

2001

**REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2001**

**CNB** CZECH  
NATIONAL  
BANK

# CNB BALANCE SHEET, PROFIT AND LOSS ACCOUNT AND AUDITORS' REPORT

## ASSETS

in CZK millions

Item no.	Item	Current accounting period			Previous accounting period
		Gross	Adjustments	Net	
1.	<b>Gold</b>	837	0	837	841
2.	<b>Receivables from International Monetary Fund</b>	39 800	0	39 800	42 802
3.	<b>Receivables from foreign banks, including securities</b>	530 242	1 573	528 669	505 351
3.1.	Deposits at foreign banks	117 446	0	117 446	92 805
3.2.	Credits granted to foreign banks	14 384	0	14 384	14 240
3.3.	Securities	398 363	1 573	396 790	398 246
3.4.	Other receivables against foreign countries	49	0	49	60
4.	<b>Receivables from domestic banks</b>	807	14	793	17 371
5.	<b>Receivables from clients</b>	52 418	4 155	48 263	37 742
6.	<b>Domestic securities and shares</b>	19 717	19 717	0	11
7.	<b>Current result of state budget</b>	0	0	0	0
8.	<b>Other receivables against state budget</b>	0	0	0	0
9.	<b>Cash in CZK</b>	1 714	0	1 714	1 898
10.	<b>Fixed assets</b>	11 780	4 011	7 769	8 329
10.1.	Tangible fixed assets	10 713	3 294	7 419	7 877
10.2.	Intangible fixed assets	1 067	717	350	452
11.	<b>Other assets</b>	3 150	1 781	1 369	1 672
11.1.	Deferred revenue and accrued expenses	388	0	388	431
11.2.	Others	2 762	1 781	981	1 241
	<b>ASSETS TOTAL</b>	<b>660 465</b>	<b>31 251</b>	<b>629 214</b>	<b>616 017</b>

23

## LIABILITIES

in CZK millions

Item no.	Item	Current accounting period	Previous accounting period
1.	<b>Currency in circulation</b>	207 575	197 000
2.	<b>Liabilities to International Monetary Fund</b>	34 033	42 399
3.	<b>Liabilities to foreign banks, including securities</b>	14 743	13 829
3.1.	Loans taken from abroad	14 275	13 415
3.2.	Debt securities in issue	0	0
3.3.	Other liabilities against abroad	468	414
4.	<b>Liabilities to domestic banks</b>	309 247	295 871
4.1.	Bank monetary reserves	30 273	26 575
4.2.	Other liabilities	278 974	269 296
5.	<b>Deposits from clients</b>	27 916	21 573
6.	<b>Domestic securities issued</b>	0	0
7.	<b>Current result of state budget</b>	0	0
8.	<b>Other liabilities to state budget</b>	57 737	36 574
9.	<b>Reserves</b>	11 935	12 597
10.	<b>Share capital</b>	1 400	1 400
11.	<b>Funds</b>	8 198	8 202
12.	<b>Retained profits (accumulated losses) from previous periods</b>	-15 904	-18 393
13.	<b>Profit (loss) for the accounting period</b>	-28 628	2 524
14.	<b>Other liabilities</b>	962	2 441
14.1.	Deferred revenue and accrued expenses	186	346
14.2.	Others	776	2 095
	<b>LIABILITIES TOTAL</b>	<b>629 214</b>	<b>616 017</b>

## OFF BALANCE SHEET

in CZK millions

Item no.	Item	Current accounting period	Previous accounting period
1.	<b>Contingent liabilities</b>	103 787	78 740
1.1.	Accepted bills of exchange and endorsed bills	0	0
1.2.	Guarantees issued	103 787	78 740
1.3.	Obligations from collateral	0	0
2.	<b>Other irrevocable liabilities</b>	0	0
3.	<b>Receivables from spots, forwards and options</b>	10 867	13 694
4.	<b>Liabilities from spots, forwards and options</b>	10 861	13 269
5.	<b>Guarantees received</b>	62 340	30 445

