

**CZECH NATIONAL BANK
FINANCIAL STATEMENTS
(prepared under statutory requirements)
YEAR ENDED 31 DECEMBER 1995**



Auditors' Report to the Bank Council of the Czech National Bank

We have audited the accompanying financial statements of the Czech National Bank for the year ended 31 December 1995. The Bank Council is responsible for the preparation of the financial statements and for maintaining accounting records which are complete, supportable and correct in accordance with relevant laws and regulations. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with Act No. 524/1992 Sb. on Auditors and the Chamber of Auditors of the Czech Republic, the auditing standards issued by the Chamber of Auditors and also in accordance with International Standards on Auditing. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, accounting records and other evidence supporting the amounts in the financial statements and assessing the accounting principles used and significant estimates made by the management in the preparation of the financial statements, as well as evaluating the overall financial statements presentation. Based on the results of our auditing procedures, nothing came to our attention that causes us to believe that the underlying accounting records of the Bank have not been maintained, in all material respects, in accordance with relevant laws and regulations. We believe that our audit provides a reasonable basis for our opinion on the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the assets, liabilities, equity and financial position of the Czech National Bank as at 31 December 1995 and the financial results for the year then ended in accordance with Act No. 563/1991 Sb. on Accounting and other relevant legislation.

Without qualifying our opinion, we draw attention to Note 11 c) to the financial statements. Assets at 31 December 1995 includes amounts of Kč 26,172 million due from the National Bank of Slovakia which arose on the division of assets and liabilities of the former State Bank of Czechoslovakia and on the subsequent dissolution of the federal currency. The ultimate collectability of these amounts is dependent on the outcome of negotiations between the parties and, at this time, cannot be determined with reasonable certainty.

Prague, 15 March 1996

Audit firm:

Deloitte & Touche
Deloitte & Touche, spol. s r.o.
Licence No. 79

M. Petřman
Responsible auditor:

Michal Petřman
Licence No. 1105

Ministry of Finance
 Czech Republic
 Approved No. 282/55 733/93
 Dated 26 October 1993

BALANCE SHEET PU 1 - 01

Line	IKF				YR	IČO												
	0	1	8	2	8	0	9	1	9	4	4	8	1	3	6	4	5	0

Accounting unit will submit
 this statement with their
 tax return

Bank name: **Czech National Bank**

1 to financial office
 (tax institution)
 at headquarter location

Bank code:

0	7	1	0

1 to CNB banking supervisory

Key:

BANK BALANCE SHEET

at 31 December 1995
 (in '000 Kč)

Date sent:	Stamp and signature of statutory body	Person responsible for accounting name and signature	Person responsible for this statement name and signature
			V. Vicovský tel.: 2441 4424

ASSETS

Item No.	Item	Row No.	Current accounting period			Previous period
			Prelim. balance	Provision	Final balance	
a	b	c	1	2	3	4
1.	Cash, bullion, deposits with central banks, GIRO account	1	5,211,422	0	5,211,422	4,558,419
1.1.	Cash and bullion	2	5,211,422	0	5,211,422	4,558,419
1.1.1.	Cash	3	1,440,527		1,440,527	501,837
1.1.2.	Gold	4	3,750,792		3,750,792	3,676,204
1.1.3.	Other cash and bullion	5	20,103		20,103	380,378
1.2.	Accounts with central banks	6	0	0	0	0
1.2.1.	Payable on demand	7				
1.2.2.	Term or notice account	8				
1.2.3.	Minimum required reserves	9				
1.3.	GIRO accounts	10				
2.	Deposits and loans with other banks	11	78,362,975	0	78,362,975	7,074,340
2.1.	Deposits	12	0	0	0	0
2.1.1.	Current accounts	13				
2.1.2.	Deposits on term or notice	14				
2.2.	Receivables from pledged assets and loans	15	78,362,975	0	78,362,975	7,074,340
2.2.1.	Receivables from pledged assets	16	78,362,975		78,362,975	7,074,340
2.2.2.	Loans	17				
2.2.3.	Non-liquid loans	18				
3.	State treasury bills	19	26,149,393	0	26,149,393	18,352,032
3.1.	State treasury bills- domestic	20	93,000		93,000	3,359,000
3.2.	State treasury bills- foreign	21	26,056,393		26,056,393	14,993,032
4.	Other treasury and similar bills	22	171,090,797	0	171,090,797	102,696,269
4.1.	CNB bills	23	12,546,000		12,546,000	38,859,000
4.2.	Treasury bills and other similar items	24	158,544,797		158,544,797	63,837,269
5.	Loans to clients	25	1,499,920	892,362	607,558	4,801,560
5.1.	Standard loans	26	111,805		111,805	3,939,468
5.2.	Other receivables	27				35,697
5.3.	Classified loans	28	1,388,115	892,362	495,753	826,395
5.4.	Loans provided to state institutions	29				
5.5.	Loans provided to local authorities	30				
5.6.	Loans provided to public funds	31				
5.7.	Deposits of budget means and local authorities	32				
6.	Bonds and other fixed yield securities	33	98,196,712	0	98,196,712	64,669,073
6.1.1.	Bonds issued by public issuers	34	96,808,315		96,808,315	60,429,203
6.1.2.	Bonds issued by banks and other issuers	35				3,435,627
6.1.3.	Own bonds- tradeable	36				
6.1.4.	Accrued interest on bonds	37	1,388,397		1,388,397	804,243
7.	Shares and securities with variable yield	38	70,271	18,500	51,771	49,668
8.	Settlement account for securities	39				
9.	Receivables from security trading- third parties	40				
10.	Investments in associates	41	1,366,300	0	1,366,300	1,362,300

