

# AUDITOR'S REPORT

on the financial statements of

**Česká národní banka**

as at 31 December 1997

March 1998

Coopers  
& Lybrand

**AUDITOR'S REPORT****to the Bank Council of ČNB**

We have audited the enclosed financial statements of Česká národní banka, for the year ended 31 December 1997. The Directors of the Bank are responsible for the preparation of the financial statements and for maintaining accounting which is complete, supportable and correct. Our responsibility is to express an opinion on the financial statements taken as a whole, based on our audit performed in accordance with the ČNR Act no. 524/1992 Coll., on Auditors and the Chamber of Auditors of the Czech Republic and the auditing guidelines issued by the Chamber of Auditors of the Czech Republic.

The auditing guidelines require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. Our audit includes an examination of the evidence supporting the financial statements. Our audit also includes assessing whether the accounting policies used and significant estimates made by management are fair and suitable, as well as evaluating the overall presentation of the financial statements. Our audit procedures were carried out on a test basis and with regard to the principle of materiality. We believe that our audit provides a reasonable basis for expressing our opinion.

In our opinion, the financial statements present fairly, in all material aspects, the assets, liabilities, equity and financial position of Česká národní banka as at 31 December 1997 and the financial results for the year then ended in accordance with valid acts and relevant accounting legislation.

Without qualifying our opinion, we would like to draw to your attention article 8f of the Notes to the Financial Statements. At 31 December 1997, bank assets include CZK 26,122 million of receivables from Národní banka Slovenska resulting from the separation of the assets and liabilities of the former Státní banka československá and from the losses resulting from the split of the federal currency. The ultimate collection of this receivable depends on the result of on-going negotiations between both parties. At present, it is not possible to evaluate the outcome.

In Prague March 10th, 1998

Coopers & Lybrand Praha, s. r. o.  
Licence no. 21

František Linhart  
Auditor, licence no. 150

ZMR68136.SAM

# ČESKÁ NÁRODNÍ BANKA

## BALANCE SHEET AS AT 31 DECEMBER 1997 (CZK MILLION)

(Translation)

Date of issue:	Stamp and Singnatures of the Statutory Bodies	Chief Accountant	Executive Accountant
24.2.1998	Ing. P. Kysilka, CSc.    Ing. J. Hampl	V. Hubner tel. 2441 3404	V. Vicořský tel. 2441 4424

Assets (CZK million)

Item no.	Item	Line no.	Current accounting period			Previous account. period
			Gross amount	Adjustment	Net amount	
a	b	c	1	2	3	4
1	Gold	1	3.921,79	0,00	3.921,79	3.941,68
2	Receivables from IMF	2	24.962,55	0,00	24.962,55	23.674,68
	a) in foreign currency	3	0,01	0,00	0,01	0,14
	b) in CZK	4	24.962,54	0,00	24.962,54	23.674,54
3	Receivables from abroad	5	364.351,13	155,68	364.195,45	368.963,11
	a) in foreign currency	6	364.351,13	155,68	364.195,45	368.963,11
	from this: deposits with foreign banks	7	60.391,97	0,00	60.391,97	82.396,82
	loans provided to foreign banks	8	60.148,38	0,00	60.148,38	73.800,68
	securities	9	217.651,57	155,68	217.495,89	186.606,82
	other receivables from abroad	10	26.159,21	0,00	26.159,21	26.158,79
	b) in CZK	11	0,00	0,00	0,00	0,00
4	Receivables from domestic banks	12	99.131,56	20.764,04	78.367,52	80.471,41
	a) receivables from refinancing	13	7.766,58	0,00	7.766,58	5.839,26
	b) other receivables from domestic banks	14	91.364,98	20.764,04	70.600,94	74.632,15
5	Receivables from clients	15	19.645,65	666,68	18.978,97	3.903,91
6	Domestic securities and investments	16	150.142,39	0,00	150.142,39	63.782,67
	in this: investments and other fin. investments	17	3.844,88	0,00	3.844,88	1.366,30
7	Current result of state budget	18	0,00	0,00	0,00	0,00
8	Other receivables from state budget	19	0,00	0,00	0,00	294,28
9	Cash on hand	20	2.035,03	0,00	2.035,03	1.486,54
10	Other assets	21	14.275,81	1.796,15	12.479,66	13.281,11
	a) tangible assets	22	6.912,55	1.613,34	5.299,21	3.914,57
	b) intangible assets	23	524,12	179,64	344,48	221,83
	c) prepaid expenses, accrued revenues	24	4.741,45	0,00	4.741,45	4.579,06
	d) others	25	2.097,69	3,17	2.094,52	4.565,65
	<b>Total assets</b>	<b>26</b>	<b>678.465,91</b>	<b>23.382,55</b>	<b>655.083,36</b>	<b>559.799,39</b>

