin Safes.

Sales support of the deposit bill of exchange called "The Golden 5%" proved a great success, leading to a fivefold increase on a year-on-year basis.

The automation of its sales led to a reduction in the selling time from 30 to 3 minutes. In cooperation with the second largest travel agent in the Czech Republic, Čedok, we expanded our unique product of selling travellers' and holidaymakers foreign currencies - sales of bank notes such as the Hungarian Forint and the Croatian Kuna tripled as a result in the year under review. Last year also saw the advent of Volksbank's web sites, which provide a complete survey of the bank, its employees, services, interest rates, fees as well as other information. The number of web site visitors increased steadily in the months following its introduction.

Building Society Savings

Since the summer of 2001, Volksbank CZ has offered its clients the opportunity to conclude building society agreements in all of our branches. Our partner company for this service is Českomoravská stavební spořitelna, the biggest building society on the Czech market. The range of services offered in building society savings banks fits well into the business strategy of Volksbank, which wants to offer its clients comprehensive

financial services with appropriate advisory support. Furthermore, thanks to our quality-conscious and well trained employees, the sales of this product showed dynamic growth from the very beginning.

Information Systems

Restructuring of the access rights to the information system which became necessary because of the intensive growth of the bank in the last few years has substantially increased data security in the system as well as minimising the risk of abuse. Other projects to be introduced include the introduction of new communication and distribution channels - information terminals and Twin Safes. The Twin Safe automated cashboxes make it possible to process the cashbox operations not just at the cashier-operated cashbox, but also at the counter, which helps to speed up client service and increases the security of the transactions performed. Twin Safe is also able to recognize counterfeits. The banknotes are automatically and immediately stored in the safe after a transaction is completed. All clients of the new branches use this system, the older branches are being gradually converted to the new system. The information terminals make it possible for our clients to follow their account balances and transactions via their bank cards (or via info cards) or print their account statements themselves. The information terminals will soon be enhanced by further important functions.

SUMMARY BALANCE SHEET

ASSETS

	2001	2000	Change
	CZK'000	CZK'000	%
Cash in hand, deposits with bank of issue	375,781	211,434	78%
Loans and advances to banks	2,571,998	2,364,022	9%
Loans and advances to customers	8,544,076	6,652,689	28%
Bonds	-	189,241	-100%
Shares	-	5,898	-100%
Participating interests	544	654	-17%
Tangible and intangible assets	280,259	239,895	17%
Other assets	126,466	79,295	59%
TOTAL ASSETS	11,899,124	9,743,128	22%

LIABILITIES

	2001	2000	Change
	CZK'000	CZK'000	%
Amounts owed to banks	4,204,190	3,837,098	10%
Amounts owed to customers	6,342,717	4,718,015	34%
Reserves	48,392	48,392	0%
Other liabilities	588,604	434,412	35%
Registered capital	650,000	650,000	0%
Reserve and other funds	8,472	6,266	35%
Retained earnings and profit for the year	56,749	48,945	16%
TOTAL LIABILITIES	11,899,124	9,743,128	22%

SUMMARY PROFIT AND LOSS ACCOUNT

	2001	2000	Change
	CZK'000	CZK'000	%
Interest income	751,828	596,962	26%
Interest expense	(397,097)	(297,028)	34%
Net interest income	354,732	299,934	18%
Net income from fees, commissions and foreign exchange, others	181,058	173,511	4%
Operating income	535,789	473,445	13%
Staff expenses	(100,288)	(68,023)	47%
Other operating expenses	(215,753)	(180,996)	19%
Depreciation	(65,035)	(56,344)	15%
General operating expenses	(381,077)	(305,363)	25%
Other expenses	(22,916)	(9,781)	134%
Operating profit	131,796	158,301	(17%)
Net creation of provisions	(63,786)	(108,841)	(41%)
Profit on ordinary activities before taxation	68,011	49,460	38%
Extraordinary profit / loss	92	26,168	(100%)
Income tax	(30,004)	(29,720)	1%
PROFIT FOR THE PERIOD	38,099	45,908	(17%)

BALANCE SHEET

ASSETS				
CZK '000	31.12.2001	31.12.2001	31.12.2001	31.12.2000
	Gross	Adjustment	Net	
Cash values, balances with central bank, post giro accounts	375,781	-	375,781	211,434
Cash values	213,006	-	213,006	118,933
Balances with central bank	162,775	-	162,775	92,501
Treasury bills and other bills rediscountable with central bank	-	-	-	-
Due from other banks	2,571,998	-	2,571,998	2,364,022
Receivable on demand	38,797	-	38,797	54,511
Other receivables	2,533,201	-	2,533,201	2,309,511
Other receivables except for subordinated loans	2,533,201	-	2,533,201	2,309,511
Due from clients	8,895,886	351,810	8,544,076	6,652,689
Receivable on demand	228,032	-	228,032	784,197
Other receivables	8,667,854	351,810	8,316,044	5,868,492
Other receivables except for subordinated loans	8,667,854	-	8,316,044	5,868,492
Bonds and other fixed income securities in trading portfolio	-	-	-	189,241
Issued by other banks	-	-	-	-
Issued by other entities	-	-	-	189,241
Shares and other equities in trading portfolio	-	-	-	5,898
Equity investments in associated undertakings	-	-	-	-
Equity investments in subsidiary undertakings	1,680	1,136	544	654

ASSETS - continued

CZK '000	31.12.2001	31.12.2001	31.12.2001	31.12.2000
	Gross	Adjustment	Net	
Other investments	-	-	-	-
Intangible assets	74,127	57,080	17,047	20,787
Establishment costs	-	-	-	-
Software	74,127	57,080	17,047	20,787
Tangible fixed assets	458,921	195,709	263,212	219,108
Land and buildings used for banking operations	165,054	31,700	133,354	142,286
Other	293,867	164,009	129,858	76,822
Own shares	-	-	-	-
Other assets	55,209	-	55,209	38,337
Unpaid own capital issued and called	-	-	-	-
Prepayments and accrued income	71,257	-	71,257	40,958
Prepayments	27,560	-	27,560	31,434
Accrued income	43,697	-	43,697	9,524
TOTAL ASSETS	12,504,859	605,735	11,899,124	9,743,128

BALANCE SHEET

LIABILITIES			
CZK '000	31.12.2001	31.12.2000	
Due to other banks	4,204,190	3,837,098	
Payable on demand	226,852	235,891	
Other	3,977,338	3,601,207	
Due to clients	6,342,717	4,718,015	
Saving accounts	257,909	237,535	
Payable on demand	82,439	64,087	
Other	175,470	173,448	
Other payables	6,084,808	4,480,480	
Payable on demand	2,687,094	1,767,654	
Other	3,397,714	2,712,826	
Certificates of deposit and similar bonds	-	-	
Certificates of deposit	-	-	
Other	-	-	
Accruals and deferred income	38,022	48,855	
Deferred income	-	6	
Accruals	38,022	48,849	
General provisions	48,392	48,392	
Provisions for standard loans and guarantees	48,392	48,392	
Provisions for standard loans	45,354	45,354	
Provisions for guarantees	3,038	3,038	
Other liabilities	550,582	385,557	
Share capital	650,000	650,000	
Share capital paid	650,000	650,000	

LIABILITIES - continued

CZK '000

31.12.2001

31.12.2000

Share premium

-

-

Reserve funds

8,472

6,177

Legal reserve fund

8,472

6,177

Capital and other funds

-

89

Capital funds

-

-

Other funds

-

89

Retained earnings / (loss)

18,650

3,037

Retained earnings

18,650

3,037

Profit / (loss) for the year

38,099

45,908

25

TOTAL LIABILITIES

11,899,124

9,743,128

OFF BALANCE SHEET

CZK '000	31.12.2001	31.12.2000
Contingent liabilities	246,071	244,201
Accepted or endorsed bills of exchange	-	-
Guarantees granted	214,420	233,615
Assets pledged as collateral	-	-
Other	31,651	10,586
Other irrevocable commitments	624,468	509,912
Receivables from spot, forward and option contracts	445,400	371,156
Receivables from spot contracts	63,435	69,581
Receivables from forward contracts	381,965	301,575
Liabilities from spot, forward and option contracts	507,634	441,164
Liabilities from spot contracts	129,242	139,661
Liabilities from forward contracts	378,392	301,503

26

Stamp and signature of statutory representative

Johann Lurf Herbert Skok



Person responsible for accounting

Eva Janíčková



Person responsible for financial statements

Eva Collardová



PROFIT AND LOSS ACCOUNT

CZK '000	31.12.2001	31.12.2000
Interest and similar income	751,828	596,962
Interest income from fixed income securities	1,423	12,315
Other	750,405	584,647
Interest and similar expense	397,097	297,028
Interest expense on fixed income securities	129	479
Other	396,968	296,549
Income from dividends	-	-
Fee and commission income	78,263	68,700
Fee and commission expense	33,731	24,995
Gain / (loss) from trading	132,445	126,621
Other income	4,081	3,185
General operating expenses	381,076	305,363
Staff costs	100,288	68,023
Wages and salaries	75,123	51,132
Social security costs	19,150	12,861
Health security costs	6,015	4,030
Other operating expenses	280,788	237,340
Creation of provisions for fixed assets	-	-
Release of provisions for fixed assets	-	-
Other expenses	22,916	9,781
Creation of provisions for loans and guarantees	89,112	182,561
Creation of specific provisions for loans and guarantees	89,112	182,561
Creation of specific provisions for loans	89,112	182,561