a	b	c	1	2	3	4
10.1.	In banks	42	1,366,300		1,366,300	1,362,300
10.1.1.	Revaluation difference	43				
10.2.	In other entities	44				
10.2.1.	Revaluation difference	45				
11.	Investments in subsidiaries	46	0	0	0	0
11.1.	In banks	47				
11.1.1.	Revaluation difference	48				
11.2.	In other entities	49				
11.2.1.	Revaluation difference	50				
12.	Shareholders and partners	51				
13.	Own shares	52				
14.	Advances to branches and agencies abroad- long term	53				
15.	Special long term loans	54				
16.	Intangible fixed assets	55	141,130	84,217	56,913	68,284
16.1.	Goodwill	56				
16.2.	Establishment expenses	57				
16.3.	Other intangible fixed assets	58	141,130	84,217	56,913	68,284
17.	Tangible assets	59	3,374,526	893,750	2,480,776	1,571,079
17.1.	Operational tangible fixed assets	60	3,189,220	870,045	2,319,175	1,428,084
17.1.1.	Land and buildings for banking activities	61	1,758,329	134,114	1,624,215	837,946
17.1.2.	Other operational tangible fixed assets	62	1,430,891	735,931	694,960	590,138
17.2.	Non-operational tangible fixed assets	63	185,306	23,705	161,601	142,995
18.	Tangible fixed assets	64	987,198	0	987,198	1,260,292
18.1.	Tangible fixed assets not yet in use	65	956,634		956,634	1,244,359
18.2.	Intangible fixed assets not yet in use	66	30,564		30,564	15,933
19.	Leased tangible fixed assets	67				
20.	Inventories	68				
21.	Other assets	69	1,953,048	6,022	1,947,026	297,713
21.1.	Sundry debtors	70	545,623	6,022	539,601	291,346
21.2.	Advances	71	1,407,425		1,407,425	6,367
21.3.	Accounts with social institutions	72				
21.4.	State budget accounts	73				
22.	Domestic branches and agencies	74				
23.	Other debtors	75	2		2	
24.	Deferrals and accruals- assets	76	4,864,463	0	4,864,463	2,080,941
24.1.	Deferred expenses	77	4,320,865		4,320,865	1,531,799
24.2.	Accrued revenues	78	543,598		543,598	549,142
25.	Estimated receivables	79	30,762		30,762	30
26.	Settlement accounts	80	3,436	0	3,436	1,714,891
26.1.	Financial transactions	81				
26.2.	Foreign exchange transactions	82				292,631
26.3.	Other operations	83	3,436		3,436	1,422,260
27.	Loss for the accounting period	85				

28.	Sum (items 1-28)	86	393,302,355	1,894,851	391,407,504	210,556,891
a	b	c	1	2	3	4
29.	Reserve and SDR position at IMF	87	23,874,698		23,874,698	24,672,966
30.	Receivables EFCPC	88				
31.	Other foreign receivables- loans and deposits	89	182,943,687		182,943,687	86,235,511
32.	Refinancing receivables	90	67,877,886		67,877,886	73,297,665
33.	Other domestic receivables	91	5,538,699		5,538,699	2,480,583
34.	Non liquid loans	92	54,877	54,877		582,941
35.	State budget expenses	93				
36.	Other receivables from State budget	94	2,490		2,490	1,050
37.	State budget accounts from previous years	95	12,532,179		12,532,179	32,355,572
	TOTAL ASSETS	96	686,126,871	1,949,728	684,177,143	430,183,179
A.	Government receivables from abroad	97	26,137,906		26,137,906	26,546,613
B.	Assets managed by CSOB	98				
41.	Control number	99	2,271,658,940	8,540,703	2,263,118,237	1,321,037,898

LIABILITIES

am No.	Item	Row No.	Current period	Previous period
a	b	c	5	6
1.	Payables and loans to banks	100	68,959,579	28,032,422
1.1.	Loans from central banks	101		
1.1.1.	Payables from pledged assets	102		
1.2.	Payables from security and loans from other banks	103	68,959,579	28,032,422
1.2.1.	Payables from pledged assets	104	68,959,579	28,032,422
1.2.2.	Loans	105		
2.	Deposits of other banks	106	0	0
2.1.	Current accounts	107		
2.2.	Deposits on term or notice	108		
3.	Payables to clients	109	63,046,981	16,821,537
3.1.	Current accounts	110	10,312,702	7,211,946
3.2.	Savings deposits	111	0	0
3.2.1.	Payable on demand	112		
3.2.2.	Payable on notice	113		
3.3.	Term deposits	114	52,683,550	9,218,991
3.4.	Other payables	115	50,729	390,600
3.5.	Loans from clients	116		
3.6.	Special purpose deposits	117		
3.7.	Budget deposits of local authorities	118		
4.	Certificates of deposit and treasury bills	119	0	0
4.1.	Issued domestically	120		
4.2.	Issued abroad	121		
5.	State non-budget accounts	122	9,281,554	8,856,383
5.1.	State authorities	123	5,763,933	5,597,129
5.2.	Local authorities	124	3,517,621	3,259,254
5.3.	Public funds	125		
6.	Subsidies and similar means	126	7,658	1,967
7.	Bonds and similar bills	127	19,776,534	21,149,625
8.	Differences on translation of capital in foreign currency	128	0	0
8.1.	Loans from banks	129		
8.2.	Loans from clients	130		
9.	Reserves	131	17,731,263	10,186,147
9.1.	Reserves- tax deductible	132	8,852,962	6,321,608
10.	Capital	133	1,400,000	1,400,000
10.1.	Paid in capital	134	1,400,000	1,400,000
10.1.1.	Differences on translation of capital in foreign currency	135		
11.	Long term liability of foreign branch to head office	136		
12.	Agio fund	137		
13.	Other capital funds	138	479,929	473,125
14.	Investment revaluation fund	139	2,339	2,339
14.1.	Investment revaluation fund- associates	140	2,339	2,339
14.1.1.	In banks	141		