### Liabilities (CZK million)

Item no.	Item	Line no.	Current accounting period	Previous accounting period
a	b	c	5	6
1	Currency into circularisation	27	139.145,56	137.854,31
2	Payable to IMF	28	24.962,54	23.674,54
	a) in foreign currency	29	0,00	0,00
	b) in CZK	30	24.962,54	23.674,54
3	Payable to abroad including securities	31	24.112,52	17.922,18
	a) in foreign currency	32	23.699,44	17.506,23
	from this: received foreign loans	33	14.339,33	8.598,65
	bonds issued	34	9.360,05	8.905,68
	other foreign payables in foreign currency	35	0,06	1,90
	b) in CZK	36	413,08	415,95
4	Liabilities to domestic banks	37	205.119,12	142.450,29
	a) bank monetary reserve	38	89.829,51	113.107,61
	b) other payable	39	115.289,61	29.342,68
5	Clients' deposits	40	40.828,26	55.543,77
6	Domestic securities issued	41	150.000,00	113.531,00
7	Current result of state budget	42	0,00	0,00
8	Other payable to state budget	43	26.825,21	39.335,23
9	Reserves	44	27.501,38	19.160,36
10	Equity	45	1.400,00	1.400,00
11	Funds	46	6.185,65	6.222,25
12	Retained earnings or accumulated losses from previous years	47	(8.653,84)	(8.653,84)
13	Profit or loss for accounting period	48	10.744,57	0,00
14	Other liabilities	49	6.912,39	11.359,30
15	a) accrued expenses and deferred revenue	50	1.096,74	5.034,45
	b) others	51	5.815,65	6.324,85
	incl. settlement accounts of local authorities	52	3.896,71	3.754,64
	<b>Total liabilities</b>	<b>53</b>	<b>655.083,36</b>	<b>559.799,39</b>

**Off-balance sheet as at 31.December 1997**  
**The Czech National Bank (CZK million)**

Item no.	Item	Line no.	Accounting period	
			Current	Previous
a	b	c	7	8
1.	Total contingent future liabilities	54	75.960,65	75.280,99
	a) accepted bills of exchange and endorsed bills	55	790,22	740,08
	b) obligations from guarantees	56	75.170,43	74.540,91
	c) obligations from pledges	57	0,00	0,00
2.	Other irrevocable liabilities	58	0,00	0,00
3.	Receivables from spot, forward and option transactions	59	64.708,87	9.624,62
4.	Payables from spot, forward and option transactions	60	66.084,62	11.234,99
5.	Accepted guarantees from the government of Czech republic	61	22.500,00	22.500,00

# ČESKÁ NÁRODNÍ BANKA

## PROFIT AND LOSS ACCOUNT AS AT 31 DECEMBER 1997

(CZK MILLION)

(Translation)

Date of issue:	Stamp and Signatures of the Statutory Bodies	Chief Accountant	Executive Accountant
24.2.1998	Ing. P. Kysilka, CSc.    Ing. J. Hampl	V. Hubner tel. 2441 3404	V. Vicořský tel. 2441 4424