PROFIT AND LOSS ACCOUNT - continued

CZK '000	31.12.2001	31.12.2000
Creation of specific provisions for guarantees	-	-
Creation of general provisions for loans and guarantees	-	-
Creation of general provisions for loans	-	-
Creation of general provisions for guarantees	-	-
Release of provisions for loans and guarantees	25,480	74,702
Release of specific provisions for loans and guarantees	25,480	24,402
Release of specific provisions for loans	25,480	24,402
Release of specific provisions for guarantees	-	-
Release of general provisions for loans and guarantees	-	50,300
Creation of provisions for investments	154	982
Release of provisions for investments	-	-
Creation of other provisions	-	-
Release of other provisions	-	-
Income tax on ordinary activities	29,963	28,951
Net profit / (loss) on ordinary activities	38,048	20,509
Extraordinary income	4,353	28,395
Extraordinary expense	4,261	2,227
Income tax on extraordinary activities	41	769
Net profit / (loss) on extraordinary activities	51	25,399
Net profit / (loss) for the year	38,099	45,908

28

Stamp and signature of statutory representative

Johann Lurf Herbert Skok



Person responsible for accounting

Eva Janíčková



Person responsible for financial statements

Eva Collardová



NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

Volksbank CZ (hereinafter referred to as "the Bank") was incorporated on 1 January 1997. The Bank has its registered office in Brno and is organised as 13 regional branches in the Czech Republic.

The Bank's operations primarily consist of:

- Providing Czech and foreign currency loans and guarantees;
- Accepting and placing deposits in Czech and foreign currency;
- Accepting current and term accounts denominated in Czech and foreign currency;
- Rendering of general banking services through a network of branches and agencies;
- Providing foreign exchange transactions on the inter-bank money market;
- Providing foreign trade finance and related banking services;
- Dealing in securities on the client's account including advisory.

The members of the Board of Directors as at 31 December 2001 were as follows:

	Date registered	Position
Mr Johann Lurf	1 January 1997	Chairman
Mr Herbert Skok	12 February 1999	Member
Mr Václav Vitha	Not yet registered	Member

Mr Martin Heilinger was recalled on 18 December 2001.

Mr Václav Vitha was appointed on 18 December 2001 with effect from 1 March 2002.

The members of the Board of Directors as at 31 December 2000 were as follows:

	Date registered	Position
Mr Johann Lurf	1 January 1997	Chairman
Mr Herbert Skok	12 February 1999	Member
Mr Martin Heilinger	4 April 2000	Member

The members of the Supervisory Board as at 31 December 2001 were as follows:

	Date registered	Position
Komm. Rat GD Dr. Klaus Thalhammer	31 October 1996	Chairman
Mag. Hans Janeschitz	10 June 1998	Member
Rainer Schon	Not yet registered	Member
Mag. Jaroslava Schafferová	Not yet registered	Member
Ing. Luboš Vlček	Not yet registered	Member
Ing. Irena Štěrbová	Not yet registered	Member
Dkfm. Mag. Dr. Ekkehard Fügl	12 February 1999	Member
Rag. Primo Brioni	30 June 1999	Member
GD Daniel Duquesne	30 June 1999	Member

GENERAL INFORMATION - continued

The members of the Supervisory Board as at 31 December 2000 were as follows:

	Date registered	Position
Komm. Rat Dr. Klaus Thalhammer	31 October 1996	Chairman
Mag. Hans Janeschitz	10 June 1998	Member
Mgr. Tomáš Vácha	10 June 1998	Member
Mag. Livius Tramontana	10 June 1998	Member
Dir. Franz Lagler	10 June 1998	Member
Mr. Hans Fritz Dieter Jächel	12 February 1999	Member
Dkfm. Mag. Dr. Ekkehard Fügl	12 February 1999	Member
Rag. Primo Brioni	30 June 1999	Member
Daniel Duquesne	30 June 1999	Member

ACCOUNTING POLICIES

Basis of preparation

The financial statements and accounting records are prepared in accordance with and comply with the Act on Accounting 563/1991 Coll., the Chart of Accounts and Accounting Rules for banks prescribed by the Ministry of Finance of the Czech Republic. The financial statements are prepared under the historical cost convention as modified by the revaluation of all derivatives to fair values.

Foreign currencies

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

Dealing 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 its 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.

ACCOUNTING POLICIES - continued

Investments in subsidiary undertakings

A subsidiary is an enterprise that is controlled by the Bank and where the Bank has the power to govern the financial and operating policies as to obtain benefits from its activities. Investments in subsidiary undertakings are measured at the lower of cost and "at equity" value on an individual basis.

Interest income and expense, penalty interest

Interest income and expense are recognised on an accruals basis. Income on non-performing loans is also accrued and when overdue is capitalised into the related loan balance. Such amounts are considered in estimating the provision for non-performing loans.

Penalty interest income is suspended until receives, or forgiven in which case it is excluded from interest income.

Fee and commission income

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

Specific and general provisions

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

Specific provisions are deducted from the cost of each asset at risk. The amount of specific provision for classified 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. Tax deductible specific and general provisions are determined at the level of limits allowed by the Czech tax rules, and constitute a part of total recognised specific and general provisions.

Tangible and intangible fixed assets

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

Tangible and intangible fixed assets are depreciated or amortised by applying the straight-line or accelerated

ACCOUNTING POLICIES - continued

basis over the estimated useful lives. The accounting depreciation / amortisation rates used by the Bank equal the depreciation / amortisation rates for tax straight-line depreciation / amortisation and for tax accelerated depreciation / amortisation as appropriate. However, these tax depreciation rates are applied on a monthly basis with respect to accounting depreciation / amortisation. Fixed assets purchased from 1993 until 1996 have been depreciated or amortised on the straight-line basis using the depreciation / amortisation rates for tax straight-line depreciation / amortisation. Fixed assets purchased from 1997 until 2001 have been depreciated or amortised on accelerated bases using the rates for tax accelerated depreciation / amortisation.

Low value assets with a unit cost of less than CZK 25,000 are treated as fixed assets and are fully depreciated or amortised upon the inception of use.

During 2001 the Bank changed its accounting policy for depreciation of low value fixed assets. Low value fixed tangible and intangible assets with cost greater than CZK 25,000 but lower than CZK 60,000 in case of intangible assets or lower than CZK 40,000 in case of tangible assets are depreciated over 3, 4 or 6 years based on expert estimation of useful life. The impact of this change is described in note TANGIBLE AND INTANGIBLE FIXED ASSETS.

The depreciation periods used are as follows:

	Purchased from 1993 until 1998	Purchased from 1999 until 2001
Buildings and constructions	45 years	30 years
Machinery and equipment	4 years	4 years
Furniture and fittings	8 years	6 years
Safe boxes	15 years	12 years
Motor vehicles	4 years	4 years
Software	4 years	4 years

Licences are amortised over the period of 6 years or over the period of license agreement, if shorter.

Where the carrying amount of an asset is greater than its estimated recoverable amount, a provision is established.

Tangible assets' repairs and maintenance expenditures are charged to expense as incurred. Improvement

ACCOUNTING POLICIES - continued

expenditures exceeding CZK 40,000 per unit in one year for tangible fixed assets and CZK 60,000 for intangible fixed assets are capitalised.

Derivative financial instruments and hedging

Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps and other derivative financial instruments are initially recognised on balance sheet at cost and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash-flow models and options pricing models as appropriate. All derivatives are presented in other assets or in other liabilities when their fair value is positive or negative respectively.

Changes in the fair value of derivatives held for trading are included in gains less losses from financial operations.

Derivatives entered into with Volksbank group are classified and valued as held for trading.

Hedge accounting is applied for derivatives used for hedging provided certain criteria are met.

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

- formal documentation of the hedging instrument, hedged item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
- the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item at inception and throughout the reporting period;
- the hedge is effective on an ongoing basis;
- the hedged item is not a security classified as held for trading.

Changes in the fair value of derivatives that are designated and qualify for hedge accounting, are recognised in the hedging reserve. Where a hedged forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously deferred in the hedging reserve and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the periods during which the hedged item affects the income statement.

Value added tax

The Bank does not raise claims for input VAT. VAT input is booked as a cost for the particular tax period except for the VAT for fixed assets, where the tangible fixed assets and intangible fixed assets and inventories are valued at cost including appropriate VAT.