a	b	c	5	6
14.1.2.	In other entities	142	2,339	2,339
14.2.	Investment revaluation account- subsidiaries	143	0	0
14.2.1.	In banks	144		
14.2.2.	In other entities	145		
15.	Reserve funds	146	5,759,193	4,779,035
15.1.	Legal reserve fund	147	5,759,193	4,779,035
16.	Other funds from profit	148	12,342	16,221
17.	Transferred profit/ loss	149	0	0
17.1.	Undistributed profit from previous years	150		
17.2.	Unpaid loss from previous period	151		
18.	Payables from security trading- third parties	152		
19.	Other payables from issue of securities	153		
20.	Payables for securities	154	0	0
20.1.	Payables for securities	155		
20.2.	Property shares registered with payment collected but not yet recorded	156		
21.	Accounts with payment collected but not yet recorded	157	2	
22.	Domestic branches and agencies	158		
23.	Other liabilities	159	556,881	308,850
23.1.	Sundry creditors	160	51,858	53,775
23.2.	Employee accounts	161	49,462	241
23.3.	Accounts with social institutions	162	18,557	
23.4.	State budget accounts	163	436,117	253,842
23.5.	Advance payments received	164	887	992
24.	Deferrals and accruals- liabilities	165	6,882,518	3,872,255
24.1.	Accrued interest and other	166	1,410,027	1,214,622
24.2.	Deferred income	167	5,472,491	2,657,633
25.	Estimated payables	168	13,177	37,165
26.	Settlement accounts	169	1,369,920	285,906
26.1.	Financial transactions	170	1,369,920	285,906
26.2.	Foreign exchange transactions	171		
26.3.	Other transactions	172		
27.	Profit for accounting period	173		
28.	Sum (items 1-27)	174	195,279,870	96,222,977
29.	Payable to IMF- SDR settlement accounts	175	23,874,717	24,672,973
30.	Payable to EFMPs	176		
31.	Other payables abroad	177	4,161,052	4,326,312
32.	Monetary reserves of banks at CNB	178	75,178,970	51,285,490
33.	Bills issued by CNB	179	136,967,000	85,000,000
34.	Other payables- domestic	180	90,641,538	23,751,546
35.	State budget income	181		
36.	State budget liabilities	182	1,284,290	1,530,787
37.	Accounts of the ER from previous years	183	36,348,691	47,067,577
38.	Currency in circulation	184	120,441,015	96,325,517

	TOTAL LIABILITIES	185	684,177,143	430,183,179
A.	Government payables abroad	186	26,137,906	26,546,613
B.	Liabilities managed by CSOB	187		
39.	Control number	188	1,824,845,907	1,081,851,044

Ministry of Finance
 Czech Republic
 Approved No. 282/55 733/93
 Dated 26 October 1993

PROFIT AND LOSS STATEMENT PU 2 - 01

Line	IKF				YR	IČO											
0	1	8	2	8	0	9	1	9	4	4	8	1	3	6	4	5	0

Accounting unit will submit
 this statement with their
 tax return

Bank name: **Czech National Bank**

1 to financial office
 (tax institution)
 at headquarter location

Bank code:

0	7	1	0

1 to CNB banking supervisory

Key:

BANK PROFIT AND LOSS STATEMENT

at 31 December 1995
 (in '000 Kč)

Date sent:	Stamp and signature of statutory body	Person responsible for accounting name and signature	Person responsible for this statement name and signature Štégllová
			tel.: 2441 3112

EXPENSES

Item No.	Item	Row No.	Accounting period balance	
			1995	1994
a	b	c	1	2
1.	Expenses from treasury and inter-bank operations	1	18,893,661	11,479,088
1.1.	Interest paid	2	18,845,917	11,426,667
1.2.	Fees and commissions paid	3	47,744	52,421
2.	Expenses from operations with client (612)	4	2,065,179	71,099
2.1.	Interest paid	5	2,065,179	71,099
2.1.1.	Interest paid on clients current accounts	6	21,496	16,419
2.1.2.	Interest paid on term deposits	7	2,043,683	54,680
2.1.3.	Interest paid on saving deposits	8		
2.1.4.	Interest paid on certificates of deposits and treasury bills	9		
2.2.	Fees and other commissions paid	10		
3.	Leasing expenses (613)	11		
4.	Expenses from own bonds	12	1,386,176	1,740,832
4.1.	Interest on own bonds	13	1,386,130	1,740,832
4.2.	Fees and commissions	14	46	
5.	Expenses from securities operations (615)	15	535,167	1,459,983
5.1.	Losses on sale of securities	16	535,167	1,458,916
5.1.1.	Losses on sale of securities with fixed yield (without participatory interest)	17	535,167	1,458,916
5.1.2.	Losses on sale of other securities (without participatory int.)	18		
5.2.	Fees and commissions from securities operations	19		1,067
6.	Expenses from foreign exchange operations (616)	20	7,139,674	1,894,793
6.1.	Interest on swap transactions	21	859,703	1,248,441
6.2.	Losses on outstanding forward foreign exchange contracts	22		
6.3.	Losses on foreign exchange transactions	23	6,279,883	376,105
6.4.	Fees and commissions from foreign exchange operations	24	88	270,247