**Profit and loss account as at 31.12.1997 (CZK million)**

Item no.	Item	Line no.	Accounting period	
			1997	1996
a	b	c	1	2
<b>1.</b>	<b>Interest income and similar yields</b>	<b>1</b>	<b>40.908,81</b>	<b>34.668,27</b>
1.1.	Interest on fixed-yield securities	2	21.309,49	3.395,20
1.2.	Other	3	19.599,32	31.273,07
<b>2.</b>	<b>Interest expenses and similar expenses</b>	<b>4</b>	<b>34.065,42</b>	<b>31.045,49</b>
2.1.	Interest expenses for fixed-yield securities	5	0,00	0,00
2.2.	Other	6	34.065,42	31.045,49
<b>3.</b>	<b>Earnings on variable-yield securities</b>	<b>7</b>	<b>36,55</b>	<b>177,94</b>
3.1.	Earnings on shares and other variable-yield securities	8	36,55	29,09
3.2.	Earnings on investments with significant interest	9	0,00	0,00
3.3.	Earnings on investments with majority interest	10	0,00	148,85
3.4.	Earnings on investments in affiliate entities	11	0,00	0,00
<b>4</b>	<b>Revenue from charges and commissions</b>	<b>12</b>	<b>551,78</b>	<b>513,13</b>
<b>5.</b>	<b>Expenses for paid charges and commissions</b>	<b>13</b>	<b>100,65</b>	<b>37,75</b>
<b>6.</b>	<b>Profit (loss) on financial transactions</b>	<b>14</b>	<b>39.610,73</b>	<b>(8.869,38)</b>
<b>7.</b>	<b>Other revenues</b>	<b>15</b>	<b>95,31</b>	<b>63,06</b>
7.1.	Revenues from issues of bank notes	16	19,43	23,65
7.2.	Other	17	75,88	39,41
<b>8.</b>	<b>Overall operating expenses</b>	<b>18</b>	<b>1.962,98</b>	<b>1.518,10</b>
8.1.	Personnel costs	19	608,32	565,19
8.1.1.	Wages and salaries	20	443,61	413,54
8.1.2.	Social security	21	124,11	113,85
8.1.3.	Health insurance	22	40,60	37,80
8.2.	Other operating expenses	23	1.354,66	952,91
<b>9.</b>	<b>Charge to specific and general provisions for tangible and intangible assets</b>	<b>24</b>	<b>0,00</b>	<b>0,00</b>
9.1.	Charge to general provisions for tangible assets	25	0,00	0,00
9.2.	Charge to specific provisions for tangible assets	26	0,00	0,00
9.3.	Charge to specific provisions for intangible assets	27	0,00	0,00
<b>10.</b>	<b>Release of specific and general provisions for tangible and intangible assets</b>	<b>28</b>	<b>0,00</b>	<b>0,00</b>
10.1.	Release of general provisions for tangible assets	29	0,00	0,00
10.2.	Release of specific provisions for tangible assets	30	0,00	0,00
10.3.	Release of specific provisions for intangible assets	31	0,00	0,00
<b>11.</b>	<b>Other expenses</b>	<b>32</b>	<b>5.766,56</b>	<b>892,49</b>
11.1.	Expenses for issuing bank notes and coinage	33	366,28	284,78
11.2.	Other	34	5.400,28	607,71
<b>12.</b>	<b>Charge to specific and general provisions for loans and guarantees</b>	<b>35</b>	<b>20.864,44</b>	<b>394,83</b>
<b>13.</b>	<b>Release of specific and general provisions for loans and guarantees</b>	<b>36</b>	<b>922,68</b>	<b>2.651,90</b>
<b>14.</b>	<b>Charge to specific and general provisions for investments and other financial investments</b>	<b>37</b>	<b>0,00</b>	<b>0,00</b>
<b>15.</b>	<b>Release of specific and general provisions for investments and other financial investments</b>	<b>38</b>	<b>0,00</b>	<b>0,00</b>
<b>16.</b>	<b>Charge to other specific and general provisions</b>	<b>39</b>	<b>8.626,30</b>	<b>4.459,27</b>
<b>17.</b>	<b>Release of other specific and general provisions</b>	<b>40</b>	<b>0,00</b>	<b>519,53</b>



Item no.	Item	Line no.	Accounting period	
			1997	1996
18.	Income tax on ordinary activities	41	0,00	0,00
19.	Profit (loss) on ordinary activities after tax	42	0,00	0,00
20.	Extraordinary revenues	43	14,24	21,46
21.	Extraordinary expenses	44	9,18	51,82
22.	Income tax on extraordinary activities	45	0,00	0,00
23.	Profit (loss) on extraordinary activities after tax	46	0,00	0,00
24.	Profit (loss) for accounting period	47	10.744,57	(8.653,84)

Name of the bank: **Česká národní banka**

**NOTES TO THE FINANCIAL STATEMENTS**  
**as at 31 December 1997**  
**(in Kč million)**

(Translation)

# ČESKÁ NÁRODNÍ BANKA

## NOTES TO THE FINANCIAL STATEMENTS FOR 1997

### 1. GENERAL INFORMATION

Česká národní banka (hereinafter referred to as "the bank") is the central bank of the Czech Republic. The bank is an independent institution reporting directly to the Parliament of the Czech Republic.

The bank was established in accordance with Act no. 6/1993 Coll., "The Czech National Bank Act" and its main objective is to secure the stability of the Czech currency in compliance with the stated act.

The bank was established on 1 January 1993 as a consequence of the splitting of the former Státní banka československá to Česká národní banka and Národní banka Slovenska.

The financial statements are prepared in Czech crowns and all figures are shown in Kč million at two decimal places.

## OVERVIEW OF THE ACCOUNTING PRINCIPLES

The following overview states significant accounting principles used in the preparation of the bank's financial statements.

### Basic information

The financial statements were compiled from the accounting records maintained in compliance with the Accounting Act and other legal regulations in effect. The valuation of assets and liabilities was performed in accordance with provisions of Section 22 and Section 24 of the Accounting Act no. 563/91 Coll.

The bank maintains records in accordance with the chart of accounts and the procedures for banks (in accordance with the Measure of Ministry of Finance ČR no. 282/41 410/1993 dated 9 July 1993, registered in volume 52/1993 Coll.) as amended.