ACCOUNTING POLICIES - continued

Deferred taxation

Deferred tax liability is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base using the full liability method. Deferred tax asset is recognised to the extent that it is beyond reasonable doubt that future taxable profit will be available against which this asset can be utilised.

Deferred tax related to fair value remeasurement of hedges, which are charged or credited directly to equity, is also credited or charged directly to equity.

Pensions

No formal or informal pension plan is currently in operation at the Bank. Regular contributions are made to the state to fund the national pension plan.

Subsequent events

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

Where significant events occur subsequent to the balance sheet date prior to 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.

Changes in accounting policy

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

- New criteria for hedge accounting as listed in Note ACCOUNTING POLICIES - Derivative financial instruments and hedging were defined.
- During 2001 the Bank changed its accounting policy for depreciation of low value fixed assets. Low value fixed tangible and intangible assets with cost greater than CZK 25,000 but lower than CZK 60,000 in case of intangible assets or lower than CZK 40,000 in case of tangible assets are depreciated over 3, 4 or 6 years based on expert estimation of useful life. The impact of this change is described in Note TANGIBLE AND INTANGIBLE FIXED ASSETS.

No other significant changes in accounting policies have been made during the year.

CASH AND DEPOSITS WITH BANK OF ISSUE

CZK '000	31.12.2001	31.12.2000
Cash on hand	213,006	118,933
Obligatory reserves	128,258	67,809
Other deposits with bank of issue (CNB)	34,517	24,692
	375,781	211,434

CASH AND DEPOSITS WITH BANK OF ISSUE - continued

Obligatory reserves

Obligatory reserves represent mandatory deposits with the CNB. The CNB requires that each bi-weekly moving average of the reserves represent 2% of the total prior month's deposit balance for the previous period.

The minimum mandatory deposits for the period from 27 December 2001 to 9 January 2002 were CZK 118,165,000 and reached 100.07% of the required value. The minimum mandatory deposits for the period from 28 December 2000 to 10 January 2001 were CZK 94,316,000 and reached 100.56% of the required value.

These deposits were interest-free until 11 July 2001. Since that date they bear interest at the CZK repo rate (currently 5% p.a.).

DUE FROM BANKS

			35
CZK '000	31.12.2001	31.12.2000	
Current accounts	38,797	54,511	
Term deposits	2,533,201	2,309,511	
	2,571,998	2,364,022	

Current accounts were due on demand as at 31 December 2001 and as at 31 December 2000. Term deposits were due within 6 months as at 31 December 2001 and 31 December 2000.

As at 31 December 2001 and 31 December 2000, the Bank recognised no impaired amounts due from other banks.

Due from related parties

The Bank included CZK 329,168,000 due from related parties within receivables due from other banks as at 31 December 2001 (31 December 2000: CZK 31,817,000).

Related parties include the Bank's shareholders, the Bank's ultimate shareholder, companies within the group of the Bank's ultimate shareholder, members of the Board of Directors and members of the Supervisory Board. All transactions with related parties were conducted under the same conditions and interest rates that were at the same time provided in comparable transactions with other clients.

LOANS TO CLIENTS

CZK '000	31.12.2001	31.12.2000
Standard loans to companies and individuals	6,281,633	4,044,093
Impaired loans to companies and individuals	1,210,740	1,083,077
Standard loans to municipalities and governmental bodies	1,099,240	1,084,070
Impaired loans to municipalities and governmental bodies	304,273	729,719
	8,895,886	6,940,959
Specific provisions for impaired loans	(351,810)	(288,270)
	8,544,076	6,652,689

36

In addition to the specific provision for classified loans, the Bank has included in liabilities a general provision for loans of CZK 45,354,000 as at 31 December 2001 (31 December 2000: CZK 45,354,000) in compliance with Czech accounting principles.

The loan balances can be analysed as follows:

At 31 December 2001:

Residual maturities	Within	3 - 12	1 - 2	2 - 5	Over	
CZK '000	3 months	months	years	years	5 years	Total
Standard loans	524,374	1,172,832	1,394,244	2,723,696	1,565,726	7,380,872
Impaired loans	341,260	176,558	159,313	411,292	426,591	1,515,014
	865,634	1,349,390	1,553,557	3,134,988	1,992,317	8,895,886

LOANS TO CLIENTS - continued

At 31 December 2000:

Residual maturities CZK '000	Within 3 months	3 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Standard loans	742,125	918,532	1,053,021	1,493,000	921,484	5,128,162
Impaired loans	448,852	214,244	270,711	642,442	236,548	1,812,797
	1,190,977	1,132,776	1,323,732	2,135,442	1,158,032	6,940,959

The amount of CZK 865,634,000 due within 3 months includes (31 December 2000: CZK 1,190,977,000) CZK 228,032,000 of loans and receivables due on demand (31 December 2000: CZK 784,197,000). As at 31 December 2001, the portion of loans with remaining maturity up to one year was 24.9% of total loans (31 December 2000: 33.5%).

37

Loans to related parties

The Bank has provided loans of CZK 3,255,615,000 as at 31 December 2001 to related parties (31 December 2000: CZK 1,532,067,000). Transactions with related parties were conducted at the cost of funding plus reasonable margin.

Impaired loans

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

CZK '000	31.12.2001	31.12.2000
Watch	722,957	1,161,765
Substandard	263,977	152,605
Doubtful	106,761	100,247
Loss	421,319	398,179
	1,515,014	1,812,796

LOANS TO CLIENTS - continued

The value received as collateral for total loans to clients can be analysed as follows:

CZK '000	31.12.2001	31.12.2000
Cash	228,319	141,724
Security	51,105	8,373
Land and buildings	3,202,755	2,698,411
Other fixed assets	140,883	27,940
Bank guarantees	5,610,899	2,145,544
Other assets	23,328	97,145
	9,257,289	5,119,137

38

SYNDICATE LOANS

At 31 December 2001 the Bank led syndicated loans which can be analysed as follows:

Members	Loan currency	Share of the Bank %	Share of members %	Share of the Bank CZK '000	Share of members CZK '000
Hagebank VB Voecklabruck	EUR	-	100	-	24,527
Kommunalkredit AG	CZK	50	50	7,642	7,642
Erste Bank Sparkasse CZ	EUR	80	20	67,909	16,977
Niederösterreichische Landesbank - Hypothekenbank AG	EUR	80	20	59,254	14,813
Niederösterreichische Landesbank - Hypothekenbank AG	CZK	50	50	124,999	124,999
DZ Bank (renamed from SGZ Bank)	EUR	40	60	3,270	4,905
Weinviertler Volksbank	EUR	50	50	12,983	12,983
Oesterreichische Volksbanken AG	EUR	1	99	253	25,003
Oesterreichische Volksbanken AG	EUR	1	99	2,040	201,960
Weinviertler Volksbank	EUR	50	50	8,367	8,367
Oesterreichische Volksbanken AG	EUR	1	99	1,156	114,484
TOTAL				287,873	556,660

SYNDICATE LOANS - continued

At 31 December 2000 the Bank led syndicated loans which can be analysed as follows:

Members	Loan currency	Share of the Bank %	Share of members %	Share of the Bank CZK '000	Share of members CZK '000
Welser Volksbank AG	DEM	-	100	-	6,728
Hagebank VB Voecklabruck	DEM	-	100	-	26,912
Kommunalkredit AG	ATS	50	50	9,009	9,009
Erste Bank Sparkasse CZ	DEM	80	20	86,932	21,733
Niederösterreichische Landesbank - Hypothekenbank AG	DEM	80	20	75,420	18,855
SGZ Bank	DEM	40	60	5,023	7,535
Weinviertler Volksbank	ATS	50	50	16,612	16,612
Oesterreichische Volksbanken AG	EUR	1	99	291	28,814
Oesterreichische Volksbanken AG	EUR	1	99	2,117	209,569
Weinviertler Volksbank	EUR	50	50	12,240	12,240
Oesterreichische Volksbanken AG	EUR	1	99	1,327	131,377
				208,971	489,384

39

The Bank recognises only its own share in these syndicated loans as an asset.

DEALING SECURITIES

Bonds and other fixed income securities

As at 31 December 2001, the Bank did not hold any fixed income securities.

At 31 December 2000:

CZK '000	Cost	Market value
Traded on the main or auxiliary market of recognised stock exchanges	182,078	179,067
Purchased interest	5,122	5,122
Accrued interest on bonds	5,052	5,052
	192,252	189,241

Bonds and other fixed income securities included only Government Bonds as at 31 December 2000. Provision against bonds and other fixed income securities amounted to CZK 3,011,000 as at 31 December 2000.

Shares and other variable income securities

As at 31 December 2001, the Bank did not hold any shares or other variable income securities.

At 31 December 2000:

CZK '000	Book value	Market value
Shares and other securities	5,934	5,898
	5,934	5,898

Provision against shares and other variable income securities amounted to CZK 36,000 as at 31 December 2000.

INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The Bank has a 100 % interest in VB Komunální poradenství a.s., Heršpická 5, Brno.

The investment was acquired at cost of CZK 1,680,000. Equity of VB Komunální poradenství a.s. amounted to CZK 544,000 as at 31 December 2000 and made a loss of CZK 132,000 in 2000. The information related to 2001 is not available. No dividend was received by the Bank in 2001 and 2000. The Bank created a provision for this investment of CZK 1,136,000 as at 31 December 2001 (31 December 2000: CZK 982,000).

TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible fixed assets

CZK'000	31.12.2000	Additions	Disposals	31.12.2001
Cost				
Land	932	-	-	932
Buildings	163,753	369	-	164,122
Equipment	126,313	48,581	(6,375)	168,520
Tangible assets in the course of construction	725	8,436	(725)	8,436
Technical improvement	22,645	19,540	(6,144)	36,041
Other	52,707	31,585	(3,422)	80,870
	367,075	108,511	(16,666)	458,921
Accumulated depreciation				
Buildings	22,399	9,301	-	31,700
Equipment	80,348	26,470	(6,365)	100,453
Technical improvement	2,837	5,807	(5,607)	3,037
Other	42,383	21,558	(3,422)	60,519
	147,967	63,136	(15,394)	195,709
Net book amount	219,108			263,212

TANGIBLE AND INTANGIBLE FIXED ASSETS - continued

Low value tangible fixed assets with cost less than CZK 25,000 which were fully written off at the inception of use as at 31 December 2001 totalled CZK 47,185,000 (low value tangible fixed assets with cost less than CZK 40,000 totalled CZK 34,404,000 as at 31 December 2000).

The Bank changed the method of depreciation of low value tangible fixed assets with cost greater than CZK 25,000 but less than CZK 40,000. For individual groups of those fixed assets the estimated useful lives have been set at 3, 4 and 6 years. The cost of those fixed assets amounted to CZK 8,844,000 as at 31 December 2001. If those assets would be fully written off at the inception of use as in previous years the Bank's profit for 2001 would be lower by CZK 6,646,000.

Intangible fixed assets

42

CZK'000	31.12.2000	Additions	Disposals	31.12.2001
Cost				
Software	65,370	3,139	-	68,509
Other	4,597	1,198	(177)	5,618
	69,967	4,437	(177)	74,127
Acumulacted amortisation				
Software	44,582	7,343	-	51,925
Other	4,598	734	(177)	5,155
	49,180	8,077	(177)	57,080
Net book amount	20,787			17,047

Low value intangible fixed assets with cost less than CZK 25,000 which were fully written off at the inception of use as at 31 December 2001 totalled CZK 5,001,000 (low value intangible fixed assets with cost less than CZK 60,000 totalled CZK 4,598,000 as at 31 December 2000).

The Bank changed the method of amortisation of low value intangible fixed assets with cost greater than CZK 25,000 but less than CZK 60,000. For individual groups of those fixed assets the estimated useful life has been set at 4 years. The cost of those fixed assets amounted to CZK 618,000 as at 31 December 2001. If those assets would be fully written off at the inception of use as in previous years the Bank's profit for 2001 would be lower by CZK 464,000.

TANGIBLE AND INTANGIBLE FIXED ASSETS - continued

The Bank owns no assets encumbered by lien.

The Bank has no assets held under finance lease contracts.

OTHER ASSETS

CZK'000	31.12.2001	31.12.2000
Advances payments	24,352	12,062
Security deposit for rent	6,044	6,632
Deferred tax asset	10,587	14,359
Settlement account	5,047	2,017
Stock	1,563	2,013
Other receivables	7,616	1,254
	55,209	38,337

AMOUNTS OWED TO BANKS

CZK'000	31.12.2001	31.12.2000
Amounts owed to bank of issue (CNB)	55,472	64,657
Amounts owed to other banks	4,148,718	3,772,441
	4,204,190	3,837,098

Amounts owed to related parties

CZK 3,967,691,000 owed to related parties is included in amounts owed to other banks as at 31 December 2001 (31 December 2000: CZK 3,415,766,000). All transactions with related parties were conducted under the same conditions and interest rates that were at the same time provided in comparable transactions with other clients.

Amounts owed to banks can be analysed as follows:

At 31 December 2001:

Residual maturities	Within	3 - 12	1 - 2	2 - 5	Over 5	Total
CZK'000	3 months	months	years	years	years	
Amounts owed to the bank of issue (CNB)	55,472	-	-	-	-	55,472
Current accounts at other banks	171,380	-	-	-	-	171,380
Term deposits and loans from other banks	937,571	824,067	1,234,968	979,362	1,370	3,977,338
	1,164,423	824,067	1,234,968	979,362	1,370	4,204,190

AMOUNTS OWED TO BANKS - continued

At 31 December 2000:

Residual maturities CZK'000	Within 3 months	3 - 12 months	1 - 2 years	2 - 5 years	Over 5 years	Total
Amounts owed to the bank of issue (CNB)	64,657	-	-	-	-	64,657
Current accounts at other banks	171,233	-	-	-	-	171,233
Term deposits and loans from other banks	482,533	241,610	1,223,639	1,206,754	446,672	3,601,208
	718,423	241,610	1,223,639	1,206,754	446,672	3,837,098

45

CZK 1,164,423,000 (31 December 2000: CZK 718,423,000) with residual maturity up to three months includes CZK 226,852,000 due on demand as at 31 December 2001 (31 December 2000: CZK 235,890,000). As at 31 December 2001 the portion of amounts owed to banks with residual maturity up to one year is 47% of the total amounts owed to banks (31 December 2000: 25%).

AMOUNTS OWED TO CLIENTS

CZK'000	31.12.2001	31.12.2000
Current accounts	2,687,094	1,767,654
Saving accounts	257,909	237,535
Term deposits	2,323,324	1,420,178
Bills of exchange issued by the Bank	1,074,390	1,292,648
	6,342,717	4,718,015

AMOUNTS OWED TO CLIENTS - continued

Deposits from related parties

The Bank has accepted deposits from related parties, including its management, employees, Bank's shareholders and their affiliates. The management considers that such deposits were accepted on substantially the same terms and conditions, including interest rates, as those prevailing at the same time for comparable transactions with other customers. The management's opinion is that these deposits do not represent any unusual risks for the Bank.

Amounts owed to the clients can be analysed as follows:

At 31 December 2001:

	Residual maturities	Within	3 - 12	1 - 2	2 - 5	Over 5	Total
	CZK'000	3 months	months	years	years	years	
46	Current accounts	2,687,094	-	-	-	-	2,687,094
	Saving accounts	180,637	63,633	11,468	2,171	-	257,909
	Term deposits	2,161,740	145,051	16,533	-	-	2,323,324
	Bills of exchange issued by the Bank	761,065	312,275	1,050	-	-	1,074,390
		5,790,536	520,959	29,051	2,171	-	6,342,717

At 31 December 2000:

	Residual maturities	Within	3 - 12	1 - 2	2 - 5	Over 5	Total
	CZK'000	3 months	months	years	years	years	
	Current accounts	1,767,654	-	-	-	-	1,767,654
	Saving accounts	139,242	84,023	12,057	2,213	-	237,535
	Term deposits	1,278,002	139,742	2,434	-	-	1,420,178
	Bills of exchange issued by the Bank	1,177,298	115,279	71	-	-	1,292,648
		4,362,196	339,044	14,562	2,213	-	4,718,015

AMOUNTS OWED TO CLIENTS - continued

CZK 5,790,536,000 (31 December 2000: CZK 4,362,196,000) with residual maturity up to three months includes CZK 2,769,533,000 due on demand as at 31 December 2001 (31 December 2000: CZK 1,831,741,000). The volume of payables due within 1 year represents 99% of all amounts owed to clients as at 31 December 2001 (31 December 2000: 99%).

The maturity analysis of savings accounts as at 31 December 2001 and 2000 is in accordance with contractual maturities rather than residual maturities.

As at 31 December 2001 the Bank classified within the Savings accounts, deposit certificates amounting to CZK 6,763,000 (31 December 2000: CZK 13,045,000).