Item No.	Item	Row No.	Accounting period balance	
			1995	1994
a	b	c	1	2
7.	Expenses from other operations (617)	25	13,086	5,108
7.1.	Fees and commissions	26	1,932	5,108
8.	Expenses from production of bank notes and coins	27	316,535	502,128
9.	General operating expenses (acc. group 63)	28	1,189,602	960,772
9.1.	Employee costs (631)	29	342,199	283,080
9.1.1.	Wages and salaries (from 631)	30	341,630	282,469
9.1.2.	Other bonuses (631)	31	569	611
9.2.	Social expenses (632)	32	131,049	104,212
9.3.	Taxes and fees (635)	33	2,347	2,042
9.4.	External services (636)	34	354,122	311,353
9.5.	Depreciation on tangible fixed assets (637)	35	333,056	228,349
9.6.	Depreciation on intangible fixed assets	36	26,829	31,736
10.	Increase in reserves and provisions (acc. g. 65)	37	8,891,079	6,474,727
10.1.	Increase in provisions (651)	38	184,374	457,016
10.1.1.	Increase in provisions for classified loans (654)	39	4,197	130,323
10.1.2.	Increase in provisions for liquidation	40	69,950	
10.1.3.	Increase in other provisions for classified loans (651)	41	110,227	
10.1.4.	Increase in provisions for losses on securities	42		326,693
10.1.5.	Increase in provisions for losses on investments in associates	43		
10.1.6.	Increase in provision for losses on tangible assets	44		
10.1.7.	Increase in provisions for losses on intangible assets	45		
10.2.	Increase in tax deductible reserves (652)	46	2,617,250	2,676,100
10.2.1.	Increase in reserve for loans	47	2,617,250	2,630,370
10.2.2.	Increase in reserves for guarantees provided	48		45,730
10.2.3.	Increase in reserve for repairs to tangible fixed assets	49		
10.3.	Increase in other reserves	50	6,089,455	3,341,611
11.	Other operating expenses (acc. group 66)	51	139,371	175,112
11.1.	Write off of receivables from banks (661)	52		

Item No.	Item	Row No.	Accounting period balance	
			1995	1994
a	b	c	1	2
11.2.	Write off of receivables from clients	53	48	
11.3.	Expenses from transfer of shares in associates (665)	54		
11.4.	Expenses from other transfers (666)	55	2,170	7,535
11.5.	Other operating expenses	56	137,153	167,577
11.5.1.	Value Added Tax (667)	57	123,474	149,632
12.	Income tax arising on ordinary activities	58		
12.1.	Paid (681)	59		
12.2.	Deferred (682)	60		
13.	Profit on ordinary activities after taxation (583)	61	1,002,358	1,438,216
14.	Extraordinary expenses (667)	62	147,293	1,353
15.	Income tax arising on extraordinary activities	63		
15.1.	Paid (681)	64		
15.2.	Deferred (684)	65		
16.	Profit on extraordinary activities after taxation (583)	66		
17.	Profit for the accounting period (from 583)	67	1,002,358	1,438,216
	Sum (items 1- 17 except 13 and 16)	68	41,719,181	26,203,211
	Control number	69	130,550,204	83,201,995

REVENUES

Item No.	Item	Row No.	Accounting period balance	
			1995	1994
a	b	c	1	2
1.	Revenues from treasury and inter-bank activities (711)	70	27,664,904	20,364,813
1.1.	Interest received	71	27,291,091	20,065,052
1.2.	Fees and commissions received	72	373,813	299,761
2.	Revenues from operations with clients (712)	73	237,922	378,259
2.1.	Interest received	74	166,452	270,042
2.1.1.	Interest from loans	75	166,403	270,017
2.1.2.	Penalty interest from debit balances on current accounts	76	49	25
2.2.	Fees and commissions received	77	71,470	108,217
3.	Revenues from leasing (713)	78		
4.	Revenues from securities operations	79	4,763,197	2,425,722
4.1.	Interest from fixed yield securities	80	3,212,923	2,282,270
4.1.1.	Interest from yield shares in affiliates	81		
4.1.2.	Interest from other fixed yield securities	82	3,212,923	2,282,270
4.2.	Dividends from variable yield securities	83	167,254	27,214
4.2.1.	Dividends from variable yield securities in affiliates	84	135,320	
4.2.2.	Dividends from other variable yield securities	85	31,934	27,214
4.3.	Fees and commission received	86		
4.4.	Profit on sale of securities	87	1,383,020	116,238
5.	Revenues from foreign exchange operations	88	7,923,961	2,682,771
5.1.	Interest from swap transactions	89	640,324	762,200
5.2.	Profits from other forward foreign exchange operations	90		
5.3.	Realised foreign exchange gains	91	7,281,063	1,920,571
5.4.	Fees and commissions received	92	2,574	
6.	Revenues from other operations (717)	93	1,003	2
6.1.	Fees and commissions received	94	1,003	2

Item No.	Item	Row No.	Accounting period balance	
			1995	1994
a	b	c	1	2
7.	Revenues from the issue of bank notes and coins	95	187,824	124,488
8.	Decreases in reserves and provisions (acc. group 75)	96	872,308	160,487
8.1.	Decrease in provisions (751)	97	393,512	104,346
8.1.1.	Decrease in tax deductible provisions for classified loans	98		
8.1.2.	Decrease in other provisions for classified loans	99	67,723	104,346
8.1.3.	Decrease in provisions for liquidation (754)	100		
8.1.4.	Decrease in provision for losses on securities	101	325,789	
8.1.5.	Decrease in provision for losses on shares in associates	102		
8.1.6.	Decrease in provision for losses on tangible fixed assets	103		
8.1.7.	Decrease in provision for losses on intangible fixed assets	104		
8.2.	Decrease in tax deductible reserves (752)	105		
8.2.1.	Decrease in reserves for overdue loans	106		
8.2.2.	Decrease in reserves for guarantees provided	107		
8.2.3.	Decrease in reserves for repairs to tangible fixed assets	108		
8.3.	Decrease in other reserves	109	478,796	56,141
9.	Other operating revenues (acc. group 76)	110	31,579	55,449
9.1.	Revenues from written - off receivables from banks (761)	111		
9.2.	Revenues from written - off receivables from clients (762)	112		
9.3.	Revenues from transfer of shares in associates (765)	113		
9.4.	Revenues from other asset transfers (766)	114	820	6,886
9.5.	Other operating revenues (767)	115	30,759	48,563
10.	Loss on ordinary activities after taxation (from 583)	116		
11.	Extraordinary revenues (771)	117	36,483	11,220
12.	Loss on ordinary activities after taxation (from 583)	118		
13.	Loss for the accounting period (from 583)	119		