### a) **Methods used in valuing the assets and liabilities and exchange rates used for the conversion of foreign currency to Kč**

#### Gold and other precious metals

Gold and other precious metals are valued at historical cost (acquisition cost). Gold swaps are recorded in receivables in gold at historical prices and the relating liability from the security concerning payables to (against) abroad is valued at the swap price. Deposits in gold are recorded on the account of gold and the related accrued interest in the accrued income.

#### Securities

Treasury bills and similar securities are carried at cost. The related discount is amortised to interest income on a straight line basis over the life of the bill.

Bonds are valued at acquisition cost. In the event that the market value of the portfolio decreases below its acquisition cost an adjusting item (provision) is created. Interest earned is deferred.

Securities transferred under REPO and reverse REPO transactions are reflected in the assets or liabilities in the balance sheet and are valued at the weighted arithmetic average in accordance with the relevant security. The corresponding loan assets or liabilities is recorded in the balance sheet at nominal value. Accrued/deferred interest from REPO transactions is recorded in costs and revenues as appropriate. REPO transactions are disclosed in the financial statements on offset basis in accordance with International Accounting Standards.

When the securities are due or sold the difference between revenues and weighted arithmetic average is included in the revenues or costs relating to transactions with securities.

#### Capital interests with controlling and substantial influence

Capital interests with controlling influence are ownership shares in entities where the bank holds directly or indirectly more than 50 % of the subscribed registered capital or has a full control over its activities from other reasons. Capital interests with substantial influence are ownership interests in entities where the bank holds directly or indirectly 20 - 50 % of the subscribed registered capital.

Capital interests are valued at cost. In the event of a reduction in the interest value occurring, an adjusting item is created.

In accordance with article I., subsection 1 of the Decree which stipulates the procedures for performing the consolidation of financial statements of banks (no. 282/9090/1994 dated 18 February 1994) the bank does not have to complete consolidated financial statements.

When a financial asset is sold the difference between revenues earned and the accounting value included in the financial results of the bank.

#### Loans and other receivables from banks and clients

Loans and other receivables from clients are classified in compliance with ČNB classification. Receivables from banks and clients are recorded after deduction of the adjusting item (provision) expressing doubtful recoverability. General provisions for loan losses are recorded in liabilities in the balance sheet. The creation of provisions (adjusting items) and reserves are recorded in the profit and loss account. The creation of provisions (adjusting items) against classified loans which relate to the Consolidated Programme of the banks was in 1996 partially replaced by the guarantee issued for this purpose by the Government of the ČR (for more detail see note no. 23).

Receivables from banks arising from agreements for the repurchase of foreign currency are reflected in assets at the nominal value of the receivable.

Reserves (provisions) are created on the basis of the doubtful recoverability of assets and the risk of contingent liabilities from arising obligations under loans and guarantees. In 1996 the creation of reserves for guarantees provided by the bank was partially replaced by the guarantee of ČR the Government (in more detail in note 23) which was granted for this purpose.

#### Securities issued

Treasury (ČNB) bills issued are recorded in the balance sheet at the nominal value. Related discount is recorded initially in other assets and is expensed as interest in the profit and loss account interest on the straight line basis throughout the life of the bill.

Treasury bills repurchased by ČNB are recorded on the assets side of the balance sheet at acquisition cost increased by the interest received. The liabilities side of the balance sheet

contains the total amount of issued bills. Interest received and interest expense relating to bills in the own portfolio of the bank are recorded in the profit and loss account separately.

Issued debentures are recorded at nominal values. Recorded interest expense is deferred in accordance with the maturity of the coupon.

#### Conversion of foreign currencies

Transactions denominated in foreign currencies are converted to Kč by the exchange rate prevailing at the transaction day.

Assets and liabilities including unmatured obligations to sell and/or purchase foreign currencies under spot or term foreign currency transactions are converted to Kč based on official exchange rates prevailing on the financial statements date.

Exchange rate gains and losses relating to transactions are reflected in the profit and loss account.

#### Revenues from interest, fees and commissions

Interest received is recorded on the accruals basis concerning fixed interest assets. Uncollected interest in respect of poor quality assets is recorded in the profit and loss account and a provision (adjusting item) is simultaneously created.

Interest from fixed interest assets in foreign currencies with fixed interest is converted by the Czech crown exchange rate at the transaction (realisation) date.

### **b) Procedures concerning depreciation of tangible and intangible fixed assets**

Tangible and intangible fixed assets are recorded at acquisition cost excluding VAT and are depreciated indirectly in the form of accumulated depreciation. Land and buildings are recorded at acquisition or replacement cost, land is not depreciated. The depreciation is calculated on a straight-line basis at annual rates based on the useful lives stated in the Income Taxes Act.