PROVISIONS AND WRITE OFFS

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

CZK'000	31.12.2001	31.12.2000
Specific provision for impaired loans to clients	351,810	288,270
General provisions for loans	45,354	45,354
General provisions for guarantees	3,038	3,038
	400,202	336,662

PROVISIONS AND WRITE OFFS - continued

The movements in provisions can be analysed as follows:

CZK'000	Specific provisions for impaired loans	General provisions for loans	General provisions for guarantees provided
At 1 January 2000	131,513	95,654	3,038
Additions	182,561	-	-
Release	(24,402)	(50,300)	-
Revaluation difference on provisions in foreign currency	(1,402)	-	-
At 31 December 2000	288,270	45,354	3,038
Additions	89,112	-	-
Release	(25,480)	-	-
Revaluation difference on provisions in foreign currency	(92)	-	-
At 31 December 2001	351,810	45,354	3,038

OTHER LIABILITIES

CZK'000	31.12.2001	31.12.2000
Settlement account	184,548	150,013
Suppliers	121,003	187,494
Liabilities to shareholders (see Note 15)	200,000	-
Other liabilities	45,031	48,050
	550,582	385,557

EQUITY AND PROFIT DISTRIBUTION

Share capital

CZK'000	31.12.2001	31.12.2000
Ordinary shares with nominal value of CZK 5,000 per unit, issued and paid	500,000	500,000
Preference shares with nominal value of CZK 5,000 per unit, issued and paid	150,000	150,000
Total	650,000	650,000

The General Meeting held in 2001 decided to increase share capital by CZK 100,000,000. The issue price was set at 200% of the nominal value. Subscribed shares and share premium were paid up in 2001. The Bank has not filed a request for registration of the increase of the share capital into the Commercial register as at the date of approval of these financial statements.

Shareholder structure as at 31 December 2001 and 2000 is as follows:

49

Shareholder	Share as at 31.12.2001	Share as at 31.12.2000
Volksbank International AG	69.0%	89.0%
WGZ - Bank AG	3.3%	3.3%
DZ Bank AG	6.7%	6.7%
Niederösterreichische Landesbank-Hypothekenbank	1.0%	1.0%
Banque Federale des Banques Populaires, Paris	10.0%	-
Veneto Banca S.C.A.R.L.	2.5%	-
Banca Popolare dell'Emilia Romagna	2.5%	-
Banca Popolare di Vicenza soc. coop. Per Azioni a RL	2.5%	-
Banca Agricola Mantovana - S.P.A.	2.5%	-
	100,0 %	100,0 %

The Bank's ultimate majority shareholder is Oesterreichische Volksbanken AG.

EQUITY AND PROFIT DISTRIBUTION - continued

Changes in equity

50

CZK'000	Share capital	Reserve fund	Social fund	Retained earnings	Current year	Total equity
					profit and transfers	
Balance at 1 January 2000	650,000	6,048	136	8,994	2,572	667,750
Allocation to reserve fund	-	129	-	(129)	-	-
Allocation to social fund	-	-	400	(400)	-	-
Transfer to retained earnings	-	-	-	2,572	(2,572)	-
Use of social fund	-	-	(447)	-	-	(447)
Dividends	-	-	-	(8,000)	-	(8,000)
2000 profit	-	-	-	-	45,908	45,908
Balance at 31.12.2000	650,000	6,177	89	3,037	45,908	705,211
Allocation to reserve fund	-	2,295	-	(2,295)	-	-
Allocation to social fund	-	-	500	(500)	-	-
Transfer to retained earnings	-	-	-	45,908	(45,908)	-
Use of social fund	-	-	(589)	-	-	(589)
Dividends	-	-	-	(27,500)	-	(27,500)
2001 profit	-	-	-	-	38,099	38,099
Balance at 31.12.2001	650,000	8,472	-	18,650	38,099	715,221

The Bank allocates, according to the Commercial Code, 5% of annual profit to a non-distributable statutory reserve fund until the balance reaches 20% of the share capital.

EQUITY AND PROFIT DISTRIBUTION - continued

Profit distribution

The 2000 profit of CZK 45,908,000 has been distributed according to the decision of the General Meeting held on 15 June 2001 as follows:

CZK'000	2000
Allocation to reserve fund	2,295
Allocation to social fund	500
Dividends	27,500
Transfer to retained earnings	15,613
Net profit	45,908

The decision on redistribution of the current year profit of CZK 38,099,000 has not been made as at the date of approval of these financial statements.

51

CONTINGENCIES AND COMMITMENTS

Commitments to extend loans, loan guarantees to third parties and letters of credit include exposure to credit risk and loss in the event of a client's default.

Various commitments and contingent liabilities arise in the normal course of business involving elements of credit risk, interest rate risk and liquidity risk.

Contingent liabilities and assets can be analysed as follows:

CZK'000	31.12.2001	31.12.2000
Guarantees granted on behalf of clients	214,420	233,615
Guarantees received		
From other banks	7,635,579	4,191,974
From other entities	326,018	37,205
	7,961,597	4,229,179
Irrevocable loan commitments	624,468	509,912

CONTINGENCIES AND COMMITMENTS - continued

Guarantees received from other banks included CZK 7,284,191,000 of guarantees from related parties as at 31 December 2001 (31 December 2000: CZK 4,003,948,000).

Irrevocable loan commitments did not include any committed facilities to related parties as at 31 December 2001 (31 December 2000: CZK 300,000).

Capital commitments

Subsequent to the balance sheet date the Bank signed a contract for the purchase of a 10% stake in the share capital of VICTORIA pojišťovna, a.s. located in Francouzská 28, Praha. The cost of the acquisition was CZK 27,146,000.

The Bank did not have any other contractual commitments for the acquisition of fixed assets as at 31 December 2001 (31 December 2000: data not available)

INTEREST INCOME AND SIMILAR INCOME

CZK'000	2001	2000
Interest on inter-bank transactions	133,167	91,832
Interest on deposits from municipalities and governmental bodies	145,490	144,095
Interest on deposits from clients	471,748	348,720
Interest on securities	1,423	12,315
	751,828	596,962

Interest on classified loans to clients, municipalities and governmental bodies amounted to CZK 113,182,000 (2000: CZK 122,626,000). In 2001 the Bank did not charge interest on selected impaired loans of CZK 16,080,000 (2000: CZK 1,243,000).

INTEREST EXPENSE AND SIMILAR EXPENSES

CZK'000	2001	2000
Interest on inter-bank transactions	246,245	183,916
Interest on deposits from municipalities and governmental bodies	11,163	2,687
Interest on deposits from clients	139,560	109,946
Interest on securities	129	479
	397,097	297,028

COMMISSIONS AND FEES

53

CZK'000	2001	2000
Commission and fee income		
Commission from banks	5,204	3,099
Commission for accounts administration	17,087	13,677
Commission for loan administration	13,161	13,958
Commission for incoming and outgoing payments	21,895	20,304
Other commission and fee income	20,916	17,662
	78,263	68,700
Commission and fee expenses		
Fee expense for guarantees received	24,941	21,207
Other fee expenses	8,890	3,788
	33,731	24,995

GAINS LESS LOSSES FROM TRADING

CZK'000	2001	2000
Realised gains less losses from securities dealing	5,653	(186)
Creation of provision for securities	3,047	(3,047)
Gains less losses from foreign currency transactions	124,717	129,279
Realised gains less losses from other transactions	(972)	575
	132,445	126,621

OTHER EXPENSES

CZK'000	2001	2000
Receivables from clients written-off	807	336
Contributions to the deposit insurance fund	15,998	9,151
Net book value of disposed fixed assets	6,097	294
Others	14	-
	22,916	9,781

GENERAL OPERATING EXPENSES

CZK'000	2001	2000
Wages and salaries	75,123	51,132
Social security, medical insurance and other social costs	24,056	15,744
Emoluments of the Board of Directors	1,109	1,147
Office costs	34,210	22,924
Consultancy services	95,996	90,534
Advertisement, PR	12,541	7,168
IT costs	31,631	32,586
Tangible fixed asset depreciation	56,960	46,116
Intangible fixed asset depreciation	8,075	10,228
Other	41,375	27,784
	381,076	305,363

GENERAL OPERATING EXPENSES - continued

Staff statistics

	2001	2000
Average number of employees	256	188
Number of members of the Board of Directors	3	3
Number of members of the Supervisory Board	9	9

EXTRAORDINARY ITEMS

56

CZK'000	2001	2000
Extraordinary expenses		
Fines and penalties	1,123	588
Expenses of previous years	2,087	463
Other	1,051	1,176
	4,261	2,227
Extraordinary revenues		
Deferred tax - change of policy	-	22,917
Insurance receipts	1,359	224
Other extraordinary revenues	2,994	5,254
	4,353	28,395

CORPORATE TAX

CZK'000	2001	2000	
Profit before taxation	68,275	54,997	
Tax non-deductible expenses	12,131	78,873	
Non-taxable revenues and similar deductions	(8,003)	(28,749)	
Difference between accounting and tax depreciation charge	1,071	(7,613)	
Allowance for 10% of new fixed assets purchased	(3,329)	(941)	
Tax deductible gifts	(480)	(62)	
Tax base	69,737	96,505	
Current tax expense at 31%	21,618	29,917	57
Tax deduction (withholding tax of dividends)	(2,050)	-	
Tax deduction (disabled employees)	(119)	(400)	
Current tax expense	19,494	29,517	

CZK'000	2001	2000	
Current income tax expense	19,449	29,517	
Income tax from previous years expense	6,783	203	
Deferred income tax expense	3,772	23,393	
Total tax charge	30,004	53,113	

The Bank recognised deferred tax asset of CZK 10,587,000 as at 31 December 2001 (31 December 2000: CZK 14,359,000). This deferred tax asset has been classified within other assets (see note OTHER ASSETS).