Item No.	Item	Row No.	Accounting period balance	
			1995	1994
a	b	c	1	2
	Sum (items 1 - 13 except 10 and 12)	120	41,719,181	26,203,211
	Control number	121	128,873,377	81,157,797

Ministry of Finance
 Czech Republic
 Approved No. 282/55 733/93
 Dated 26 October 1993

NOTES TO THE FINANCIAL STATEMENTS

Line	IKF				YR	IČO											
0	1	8	2	8	0	9	1	9	4	4	8	1	3	6	4	5	0

Accounting unit will submit
 this statement with their
 tax return

Bank name: **Czech National Bank**

1 to financial office
 (tax institution)
 at headquarter location

Bank code:

0	7	1	0

1 to CNB banking supervisory

Key:

NOTES TO THE FINANCIAL STATEMENTS

at 31 December 1995
 (in '000 Kč)

Date sent:	Stamp and signature of statutory body	Person responsible for accounting name and signature	Person responsible for this statement name and signature
			tel.:

**CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1995**

1. GENERAL

The Czech National Bank ("the Bank") is the central bank of the Czech Republic ("the State"). The Bank is an independent body which reports only to Parliament.

The Bank was incorporated under Act No. 6/1993 and its primary objective is to maintain the stability of the Czech crown ("Kč") in accordance with this legislation.

The Bank was established on 1 January 1993 when the former State Bank of Czechoslovakia was succeeded by the Czech National Bank and the National Bank of Slovakia.

The financial statements are reported in Kč and all amounts are stated in thousands.

SUMMARY OF ACCOUNTING POLICIES

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

Basis of preparation

The financial statements of the Bank have been prepared in accordance with the Act on Accounting and relevant regulations and decrees of the Czech Republic. Assets and liabilities are valued in accordance with articles 22 and 24 of this Act.

The Bank uses the chart of accounts required for banks by the Czech Ministry of Finance in Provision No. 282/41 410/1993 of 9 June 1993, which was registered as No. 52/1993 as amended.

a) Valuation

Gold and Other Precious Metals

Gold and other precious metals are stated at historical cost. Gold placed on deposit with other financial institutions is included in gold and the related interest receivable is included in accrued revenues. Gold used for swap transactions is included in receivables from pledged assets and the payment obligation is included in other payables abroad.

Securities

Treasury bills and other similar securities are carried in assets at nominal value with the related purchase price discount included in other liabilities. The discount is amortised to the profit and loss account on a straight line basis over the life of the bill. The amortisation is based on the most recent market price achieved by the Bank.

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1995

Purchases of bonds are valued at acquisition cost and disposals are valued at weighted average cost. Upon maturity or disposition of securities, the difference between the net proceeds and the security's weighted average cost, including any purchase discount or premium is recorded as revenue or expense from securities operations. Provision is made for any reduction in the aggregate market value. Interest income is accrued over the life of the bonds.

Securities sold under repurchase agreements are included in assets and valued according to the nature of the security. The related payment obligation is included in payables from pledged assets on the balance sheet. Amounts loaned under reverse repurchase agreements are included in receivables. Interest arising on repurchase agreements is charged to the profit and loss account over the life of the agreements.

Investments in Subsidiaries and Associates

A subsidiary enterprise is one in which the Bank holds, directly or indirectly, more than 50% of the registered capital or has control over the activities. An associate enterprise is one in which the bank holds, directly or indirectly, 20 - 50 % of the registered capital.

Investments in associates are stated at cost. Permanent diminutions in the value are written off to the profit and loss account.

The investments in the Československá Obchodní Banka and in Institut Bankovního Vzdělávání have not been consolidated as the Bank does not seek to influence these associate enterprises other than under its bank-supervisory capacity, as applicable.

When any investments are disposed of, the difference between the net proceeds and the book amount is charged or credited to the profit and loss account.

Loans and Advances to Banks and Clients

Loans and advances to banks and clients are classified in accordance with the Bank's loan classification regulation and stated after deduction of specific provisions for doubtful debts. General loan loss provisions are included in other reserves on the liability side of the balance sheet. Specific provisions and increases in general reserves are charged to the profit and loss account.

Amounts due from banks subject to foreign currency resale agreements are stated in assets in the balance sheet at the nominal value of the receivable.

Provisions are made, as necessary, for non-recoverability of assets and for liabilities arising from commitments and contingencies.

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1995

Debt Securities Issued by the Bank

Bills issued by the Bank are recorded in the balance sheet at their nominal value. The related discount is included in other assets and amortised to expense over the life of the bill.

Repurchased bills issued by the Bank are included in securities in the balance sheet at nominal value and in liabilities at total amount of bill issue. Interest income and expense arising on these bills is included separately in the profit and loss account.

Bonds issued are stated at nominal value and interest expense is charged to interest expense over the period of coupon maturity.

Foreign Currency Translation

Transactions in foreign currencies are translated into Kč at the rates ruling on the date of the transaction. Foreign exchange gains and losses are recorded in income or expenses from foreign exchange operations.

Assets and liabilities, including unmatured commitments to deliver or acquire foreign currencies under spot or forward exchange transactions, are translated at official rates of exchange ruling at the balance sheet date.

Risks arising from changes of exchange rates are also taken into consideration when creating reserves for other bank risks.