Until 1 January 1996 tangible fixed assets having a value of up to 10,000 Kč (intangible fixed assets up to 20,000 Kč) only were fully expensed.

Low value tangible fixed assets at acquisition cost of Kč 1,000 up to Kč 20,000 (intangible fixed assets up to Kč 40,000) are fully expensed when put into use, they are recorded in the tangible and intangible fixed assets including accumulated depreciation.

In accordance with the Decree of the Ministry of Finance the input VAT on fixed assets acquired in 1997 has been recorded in expenses.

**c) Accounting procedures, their changes and reasons for these changes**

ČNB accounts are maintained in accordance with the valid chart of accounts and accounting procedures for banks. The financial statements are prepared in compliance with the Measure for the arrangement and contents specification of financial statements items (no. 282/64050/1997 dated 9 October 1997), published by the Ministry of Finance and adjusted for the conditions of the central bank.

In 1997 the bank set out in compliance with article XI of the general provisions of accounting procedures for banks, the adjusted principles for performing accruals/deferrals with the objective to minimise the demanding procedures in calculating insignificant or regular amounts which do not influence the overall financial results of the bank.

The bank has reclassified some balance sheet items from the previous period so that figures for 1996 can be easily compared with figures for 1997.

## 2. DEFERRED TAX LIABILITY

The bank does not have any deferred tax liability.

The bank is, in accordance with Section 17, subsection 2 of ČNR Act no. 586/92 Coll. on Income Taxes Act as amended, exempt from tax. Its relation to the state budget is stipulated in Section 47, subsection 2 of ČNR Act no. 6 / 1993 Coll. on ČNB.

## 3.,4. SECURITIES

	Nominal value	Acquisition price	Market price
<b>Domestic (line 16 - line 17)</b>			
ČNB bills	45,434.00	43,673.54	
REPO ČNB bills	104,566.00	102,623.82	
<b>Total</b>	<b>150,000.00</b>	<b>146,297.36</b>	<b>144,526.64</b>
	Nominal value	Acquisition price	
Bonds	0.01	0.01	
Shares	0.41	0.14	
<b>Total</b>	<b>0.42</b>	<b>0.15</b>	<b>0.5</b>
<b>Sum</b>		<b>146,297.51</b>	
	Nominal value	Acquisition price	Market price
<b>Foreign (line 9)</b>			
<i>a) with discount</i>			
State treasury bills	40,769.63	40,292.92	38,577.63
Other short-term bills	102,562.88	101,582.53	103,318.94
Adjusting item (provision)		-5.08	
<b>Total</b>	<b>143,332.51</b>	<b>141,870.37</b>	<b>141,896.57</b>
Of which reverse REPO	40,899.43	41,788.82	
	Nominal price	Acquisition price	Market price
<i>b) with a coupon</i>			
Other foreign bonds	67,175.93	68,061.86	
REPO	908.04	1,027.45	
	<b>68,083.97</b>	<b>69,089.31</b>	<b>69,114.99</b>
Bonds with external manager	5,542.87	5,615.66	5,623.87
Adjusting item (provision)		- 150.60	
<b>Total</b>	<b>73,626.84</b>	<b>74,554.37</b>	<b>74,738.86</b>
Of which reverse REPO	16,799.51	18,254.52	
<b>Securities coupons - total</b>		<b>1,021.45</b>	



c) shares

	Ownership interest in the registered capital	Acquisition price
S.W.I.F.T.	0.0%	0.23
Bank for international payments	1. %	49.47
<b>Total</b>		<b>49.7</b>
<b>Sum</b>		<b>217,495.89</b>

**5. CAPITAL INTERESTS (line 17)**

Name	Capital interests in the registered capital	Acquisition price
Institut bankovního vzdělávání	29.9 %	10.76
ČSOB	26.5 %	1,353.20
Česká finanční	100 %	2,480.92
<b>Total</b>		<b>3,844.88</b>

**6. REGISTERED CAPITAL (line 45)**

ČNB has a form of a statutory fund in the amount of Kč 1,400.00 million.

In addition to the registered capital the bank has capital and reserve funds in the total amount of Kč 6,185.65 (line 46).

**7. BONDS ISSUED AND ČNB BILLS**

**Debentures issued by ČNB abroad (line 34)**

Place of issue	Japan
Currency	JPY
Date of issue	9 August 1993
Due date	9 August 2000
Interest	6.6 %
<b>Total</b>	<b>9,360.05</b>

These debentures are secured by swaps which are detailed in the note no. 13.