CORPORATE TAX - continued

The movements of deferred tax may be analysed as follows:

CZK'000	Deferred Tax
Balance at 1 January 2000	(9,034)
Creation	23,393
Release	-
Balance at 31 December 2000	14,359
Creation	-
Release	(3,772)
Balance at 31 December 2001	10,587

58

The deferred tax at a tax rate of 31% may be analysed as follows:

CZK'000	31.12.2001	31.12.2000
Difference between net book value and net tax book value of fixed assets	(9,908)	(8,558)
Non-deductible portion of bad debt provision	20,495	22,917
Total	10,587	14,359

FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES

CZK' 000	31.12.2001		31.12.2000	
	Assets	Liabilities	Assets	Liabilities
Residents	3,670,716	1,616,103	4,818,356	1,144,819
Non residents	451,929	2,491,730	116,921	3,791,859
	4,122,645	4,107,833	4,935,277	4,936,678

DERIVATIVE FINANCIAL INSTRUMENTS

As at the balance sheet date, the Bank has concluded contracts on derivative financial instruments, which can be analysed as follows:

59

CZK'000	31.12.2001	31.12.2000
Off balance sheet assets		
Spot dealing	63,435	69,581
Currency swaps	245,141	17,093
Interest rate swaps	136,824	284,482
	445,400	371,156
Off balance sheet liabilities		
Spot dealing	129,242	139,661
Currency swaps	241,568	17,021
Interest rate swaps	136,824	284,482
	507,634	441,164

DERIVATIVE FINANCIAL INSTRUMENTS - continued

Trading derivatives	Notional CZK'000	31.12.2001			Accruals	31.12.2000 Notional amount
		Positive fair value	Negative fair value			
Interest rate derivatives						
Swaps	136,824	-	(1,821)	(82)		284,482
Currency derivatives						
Swaps	245,141	14,652	-	-		17,093

60

Receivables and payables from spot and term operations with related parties

Assets and liabilities from currency swaps did not include any receivables or payables from or to related parties as at 31 December 2001 and 2000.

All interest rate swaps were entered into with related parties at usual market rates.

SUBSEQUENT EVENTS

Except for those subsequent events already disclosed in these notes no other events occurred that would have significant impact on financial statements as at 31 December 2001.

These financial statements have been approved for submission to the general meeting of shareholders by the Board of Directors and have been signed on their behalf by:

Date:

22 February 2002

Stamp and signature of the
statutory representative

Johann Lurf Herbert Skok



Person responsible
for accounting

Eva Janíčková



Person responsible
for the financial statements
preparation

Eva Collardová



Report on Relationships

According to § 66a article 9 of Business Code

The relationship between the controlled and controlling company.

Volksbank CZ, a.s. is part of the international financial group Österreichische Volksbanken-Aktiengesellschaft (hereafter referred to as "ÖVAG"). Volksbank CZ, a.s. operates on the Czech market as a bank as defined in the Banking Code, Law no. 21/1992 of the Collection of Banking Laws and is the entity controlled as defined in the Business Code. The controlling entity is ÖVAG, which controls Volksbank CZ, a.s. indirectly via Volksbank International AG. In April 1997, Volksbank CZ, a.s. signed a co-operation agreement with ÖVAG. Based on this agreement, Volksbank CZ, a.s. may use the know-how as well as international representation including promotional activities of the financial group ÖVAG. Volksbank CZ, a.s. pays appropriate fees for receiving this service. In 2001, ÖVAG granted bank guarantees for loans given by Volksbank CZ, a.s. Volksbank CZ, a.s. pays fees for these guarantees in an amount, which is usual within the ÖVAG Group. Volksbank CZ, a.s. suffered no detriment as a result of the business relationships between itself and its controlling company.

31 March 2002


Václav Vitha


Johann Lurf


Herbert Škok

Relationship with other entities controlled by the controlling company.

Volksbank CZ, a.s. also has commercial relations with some trading or financial companies, which are also controlled by ÖVAG. These are mainly the banks in Slovakia, Hungary, Croatia, Slovenia, Rumania and Bosnia-Herzegovina, belonging to the ÖVAG group. Volksbank CZ, a.s. is in regular banking contact with these companies and it performs usual banking business with them. Volksbank CZ, a.s. suffered no detriment as a result of the business relationships with these companies. Furthermore, Volksbank CZ, a.s. has commercial relations with VB Leasing CZ, spol. s.r.o., Immoconsult Group, Ibis Praha a.s., VB Komunální poradenství a.s. and VB pojišťovací servis s.r.o. Volksbank CZ, a.s. provides these companies with standard banking and lending business relations. Interest rates on loans granted to these companies comprise the cost of funding plus a reasonable margin. Volksbank CZ, a.s. suffered no detriment as a result of the business relationships with the above-mentioned companies. ÖVAG did not ask Volksbank CZ, a.s. to adopt any specific measures as defined in article 66a paragraph 14 of the Business Code nor to sign any agreement at its expense.

Independent Auditor's Report



PricewaterhouseCoopers Audit, s.r.o.
Kateřinská 40
120 00 Prague 2
Czech Republic
Telephone +420 (2) 5115 1111
Facsimile +420 (2) 5115 6111
ID No. 40765521

REPORT OF INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF VOLKSBANK CZ, a. s.

We have audited the balance sheet of Volksbank CZ, a. s. as at 31 December 2001, the related income statement and notes for the year then ended presented in the annual report of the Company on pages 22 to 60 ("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.

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 Volksbank CZ, a. s. as at 31 December 2001, and the results of its operations for the year then ended in accordance with the Act on Accounting and other relevant legislation of the Czech Republic.

We have examined whether the supplementary financial information included in the annual report of the Company on pages 9 to 21, which does not form part of the financial statements for the year ended 31 December 2001, is consistent with the audited financial statements of the Company. In our opinion, all other supplementary information included in the annual report is consistent with the audited financial statements in all material respects.



**REPORT OF INDEPENDENT AUDITORS
TO THE SHAREHOLDERS OF VOLKSBANK CZ, a. s.**

In addition we have reviewed the accompanying report on relations between the Company and its controlling party Österreichische Volksbanken-Aktiengesellschaft ("ÖVAG") and between the Company and the other parties controlled by ÖVAG on page 61 ("the Report"). The completeness and accuracy of the Report is the responsibility of the Board of Directors. Our responsibility is to review the accuracy of information included in the report. We conducted our review in accordance with the auditing standards of the Chamber of Auditors of the Czech Republic related to reviews of reports on relations. These standards require that we plan and perform the review to obtain moderate assurance as to whether the Report is free of material misstatement. Based on our review, nothing has come to our attention that causes us to believe that the accompanying Report has not been properly prepared, in all material respects.

30 April 2002

PricewaterhouseCoopers Audit, s.r.o.
represented by

Paul Cunningham
Partner

Marek Richter
Auditor, Licence No. 1800

Report of the Supervisory Board

In the business year 2001, in two regular sessions held on June 15 and November 22, 2001, the Supervisory Board of the Company inquired about the correctness, the appropriateness and the economic efficiency of the Company's Management. Additionally, the Supervisory Board noted the regular reports drawn up by the Board of Directors and issued resolutions necessary for the business year 2001. The annual statement as of December 31, 2001, was examined by the auditing company PricewaterhouseCoopers Audit, s.r.o. The

auditor issued an "unqualified audit opinion". The Supervisory Board noted the Report presented by the Board of Directors and reviewed the Report on Affiliated Companies pursuant to § 66a section 9 of the Business Code. Based on the Report of the Board of Directors, the Supervisory Board presents a positive evaluation to the General Assembly meeting and recommends that the appropriate resolutions be taken.

The Supervisory Board thanks the Board of Directors and all the bank personnel for their efforts in 2001.

Brno, May 2002

**Chairman of the Managing Board
of Oesterreichische Volksbanken-AG
Klaus Thalhammer
Chairman of the Supervisory Board
of Volksbank CZ, a.s.**





Oldřich Bystřický (1981)
Amber path - cycle:
Metamorphosis VII - Perun - Slavonic God of storms - the strange transformation during the worship



Oldřich Bystřický (1981)

Amber path - cycle:

Hunger - dwellings of the common Celts - vision during the beer-brewing



S E R V I C E

Austria

Bosnia and Herzegovina

Croatia

CZECH REPUBLIC

Hungary

Italy

Malta

Romania

Slovakia

Slovenia

International Desks

IL FATTORE DI SUCCESSO DELLE BANCHE POPOLARI NEL CAMPO INTERNAZIONALE

Negli ultimi anni la Österreichische Volksbanken AG (OEVAG) ha reso operativi gli International Desks nei paesi dell'Europa Centrale, sia mediante la stipula di contratti di cooperazione nell'ambito della "Confederation Internationale des Banque Populaires" (CIPB), sia attraverso le partecipazioni nel proprio capitale da parte di banche popolari tedesche, francesi ed italiane. Questo sottolinea l'importanza della cooperazione internazionale tra le banche popolari.