Interest, Fees and Commissions Income

Interest income is accounted for on an accrual basis on interest earning assets. Interest earned on non-performing assets is recorded in the profit and loss account concurrently with an appropriate specific provision. Interest on fixed rate earning assets denominated in foreign currency is translated at the official exchange rate ruling when earned.

b) Fixed Assets and Depreciation

Tangible and intangible fixed assets are stated at acquisition cost less value added tax and appropriate provision is made for depreciation. Land and buildings are stated at acquisition cost or at replacement cost. Land is not depreciated. Depreciation is provided for all other fixed assets on a straight line basis over the estimated useful lives of the assets at rates specified in the Act on Income Tax.

Tangible fixed assets costing less than Kč 10,000 and intangible fixed assets costing less than Kč 20,000 are charged to the profit and loss account in the period in which they are first put into use.

Value added tax paid on fixed asset additions during the year has been charged to expense in accordance with instructions issued by the Ministry of Finance.

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1995

c) Changes in accounting policies

In accordance with requirement No. 72 on presentation of the financial statements issued by the Ministry of Finance during 1995, certain comparative figures have been reclassified on a basis consistent with those of the current year.

In connection with the amendment of the Act on Reserves, certain reserves have been reclassified to provisions (see Notes 12 and 13).

In accordance with instructions issued by the Ministry of Finance, accounting for exchange rate differences has been changed in 1995. Realised and unrealised gains (losses) from exchange rate translations are recorded gross in revenues from foreign exchange operations and losses on foreign exchange transactions, respectively.

The Bank established a general reserve for monetary policy of up to 1% of total assets. This general reserve has been approved by the Bank Board to be used for expenses incurred related to monetary policy including expenses related to currency fluctuations.

2. INCOME TAXES

In accordance with section 17 § 2 of ČNR Act No. 586/92 Coll. on income taxes as amended, the Bank is exempt from payment of income tax. The Bank has no deferred tax.

The Bank's relationship with the State Budget is set up by sec. 47 § 2 of ČNR act No. 6 from 1993. Any non-allocated profit of the Bank is contributed to the State Budget. No profit was paid to the State Budget in 1995 in accordance with the requirements of the Bank's annual budget.

**CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1995**

3. SECURITIES

	<i>Line</i>	<i>Nominal Value</i>	<i>Nominal value less discount</i>	<i>Market value</i>
<u>Domestic</u>				
State treasury bills	20	93,000	91,094	91,087
Czech National Bank bills	23	12,546,000	12,381,303	12,345,173
Shares	38	20,570	20,570	
Provision	38		(18,500)	
		<u>12,659,570</u>	<u>12,474,467</u>	<u>12,436,260</u>
Czech National Bank bills - under repurchase agreements	16	<u>78,163,000</u>	<u>74,797,814</u>	
<u>Foreign</u>				
Government Treasury bills	21	26,056,393	25,523,650	
Other short- term bills	24	158,544,797	157,253,741	
Reverse repurchase agreements	104	<u>(39,642,214)</u>	<u>(39,601,608)</u>	
		<u>144,958,976</u>	<u>143,175,783</u>	<u>143,190,549</u>
		<i>Nominal Value</i>	<i>Cost of Acquisition</i>	<i>Market value</i>
Other foreign currency bonds	34	94,337,439	96,808,315	
Reverse repurchase agreements	104	<u>(27,784,446)</u>	<u>(29,317,365)</u>	
		<u>66,552,993</u>	<u>67,490,950</u>	<u>67,884,896</u>
Accrued interest on bonds	37	<u>1,388,397</u>		

**CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1995**

<i>Name</i>	<i>Line</i>	<i>Share of capital</i>	<i>Amount</i>
SWIFT	38	-	225
Bank for International Settlements	38	1.1%	<u>49,476</u>
			<u><u>49,701</u></u>

4. INVESTMENTS IN ASSOCIATE ENTERPRISES

<i>Name</i>	<i>Line</i>	<i>Share of capital</i>	<i>Amount</i>
Institut Bankovního Vzdělávání	42	29.9%	13,100
Československá Obchodní Banka	42	26.5%	<u>1,353,200</u>
			<u><u>1,366,300</u></u>

5. CAPITAL (line 133)

The Bank's capital comprises a statutory fund of Kč 1,400,000 thousand.

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1995

6. BONDS AND CZECH NATIONAL BANK TREASURY BILLS ISSUED

Bonds issued by the Bank denominated in foreign currencies (line 127):

Name of Issue	SHIBOSAI	EUROTRH	SAMURAI	Total
Currency	JPY	USD	JPY	
Date of issue	26.11.1991	6.4.1993	9.8.1993	
Maturity date	26.11.1997	6.4.1996	9.8.2000	
Interest rate	8.5%	7%	6.6%	
Amount in Kč	725,984	9,975,750	9,074,800	<u>19,776,534</u>

The Bank has entered into swap transactions to hedge currency exchange and interest rate risk related to the above debt issued in Japanese yen (see Note 18).

Czech National Bank Treasury bills (line 179):

Date Issued	Maturity	Total Nominal Value	Quotation
6.10.95	5.1.96	10,000,000	9,40%
20.10.95	19.1.96	2,950,000	9,40%
27.10.95	26.1.96	4,203,000	9,40%
3.11.95	2.2.96	8,000,000	9,40%
11.8.95	9.2.96	10,000,000	9,40%
10.11.95	9.2.96	5,000,000	9,40%
17.11.95	16.2.96	2,658,000	9,40%
24.11.95	23.2.96	1,256,000	9,45%
8.12.95	8.3.96	2,900,000	9,45%
13.10.95	12.4.96	10,000,000	9,45%
2.11.95	26.4.96	50,000,000	9,45%
8.12.95	7.6.96	<u>30,000,000</u>	9,45%
		<u>136,967,000</u>	

Of this amount, Kč 90,709,000 thousand was repurchased by the Bank, of which Kč 78,163,000 thousand (line 15) has been sold under repurchase agreements leaving Kč 12,546,000 thousand in securities.