### ČNB treasury bills (line 41)

Date of issue	Due date	Total nominal value	Listing
31 July 1997	24 January 1998	20,000.00	9,735
20 September 1997	21 March 1998	50,000.00	9,496
8 October 1997	24 January 1998	30,000.00	10,415
1 November 1997	1 May 1998	50,000.00	9,525
<b>Total</b>		<b>150,000.00</b>	

Of this amount the bank repurchased bills in the amount of Kč 146,297.36 million and from the latter bills in the amount of Kč 102,623.82 million were sold in REPO transactions and bills totalling Kč 43,673.54 million are recorded in the assets (securities) of the bank.

## 8. LOANS PROVIDED TO CLIENTS AND BANKS

### Breakdown of loans provided to clients and banks in accordance with due date

#### a) In accordance with the original due date as agreed in contracts (line 8,12,15)

	Due date					Total
	up to 1 month	up to 3 months	up to 1 year	up to 4 years	over 4 years	
Refinancing loans	7,766.58					7,766.58
Redistributing loans					52,984.92	52,984.92
Loans provided within the reverse REPO	60,148.38					60,148.38
Illiquid loans of the banks	22,630.59				13.9	22,644.49
Classified loans	9,441.12		400.29	98	0.84	9,940.25
Standard loans to clients		9,638.07	25.9	9.21	32.22	9,705.40
	99,986.67	9,638.07	426.19	107.21	53,031.88	163,190.02
Less: adjusting items	21,091.77		324.63		14.32	21,430.72
<b>Total</b>	<b>78,894.90</b>	<b>9,638.07</b>	<b>101.56</b>	<b>107.21</b>	<b>53,017.56</b>	<b>141,759.30</b>

Receivables from banks (ČNB deposits with banks, EXIM tranche) amount to Kč 15,082.04 million and the debit from the issue settlement is Kč 653.53 million.

In the case of illiquid loans the need for creating provisions (adjusting items) in the amount of Kč 22,414.04 million is covered by provisions (adjusting items) created in the amount of Kč 20,764.04 million and the remaining part is covered by the guarantee provided (granted) by the ČR Government.

With reference to classified loans the total provision required (adjusting items) is Kč 9,665.02 million. The provisions (adjusting items) created total Kč 666.68 million and the remaining part is covered by the guarantee provided by ČR Government.

**b) In accordance with remaining due date**

	Due date					Total
	up to 1 month	up to 3 months	up to 1 year	up to 4 years	over 4 years	
Refinancing loans	7,766.58					7,766.58
Redistributing loans				36,760.60	16,224.32	52,984.92
Loans provided within the reverse REPO	60,148.38					60,148.38
Illiquid loans of banks	22,644.49					22,644.49
Classified loans	9,441.12		436.13	63		9,940.25
Standard loans to clients		9,642.77	21.2	9.21	32.22	9,705.40
	100,000.57	9,642.77	457.33	36,832.81	16,256.54	163,190.02
Less: adjusting items (provisions)	21,105.67		324.63		0.42	21,430.72
<b>Total</b>	<b>78,894.90</b>	<b>9,642.77</b>	<b>132.7</b>	<b>36,832.81</b>	<b>16,256.12</b>	<b>141,759.30</b>

**c) The Bank has no credit balances in the loan accounts**

**d) Securing of loans**

Loans to clients and banks are secured as follows:

Government guaranty for loans to banks	36 760.60
Bills of exchange relating to domestic discount loans	466.48
Government guaranty for baking sector consolidation	22 500.00
Properties pledged for loans to clients	290.59

Loans arising from the reverse REPOx are secured with securities registered as a part of the Bank's assets and amount to Kč 60 043.34 mln.

The Bank accepted, for the purpose of securing a loan granted to a commercial bank, security in the form of the ceded receivables amounting to Kč 2 021.66 mln.

**e) Special nature loans (subordinated debt)**

The Bank has no subordinated debt to any clients or other banks.

**f) Receivable from Národní banka Slovenska**

Line 10 of the balance sheet contains a receivable of Kč 26 122.41 mln Kč from Národní banka Slovenska. The receivable emerged from allocation of assets and liabilities of Státní banka československá between the central banks of the Czech Republic and Slovak Republic and from the loss on splitting the federal money in circulation that should have been recovered from the profit arising from this splitting in Slovakia. Settlement of these amounts is a matter of ongoing discussions between the parties.

**9. OBTAINED LOANS**

Classification of the obtained loans by maturity.

**a) According to original contractual maturity period (line 33 from line 39 REPO in Kč)**

	Maturity			total
	up to 1 month	up to 4 years	beyond 4 years	
Payables from golden swap	11 072.40			11 072.40
Obtained loans relating to REPO transactions in Kč	101 500.00			101 500.00
Obtained loans relating to foreign exchange transactions	1 078.64			1 078.64
Other			2 188.29	2 188.29
<b>Total</b>	<b>113 651.04</b>		<b>2 188.29</b>	<b>115 839.33</b>

- b) **Residual maturity periods agree with the original ones**
- c) **Special nature loans (subordinated debt)**

The Bank has no subordinated debt from any clients or other banks.