I cambiamenti, gli sviluppi economici e politici, la privatizzazione delle imprese, la liberalizzazione dei mercati nei paesi dell'Europa Centrale comportano la presenza sul territorio di imprese provenienti da diversi paesi ed in particolare da Germania, Austria, Francia ed Italia.

Trattandosi della classica clientela delle banche popolari, in virtù della cooperazione internazionale, i clienti dei paesi menzionati usufruiscono degli stessi servizi bancari che sono abituati a ricevere a casa propria.

I clienti della OEVAG nei paesi dell'Europa Centrale sono assistiti nella propria madrelingua, dal momento che il personale degli International Desks è di madrelingua o quanto meno perfettamente bilingue.

Di fronte alle problematiche imprenditoriali che un operatore deve affrontare, disporre di un'offerta di servizi e prodotti bancari di alto livello, per lo più in madrelingua, facilita indubbiamente le cose.

I clienti apprezzano il fatto che i pagamenti tra il proprio paese e quello in cui operano vengano eseguiti in due giorni, che i flussi di liquidità possano essere gestiti mediante il cash pooling e che vengono informati con la stessa professionalità sulle agevolazioni fiscali e commerciali del paese.

Grazie alla struttura di filiali facenti capo alla sede centrale, l'International Desk risolve celermente e con la maggiore efficienza anche i problemi che nascono in tutte le filiali presenti sul territorio, non limitando quindi la propria operatività alla sede centrale, dove in genere

è presente fisicamente.

Molte richieste delle banche partners vengono evase ogni giorno. Diversi clienti vengono visitati ogni giorno, i problemi vengono risolti con il supporto di uno staff di back office multilingue, richieste di fido vengono esaminate.

Presso le banche partners vengono fatte manifestazioni per clienti e per dipendenti e vengono presentati i servizi dei desks. I dipendenti dei desks hanno contattato migliaia di imprese negli ultimi anni e molte sono in seguito divenute clienti, fidelizzate dall'alta professionalità degli International Desks. La realizzazione della struttura degli International Desks è una prova del successo del settore internazionale delle banche popolari che ha portato un maggior numero di clienti, mentalità internazionale, professionalità e utili maggiori.

Dott. Raimund Solonar

Les desks internationaux

LE CONCEPT INDISPENSABLE AUX BANQUES POPULAIRES INTERNATIONALES

Au cours des dernières années, la Österreichische Volksbanken-AG (ÖVAG) a structuré et intégré dans ses filiales en Europe centrale et orientale, des " desks internationaux ". Cette mesure organisationnelle consacre le bien-fondé de la coopération internationale prévalant dans le secteur des banques populaires, induite d'une part par les accords conclus dans le cadre de la Confédération Internationale des Banques Populaires (CIBP), et d'autre part par les liens capitalistiques unissant les Banques Populaires allemandes, françaises et italiennes à la ÖVAG.

Les profondes mutations politiques et économiques qu'ont connues les Pays d'Europe centrale et orientale (PECO) eurent pour conséquence la privatisation de leurs entreprises et la libéralisation de leurs marchés, attirant l'intérêt d'investisseurs autrichiens et allemands ainsi que français et italiens. Ainsi de nombreuses sociétés occidentales, d'abord de grandes entreprises mais aussi de plus en plus de PME, se sont implantées dans les PECO.

La prise en compte très tôt que ces sociétés occidentales représentaient pour une grande part la clientèle classique des banques populaires permit rapidement, par la coopération internationale entre les banques populaires, de faire bénéficier cette clientèle en provenance d'Allemagne, de France ou d'Italie, du même service bancaire dans les PECO que dans son pays d'origine.

En particulier, la clientèle est assurée de trouver en Hongrie, République tchèque, Slovaquie, Roumanie, etc. un service dans sa langue maternelle, car les collaborateurs des desks internationaux de la ÖVAG, soit sont Français ou Italiens, soit ils en maîtrisent parfaitement la langue.

Savoir qu'un transfert entre les PECO et le pays d'origine n'excédera pas deux jours, qu'avec le cash-pooling les liquidités de chacune de ses filiales sont efficacement contrôlées et gérées ou que l'on est assuré d'une information régulière et pertinente sur les aides publiques en vigueur dans les PECO, autant de services qui ont su recueillir l'adhésion et la satisfaction de notre clientèle. Usant de tous les outils

de communication modernes, les collaborateurs de nos desks internationaux sont toujours joignables, que la transaction concerne, dans un pays, le siège de la filiale ÖVAG ou l'une de ses agences en province. Et en fait, dans notre Groupe, ces collaborateurs sont ceux qui recourent le plus intensément au téléphone portable!

Régulièrement sont organisées auprès de nos partenaires en France, en Italie et en Allemagne, des séminaires pour leurs collaborateurs ou des réunions d'information pour leurs clients, afin de présenter ou d'actualiser l'ensemble des services proposés par nos desks internationaux. Au cours des deux dernières années, plusieurs milliers d'entreprises ont été visitées par les collaborateurs de nos desks internationaux et nombre d'entre-elles sont devenues clientes. L'établissement des desks internationaux s'est révélé être l'exemple concret et précieux de la coopération entre les Banques Populaires internationales, jusqu'en devenir un des piliers de notre partenariat. Enfin, leur professionnalisme avéré et leur caractère résolument international ont suscité un grand intérêt auprès de la clientèle de nos partenaires et ont permis conséquemment de générer de plus grands profits.

Dr. Raimund Solonar

Our Network

HEAD OFFICE

Brno
M-palác, Heršpická 5
658 26 Brno
Tel.: +420 5 435 25 111
Fax: +420 5 435 25 555

BRANCHES

Brno

M-palác, Heršpická 5
658 26 Brno
Tel.: +420 5 435 25 222
Fax: +420 5 435 25 553

Brno

Palackého 38
612 00 Brno
Tel.: +420 5 492 10 686
Fax: +420 5 492 10 687

Brno

Panská 2/4
602 00 Brno
Tel.: +420 5 424 24 911
Fax: +420 5 424 24 919

Brno

Zvonařka
658 33 Brno
Tel.: +420 5 432 45 030
Fax: +420 5 431 63 379

České Budějovice

nám. Přemysla Otak. II. č. 27
370 01 České Budějovice
Tel.: +420 38 61 05 811
Fax: +420 38 61 05 829