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1995

7. LOANS AND ADVANCES TO CLIENTS AND FINANCIAL INSTITUTIONS, DENOMINATED IN CZECH CROWNS

Maturity analysis of loans and advances to customers and banks

	<i>Line</i>	<i>Short term (less than 1 year)</i>	<i>Medium term (1 - 4 years)</i>	<i>Long term (more than 4 years)</i>	<i>Total</i>
a) By original contract maturity					
Re-finance loans	90	6,103,526	-	-	6,103,526
Re-distribution loans	90	-	-	61,774,360	61,774,360
Other inter-bank loans	from 89	26,172,255	-	-	26,172,255
Non-liquid loans	92	54,877	-	-	54,877
Loans to State	95	-	-	12,532,179	12,532,179
Commercial lending	25	650,488	793,423	56,009	1,499,920
		<u>32,981,146</u>	<u>793,423</u>	<u>74,362,548</u>	<u>108,137,117</u>
Less: specific provisions	28,92	<u>(322,582)</u>	<u>(610,752)</u>	<u>(13,905)</u>	<u>(947,239)</u>
Total		<u><u>32,658,564</u></u>	<u><u>182,671</u></u>	<u><u>74,348,643</u></u>	<u><u>107,189,878</u></u>
b) By residual maturity					
Re-finance loans	90	6,103,526	-	-	6,103,526
Re-distribution loans	90	-	43,360,046	18,414,314	61,774,360
Other inter-bank loans	from 89	26,172,255	-	-	26,172,255
Non-liquid loans	92	54,877	-	-	54,877
Loans to State	95	-	-	12,532,179	12,532,179
Commercial lending	25	744,305	724,677	30,938	1,499,920
		<u>33,074,963</u>	<u>44,084,723</u>	<u>30,977,431</u>	<u>108,137,117</u>
Less: specific provisions	28,92	<u>(335,817)</u>	<u>(598,687)</u>	<u>(12,735)</u>	<u>(947,239)</u>
Total		<u><u>32,739,146</u></u>	<u><u>43,486,036</u></u>	<u><u>30,964,696</u></u>	<u><u>107,189,878</u></u>

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1995

c) Amounts due from National Bank of Slovakia

Other interbank loans includes an amount due from the National Bank of Slovakia of Kč 26,172,255 thousand which arose from the separation of the assets and liabilities of the former State Bank of Czechoslovakia on the formation of separate central banks for the Czech Republic and Slovakia and the loss incurred by the Bank on the dissolution of the federal currency. This amount is repayable by the National Bank of Slovakia on division of the overall surplus arising from the federal currency.

Recoverability of this amount is the subject of ongoing discussions between the respective parties.

d) The Bank has no credit balances on loan accounts.

e) Loans and advances to customers and banks by type of security received

Loans and advances to customers and banks have been secured as follows:

State guarantees for loans to banks	38,760,603
Bills of exchange for domestic re-discount loans	4,317,040
Bills of exchange for domestic discount loans	1,786,486
Real estate for loans to clients	194,927
	<u>45,059,056</u>

f) Subordinated loans and advances to customers and banks

The Bank has not entered into subordinated loan agreements with any customers or banks.

8. BORROWINGS FROM BANKS

Maturity analysis of bank borrowings:

a) By original contract maturity

	<i>Line</i>	<i>Short term (less than 1 year)</i>	<i>Medium term (1- 4 year)</i>	<i>Long term (more than 4 years)</i>	<i>Total</i>
Gold swap liabilities	177	1,092,043	-	-	1,092,043
Other	177	-	-	2,491,458	2,491,458
		<u>1,092,043</u>	<u>-</u>	<u>2,491,458</u>	<u>3,583,501</u>

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1995

b) The residual maturity is the same as the original contract maturity.

c) Subordinated bank borrowings

The Bank has not entered into subordinated loan agreements with any customers or banks.

9. SYNDICATED LENDING

The Bank is not involved in any form of syndicated lending.

10. MATURITY ANALYSIS OF AMOUNTS DUE TO CUSTOMERS

	<i>Line</i>	<i>Short term (less than 1 year)</i>	<i>Medium term (1 - 4 years)</i>	<i>Long term (more than 4 years)</i>	<i>Total</i>
a) By original contract maturity					
Current accounts	110	10,312,702	-	-	10,312,702
Term deposits	114	40,407,404	12,276,146	-	52,683,550
	123,124				
State budget accounts	182,183	22,327,442	24,587,093	-	46,914,535
Other amounts due to customers	115	50,729	-	-	50,729
		<u>73,098,277</u>	<u>36,863,239</u>	<u>-</u>	<u>109,961,516</u>
b) By residual contract maturity					
Current accounts	110	10,312,702	-	-	10,312,702
Term deposits	114	40,407,404	12,276,146	-	52,683,550
	123,124				
State budget accounts	182,183	46,914,535	-	-	46,914,535
Other amounts due to customers	115	50,729	-	-	50,729
		<u>97,685,370</u>	<u>12,276,146</u>	<u>-</u>	<u>109,961,516</u>

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1995

11. WRITE-OFFS ON LOANS AND ADVANCES TO CUSTOMERS

The Bank has had no recoveries of amounts previously written off. The movements on specific provision during the year were as follows:

Balance at 1 January 1995 (including provisions for securities)	499,382
Increase in specific provisions	84,373
Transfer from reserve	682,793
Decrease in specific provisions	<u>(394,787)</u>
Balance at 31 December 1995 (lines 25, 38, 69, 92)	<u>971,761</u>

12. RESERVES

The increase in General Reserves for Loan Losses during the year was calculated in accordance with the requirements of Section 5 of Act. No. 593/1992 on tax deductible reserves.