## 10. CONSORTIUM LOANS

The Bank is not involved with any consortium loans.

## 11. OTHER LIABILITIES TO CLIENTS

- a) **According to original contractual maturity period (lines 38, 40, 43 and 52)**

	Maturity					total
	up to 1 month	up to 3 months	up to 1 year	up to 4 years	beyond 4 years	
Current accounts	11 486.32					11 486.32
PMR accounts	89 829.51					89 829.51
Time deposits	1 160.00		7 703.44	12 313.11	1 555.24	22 731.79
State Budget accounts	13 789.47		12 362.28	11 180.32		37 332.07
<b>Total</b>	<b>116 265..30</b>		<b>20 065.72</b>	<b>23 493.43</b>	<b>1 555.24</b>	<b>161 379.69</b>

- b) **According to residual maturity period**

	Maturity					total
	up to 1 month	up to 3 months	up to 1 year	up to 4 years	beyond 4 years	
Current accounts	11 486.32					11 486.32
PMR accounts	89 829.51					89 829.51
Time deposits	1 160.00		16 703.44	3 313.11	1 555.24	22 731.79
State Budget accounts	13 789.47		12 456.33	11 086.27		37 332.07
<b>Total</b>	<b>116 265..30</b>		<b>29 159.77</b>	<b>14 399.38</b>	<b>1 555.24</b>	<b>161 379.69</b>

## 12. WRITE-OFFS OF NOT STATUTE-BARRED AND NON-ASSIGNED RECEIVABLES

The Bank did not either write off any not statute-barred receivables or collect any amounts which had previously been written basis.

### 13. OVERVIEW OF TYPES OF OPEN DEALS IN FUTURES

#### a) Long-term swaps

The Bank has signed swap contracts in order to cover the exchange rate and interest rate risks relating to bonds issued in Japanese Yen (JPY) in total amount of JPY 35 000 000 000. Every six months the Bank pays interest in Deutschmarks (DEM) and earns a fixed interest in yen which is used to pay interest on the bonds issued in yen. The described swap transactions and the bonds of the Bank mature on 8 August 2000. At maturity of the swap transactions, the Bank will receive JPY 35 070 000 000 and will pay DEM 534 327 226.

Interest calculation basis	Interest rates	
	expensed	earned
JPY 20 000 000 000		JPY 6.6 %
DEM 318 400 000	DEM 6M LIBOR + 2.13 %	
JPY 15 000 000 000		JPY 6.6 %
DEM 239 387 169	DEM 8.6 %	

#### b) Forwards

Forward purchases and sales in foreign currencies of total volume of Kč 24 mld were open as at 31 December 1997 as a part of the continuous maintenance and securing of the foreign currency position.:

purchased	DEM	963 mln
	JPY	5 874 mln
	USD	103 mln
sold	DEM	67 mln
	JPY	44 000 mln
	USD	314 mln

In 1997, the Bank concluded a forward for the sale of 24.88 t of gold with a maturity date in 1998.

### 14. PROVISIONS (LEGAL RESERVES AND ADJUSTING ITEMS)

Additions to legal reserves for classified loans were calculated in line with the requirements of Chapter 5 (Bank reserves) of the Act no. 593/1992 Coll., On Provisions for establishment of income tax basis as follows:

Opening balance as at 1 Jan. 1997	8 864.98
Additions to reserves for receivables and other risks	10.83
<b>Closing balance as at 31 Dec. 1997</b>	<b>8 875.81</b>

Other reserves were added in compliance with the Act on Accounting at the following level:

Opening balance as at 1 Jan. 1997	10 295.38
Additions	8 626.30
Release	(296.11)
<b>Closing balance as at 31 Dec. 1997</b>	<b>18 625.57</b>
<b>Total reserves (line 44)</b>	<b>25 501.38</b>

Provisions (adjusting items) position for the accounting period was the following:

Opening balance as at 1 Jan. 1997	1 382.48
Additions	21 178.67
Release	(1 014.79)
Difference on exchange	43.21
<b>Closing balance as at 31 Dec. 1997 (lines 26 - 22 - 23), col. 2</b>	<b>21 589.57</b>

## 15. ESTABLISHMENT EXPENSES

ČNB does not record any establishment expenses.