BRANCHES**Jihlava**

Benešova 15
586 01 Jihlava
Tel.: +420 66 75 84 511
Fax: +420 66 75 84 519

Kaplice

Linecká 218
382 41 Kaplice
Tel.: +420 336 309 011
Fax: +420 336 309 019

Liberec

1. máje 59/5
460 01 Liberec
Tel.: +420 48 24 28 341
Fax: +420 48 24 28 355

Olomouc

Křížkovského 5
771 11 Olomouc
Tel.: +420 68 52 08 311
Fax: +420 68 52 08 355

Plzeň

Anglické nábřeží 12
301 00 Plzeň
Tel.: +420 19 73 50 211
Fax: +420 19 73 50 219

BRANCHES**Praha**

Křížíkova 237/36a
186 00 Praha
Tel.: +420 2 217 71 911
Fax: +420 2 217 71 955

Praha

Spálená 8
110 00 Praha
Tel.: +420 2 249 00 111
Fax: +420 2 249 00 155

Praha

Václavské náměstí 1
110 00 Praha
Tel.: +420 2 244 90 282
Fax: +420 2 242 18 507

Zlín

Štefánikova 5293
760 01 Zlín
Tel.: +420 67 70 02 111
Fax: +420 67 70 02 155

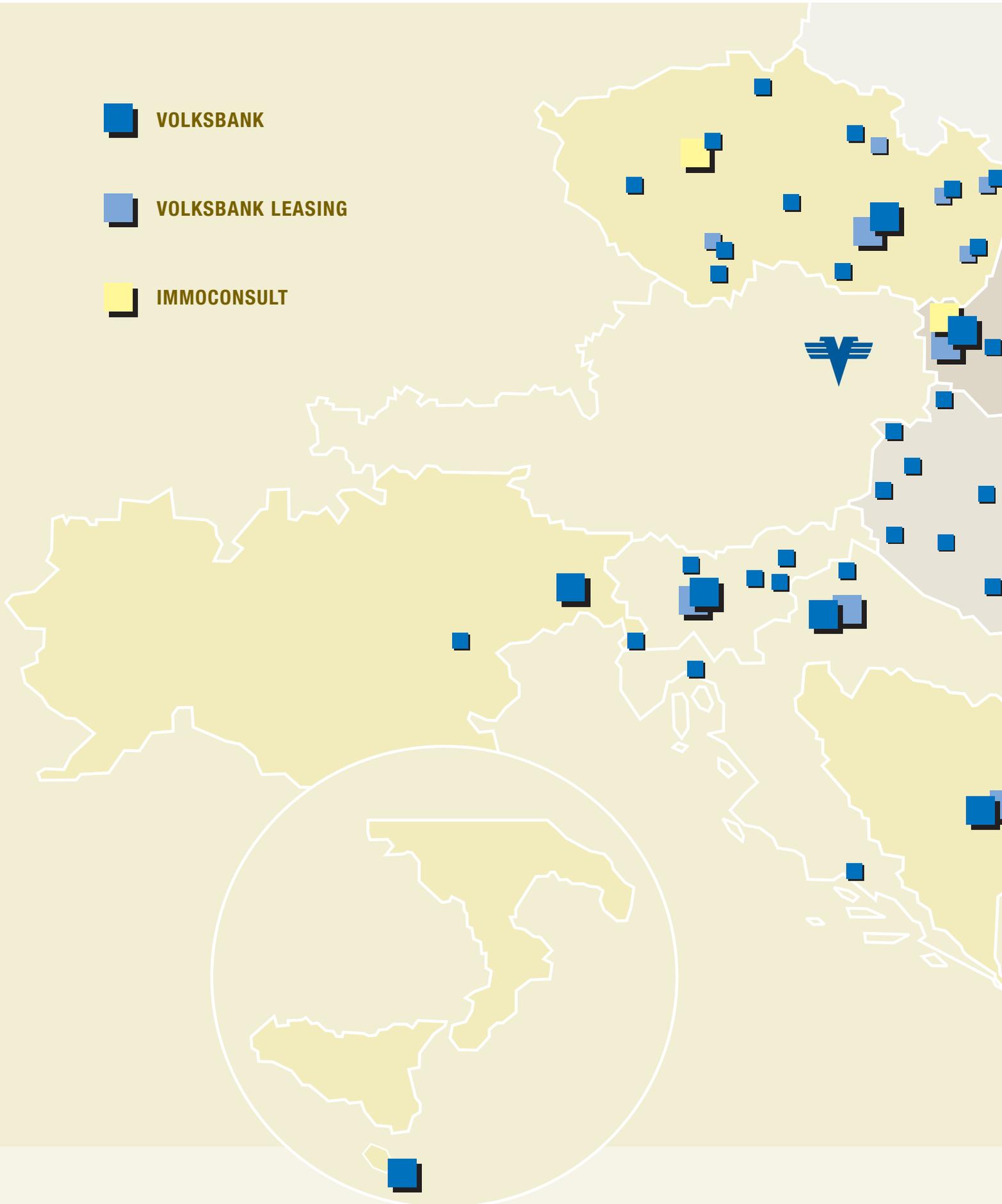
Znojmo

Mariánské náměstí 6
669 02 Znojmo
Tel.: +420 624 282 511
Fax: +420 624 282 519

 **VOLKSBANK**

 **VOLKSBANK LEASING**

 **IMMOCONSULT**



Austria

Österreichische
Volksbanken-AG
Peregringasse 3
A-1090 Vienna
Tel.: 00431/313 40-0
Fax: 00431/313 40-3682
www.oevag.com

Bosnia and Herzegovina

Volksbank BH d.d.
Fra Andela
Zvizdovića 1
BH-71000 Sarajewo
Tel.: 00387/33 483 265
Fax: 00387/33 263 832
www.volksbank.ba

Croatia

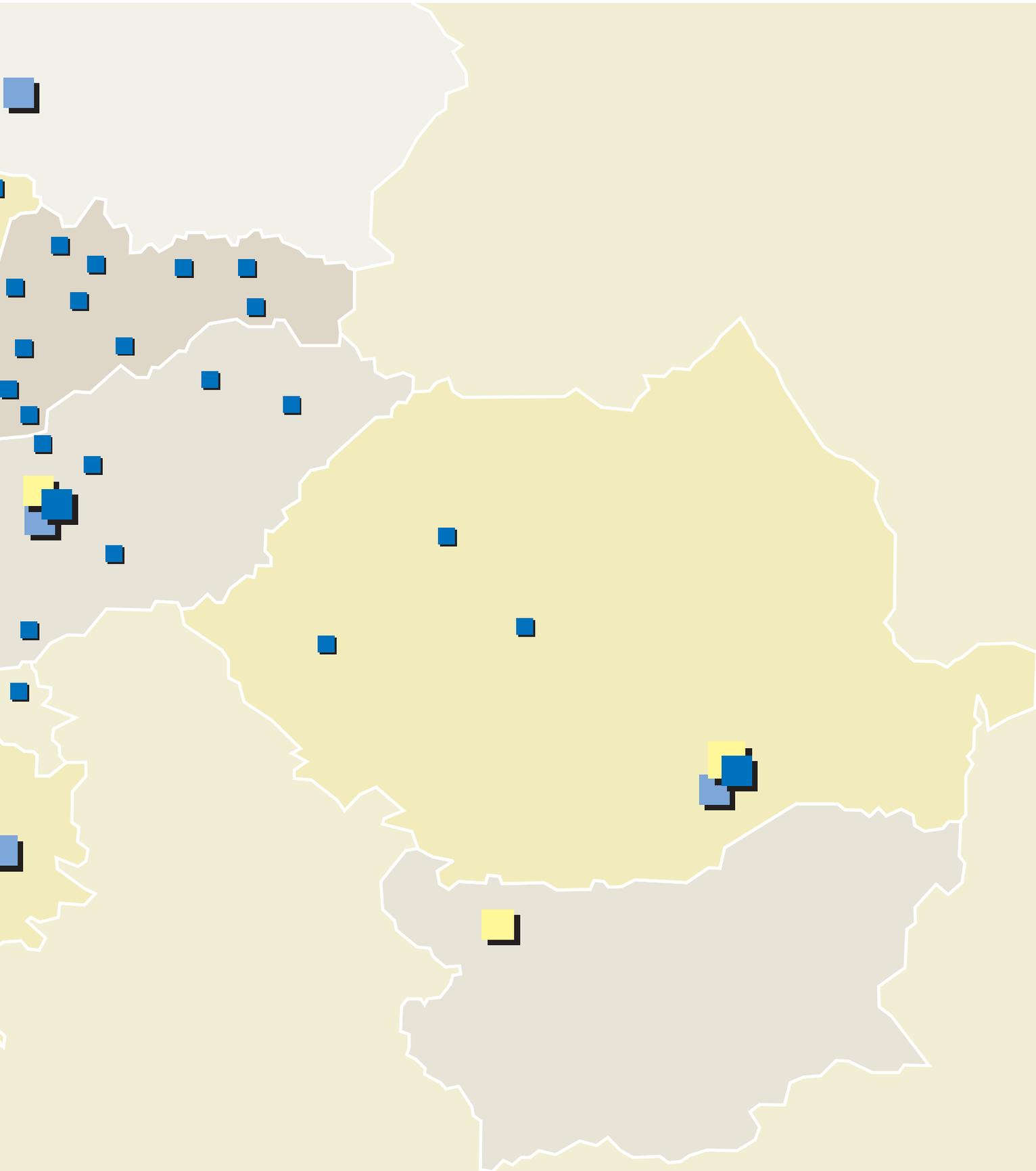
Volksbank d.d.
Varsavska 9
HR-10000 Zagreb
Tel.: 003851/4801 300
Fax: 003851/4801 365
www.volksbank.hr

Czech Republic

Volksbank CZ, a. s.
M-Palác, Herspická 5
CZ-658 26 Brno
Tel.: 004205/43 52 51 11
Fax: 004205/43 52 55 55
www.volksbank.cz

Hungary

Magyarországi
Volksbank Rt.
Rákóczi út 7
H-1088 Budapest
Tel.: 00361/328 6666
Fax: 00361/328 6660
www.volksbank.hu



Italy

Österreichische Volksbanken-AG sede italiana
Via Beato Odorico
52 Galleria Ariston
I-33170 Pordenone
Tel.: 0039/0434 24 70 60
Fax: 0039/0434 24 14 24
alfred.goetsch@oebag-volksbank.it

Malta

Volksbank Malta Ltd.
53 Dingli Street
SLM-09 Sliema
Tel.: 00356/21/336 100
Fax: 00356/21/336 090
info@volksbank.com.mt

Romania

Volksbank Romania S.A.
Str. Coltei 8, Sector 3
RO-70446 Bukarest
Tel.: 00401/303 93 04
Fax: 00401/303 93 93
www.volksbank.ro

Slovakia

L'udová Banka, a.s.
Vysoká 9
SK-810 00 Bratislava
Tel.: 004212/5965 1111
Fax: 004212/5441 2453
www.luba.sk

Slovenia

Volksbank-Ljudska Banka d.d.
Dunajska 128a
SLO-1000 Ljubljana
Tel.: 003861/530 74 00
Fax: 003861/530 75 50
www.volksbank.si

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IMPRESSUM

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