Balance at 1 January 1995	6,321,608	
Increase	10% of overdue loans and receivables - Due from National Bank of Slovakia	2,617,250
	Reserve for Branch 701 - transfer to provision	<u>(85,896)</u>
Balance at 31 December 1995		<u>8,852,962</u>

Other reserves were created in accordance with to the Act on Accounting as follows:

Balance at 1 January 1995	3,864,539
Increase during the year	6,089,455
Decrease in opening reserve	(478,796)
Transfers to provision	<u>(596,897)</u>
Balance at 31 December 1995	<u>8,878,301</u>

13. ESTABLISHMENT COSTS

There were no establishment costs arising from the transformation of the former State Bank of Czechoslovakia.

**CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1995**

14. TANGIBLE AND INTANGIBLE FIXED ASSETS (lines 55 and 59)

<i>Cost</i>	<i>Land</i>	<i>Building</i>	<i>Equipment, fittings, and fixtures</i>	<i>Other Tangible Assets</i>	<i>Intangible Assets</i>	<i>Total</i>
At 1.1.1995	147,075	940,185	978,051	93,010	125,687	2,284,008
Net movements	<u>47,178</u>	<u>792,637</u>	<u>345,148</u>	<u>31,242</u>	<u>15,443</u>	<u>1,231,648</u>
At 31.12.1995	<u>194,253</u>	<u>1,732,822</u>	<u>1,323,199</u>	<u>124,252</u>	<u>141,130</u>	<u>3,515,656</u>
Accumulated depreciation						
At 1.1.1995	-	113,660	396,051	77,530	57,403	644,644
Net movements	<u>-</u>	<u>34,376</u>	<u>241,392</u>	<u>30,741</u>	<u>26,814</u>	<u>333,323</u>
At 31.12.1995	<u>-</u>	<u>148,036</u>	<u>637,443</u>	<u>108,271</u>	<u>84,217</u>	<u>977,967</u>
Net book value						
At 31.12.1995	<u>194,253</u>	<u>1,584,786</u>	<u>685,756</u>	<u>15,981</u>	<u>56,913</u>	<u>2,537,689</u>

Assets not in use (line 64) consists primarily of costs related to construction or reconstruction of branch buildings. The balance at 1.1.95 was Kč 1,260,292 thousand and at 31.12.95 was Kč 987,198 thousand.

15. TANGIBLE FIXED ASSETS ACQUIRED UNDER FINANCE LEASE AGREEMENTS

The Bank has no tangible fixed assets held under finance lease agreements as at 31 December 1995.

16. CURRENT YEAR PROFIT ALLOCATION

The amount of Kč 1,002,358 thousand on line no. 67 of the Profit and Loss Statement represents the profit before allocation to reserves. The allocation of profit, which is made in accordance with the Bank's budget, is as follows:

Allocation to legal reserve fund	980,158
Allocation to social fund	<u>22,200</u>
	<u>1,002,358</u>

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1995

17. AMOUNTS RECEIVED UNDER ADMINISTRATION AGREEMENTS

The Bank has not received any amounts under administration agreements.

18. CONTINGENCIES

Contingencies, guarantees, and the notional amounts of swap transactions are included in the table of off-balance sheet items. Guarantees provided (line 192) of Kč 7,013,846 thousand represent guarantees provided to banks directly and guarantees provided to banks on behalf of customers. These guarantees represent management's estimate of the Bank's potential liability for the transfer of assets and liabilities in certain commercial banks based on joint guarantee agreements with the Ministry of Finance. In addition, guarantees provided includes guarantees provided by the Bank on behalf of customers of Kč 946,534 thousand.

The Bank has entered into swap transactions to hedge currency exchange and interest rate risk related to bonds issued in Japanese yen ("JPY") totalling JPY 35 billion. The Bank pays interest in deutsche marks ("DEM") and receives a fixed amount of semi-annual interest in JPY, which is used to pay interest payments on the Bank's bonds denominated in JPY. These swap transactions mature 8 August 2000, concurrent with the maturity of the Bank's bonds. At maturity of these swap transactions, the Bank receives JPY 35,070 million and pays DEM 534,327,226. Notional amounts and the basis for interest payments and receipts are as follows:

Notional Amount	Semi-annual interest payments	
	Payments	Receipts
20,000,000,000 JPY		JPY Fixed 6.6%
318,400,000 DEM	DEM LIBOR 6 mos. +2.13%	
15,000,000,000 JPY		JPY Fixed 6.6%
239,387,169 DEM	DEM Fixed 8.6%	

The Bank has also entered into various short term swap contracts, with maturities ranging from 4 to 6 months, to hedge currency exchange risk related to loans received from the EXIM Bank of Japan totalling JPY 8.71 billion, which are then lent to selected commercial banks in foreign currencies of DEM and US dollars ("USD"). The Bank hedges foreign currency exchange risk on these loans by entering into short term swap contracts calling for the receipt of a specified amount of JPY on a specified future date and payment of a specified amount of DEM and USD.

These currency swaps call for the following exchanges:

Purchase		Sell	
2,957,992,727	JPY	3,018,086,157	JPY
31,100,680	DEM	31,100,680	DEM
10,309,550	USD	10,309,550	USD

**CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1995**

19. GENERAL OPERATING EXPENSES

a) Payroll expenses including management bonuses

aa) Salaries and other remuneration	342,199
ab) Social costs	<u>131,049</u>
	<u>473,248</u>

b) Average number of employees during the year

Members of - the Bank Council	6
- senior management	19
Other employees	<u>1,635</u>
	<u>1,660</u>

20. TOTAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

Total assets denominated in foreign currencies are Kč 441,969,332 thousand and liabilities are Kč 125,631,572 thousand.