## 16. TANGIBLE AND INTANGIBLE ASSETS (LINES 22 AND 23)

Acquisition price	Land	Buildings	Machinery & equipment	Other	Intangible assets	Total
Balance as at 1 Jan 1997	196.73	2 055.67	1 706.05	178.60	216.03	4 353.08
<b>additions</b>	-	447.86	525.00	55.91	204.91	1 233.68
<b>disposals</b>	0.12	5.02	39.43	19.42	1.02	65.01
Balance as at 31 Dec. 1997	196.61	2 498.51	2 191.62	215.09	419.92	5 521.75
<b>Accumulated depreciation</b>						
Balance as at 1 Jan. 1997	-	192.69	918.55	159.19	120.94	1 391.37
31 Dec. 1997	-	239.67	1 178.35	195.32	179.64	1 792.98
<b>Book value at 31 Dec. 1997</b>	196.61	2 258.84	1 013.27	19.77	240.28	3 728.77

The assets acquisition account represents the expenses relating primarily to the reconstruction of buildings. The balance was Kč 1 000.65 mln as at 1 Jan. 1997. The balance as at 31 Dec. 1997 was 412.65 mln. The Bank provided advances for acquisition of assets of Kč 174.04 mln as at 1 Jan 1997 and Kč 1 502.27 mln as at 31 Dec. 1997.

## 17. TANGIBLE ASSETS PURCHASED THROUGH FINANCIAL LEASE

The Bank had no financial lease contracts as at 31 Dec. 1997.

## 18. PROFIT/LOSS FOR THE YEAR 1997 (LINE 48)

The Bank's financial operation closed with a loss of Kč 8 653.84 mln in 1996, due to the Kč revaluation. In 1997, due to a drop of the Kč rate, the Bank showed a profit of Kč 10 744.57 mln.

## 19. CLIENT ASSETS MANAGED

The Bank does not manage assets on behalf of clients.

## 20. POTENTIAL PAYABLES AND RECEIVABLES ANALYZED TO REVOCABLE AND IRREVOCABLE ONES

Contingent payables and receivables are shown in the off-balance sheet accounts.

The payables re issued guarantees (line 56) are shown in the amount of Kč 75 170.43 mln. These include guarantees for deposits and loans by banks and clients. The required increase in provisions for the potential loss on the issued guarantees is Kč 19 336.11 mln. The actual increase in provisions amount to Kč 12 319.55 mln while the rest has been covered by the Czech Government guarantee.

The issued guarantees, need for additions to provisions and provisions created include also a guarantee beneficial to Česká finanční s.r.o. in the amount of Kč 4 709.00 mln.

In 1996, the Bank obtained a guarantee from the Czech Government of Kč 22 500.00 mln to cover the contingent losses relating to the implementation of the banking sector consolidation programme.

In 1997, the Bank concluded options for the sale of 30.85 t of gold, with an expiry date in 1998.

## 21. GENERAL OPERATING EXPENSES

<b>a) Personnel costs including emoluments to managers</b>	<b>615 058</b>
aa) wages and bonuses	444 649
ab) social welfare costs	170 409
<b>b) Average total number of banks employees over the year</b>	<b>1 074</b>
Number of members of - Bank Council	7
- business management (excl. Bank Council members)	
Other employees	21
	1 676



## 22. TOTAL AMOUNTS OF ASSETS AND LIABILITIES IN FOREIGN CURRENCIES CONVERTED INTO KČ

Total assets in foreign currencies amount to Kč 366 966.97 mln.

Total liabilities in foreign currencies amount to Kč 25 983.73 mln.

### Distribution of assets and liabilities by currencies

	USD	DEM	JPY	ECU	other	total
Assets	99 242.08	212 408.56	29 055.86	26 140.47	120.00	366 966.97
Liabilities	11 077.42	3 228.63	11 583.26	55.42	39.00	25 983.73

## 23. BANKING SECTOR CONSOLIDATION

As a part of its role of supporting and maintaining stability of the banking sector and monitoring the security of deposits in the Czech Republic, the Bank has assumed certain assets and liabilities and provided loans and guarantees to various commercial banks. In order to cover the risks of loss on such assets, the Czech Government has issued a guarantee of Kč 22 500 mln, of which Kč 17 664.90 was allocated to receivables and issued guarantees existing as at 31 Dec. 1997. The guarantee has been provided for the period of 10 years while the Government has undertaken to enter into negotiations with ČNB after the 10-year period elapses, on the manner of settlement of uncollected assets. The Bank has decided to cover in full the estimated net risks of the loss relating to the consolidation programme and it has accounted for all existing and estimated future liabilities up to the amounts which are currently possible to determine. The posted provisions (legal reserves and provisions) and allocation of the MF guarantee are described in notes no. 8 and 20.

In 1997, the Bank ceded and sold to Česká finanční s.r.o. assets of total face value of Kč 7 320.85 mln. for the selling price of Kč 1 172.07 mln. The Bank provided a loan in the same amount to Česká finanční s.r.o.