**PROFIT AND LOSS ACCOUNT**

in CZK millions

Item No.	Item	Accounting period	
		Current	Previous
<b>1.</b>	<b>Interest income and similar income</b>	<b>28 089</b>	<b>28 825</b>
1.1.	Interest from securities bearing fixed income	22 381	21 696
1.2.	Other	5 708	7 129
<b>2.</b>	<b>Interest expense and similar expense</b>	<b>17 092</b>	<b>17 249</b>
2.1.	Interest from securities bearing fixed income	0	495
2.2.	Other	17 092	16 754
<b>3.</b>	<b>Income from securities with variable income</b>	<b>43</b>	<b>41</b>
3.1.	Income from shares and other securities	43	41
3.2.	Income from shares in subsidiaries and associates	0	0
<b>4.</b>	<b>Income from fees and commissions</b>	<b>555</b>	<b>450</b>
<b>5.</b>	<b>Expenses from fees and commissions</b>	<b>53</b>	<b>81</b>
<b>6.</b>	<b>Profit (loss) from financial operations</b>	<b>-37 753</b>	<b>-5 074</b>
<b>7.</b>	<b>Other income</b>	<b>437</b>	<b>116</b>
7.1.	Income from money issue	17	8
7.2.	Other	420	108
<b>8.</b>	<b>Administration expenses</b>	<b>2 002</b>	<b>2 355</b>
8.1.	Personnel expenses	677	666
8.1.1.	Wages and salaries	501	484
8.1.2.	Social and health insurance	176	182
8.2.	Other operating expenses	1 325	1 689
<b>9.</b>	<b>Charge for specific and general provisions for tangible and intangible assets</b>	<b>0</b>	<b>0</b>
<b>10.</b>	<b>Release of specific and general provisions for tangible and intangible assets</b>	<b>0</b>	<b>0</b>
<b>11.</b>	<b>Other expenses</b>	<b>1 765</b>	<b>49 865</b>
11.1.	Expenses for issuing bank notes and coinage	309	297
11.2.	Other	1 456	49 568
<b>12.</b>	<b>Charge for specific and general provisions for loans and guarantees</b>	<b>325</b>	<b>1 351</b>
<b>13.</b>	<b>Release of specific and general provisions for loans and guarantees</b>	<b>1 245</b>	<b>33 008</b>
<b>14.</b>	<b>Charge for specific and general provisions for shares and other financial investments</b>	<b>0</b>	<b>0</b>
<b>15.</b>	<b>Release of specific and general provisions for shares and other financial investments</b>	<b>0</b>	<b>15 814</b>
<b>16.</b>	<b>Charge for other specific and general provisions</b>	<b>38</b>	<b>33</b>
<b>17.</b>	<b>Release of other specific and general provisions</b>	<b>0</b>	<b>1</b>
<b>18.</b>	<b>Ordinary profit (loss) after taxation</b>	<b>-28 659</b>	<b>2 247</b>
<b>19.</b>	<b>Extraordinary income</b>	<b>42</b>	<b>280</b>
<b>20.</b>	<b>Extraordinary expenses</b>	<b>11</b>	<b>3</b>
<b>21.</b>	<b>Extraordinary profit (loss) after taxation</b>	<b>31</b>	<b>277</b>
<b>22.</b>	<b>Profit (loss) for accounting period</b>	<b>-28 628</b>	<b>2 524</b>

The notes to the financial statements are available on the CNB website, on the attached CD-ROM and from the CNB's Budget and Accounting Department, Na Příkopě 28, Praha 1

ENGLISH TRANSLATION

**REPORT OF INDEPENDENT AUDITORS**

**TO THE BANKING BOARD OF THE CZECH NATIONAL BANK**

We have audited the accompanying balance sheet of the Czech National Bank (hereinafter "the CNB") as at 31 December 2001, the related income statement and notes for the year then ended (hereinafter the "financial statements"). The financial statements and underlying accounting records are the responsibility of the of the management of CNB. 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 the management of the CNB, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the accompanying financial statements present fairly, in all material respects, the assets, liabilities and equity of the CNB 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.

26 March 2002



PricewaterhouseCoopers Audit, s.r.o.  
represented by



Paul Cunningham  
Partner



Zdeněk Mojžíšek  
Auditor, Licence No. 1813

## CZECH NATIONAL BANK

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

#### **1 GENERAL INFORMATION**

Czech National Bank (hereinafter the “Bank” or the “CNB”) is the central bank of the Czech Republic (hereinafter the “CR”). The Bank was established on 1 January 1993 following the dissolution of the State Bank of Czechoslovakia to form the Czech National Bank and National Bank of Slovakia. The Bank was established on the basis of Act No. 6/1993 Col. as amended, The Czech National Bank Act. The Bank is a legal entity governed by public law and is not registered in the Commercial Register. The Bank operates from its headquarters in Prague and from seven branches around the CR (Prague, České Budějovice, Plzeň, Ústí nad Labem, Hradec Králové, Brno and Ostrava).

The primary objective of the Bank is to maintain price stability. Without prejudice to its primary objective, the Bank also supports the general economic policies of the Government leading to sustainable economic growth. The Bank acts in accordance with the principle of an open market economy.

In accordance with its primary objective, the Bank sets the monetary rules, issues bank notes and coins, manages the money supply and clearing for interbank settlements including its maintenance for fluency and efficiency, supervises the activities of banks and sees to the safe functioning and development of the banking system in the CR. The Bank also performs other activities as defined by the CNB Act and by other legislation.

When pursuing its objectives, the Bank cooperates with the central banks of other countries, the authorities supervising the banks and financial markets of other countries, and with international financial organizations and international organizations involved in the supervision of banks and financial markets.

When carrying out its tasks, the Bank is independent of any instruction given by the Czech Government, the President of the CR, the Czech Parliament or other administrative or regional authorities and is directly accountable to the Czech Parliament. Matters concerning the exchange rate regime and the setting of the inflation target are consulted with the Czech Government and the Bank submits to the Czech Government reports on such matters upon request.

The highest-ranking management body of the Bank is the Bank Council of the CNB. The Bank Council has seven members. The members include the governor of the Bank, two vice-governors of the Bank, and four other Bank Council members. The members of the Bank Council are appointed and recalled by the President of the CR. The members of the Bank Council are appointed for a period of six years. The Bank Council sets the monetary rules, instruments for their implementation and decides about the primary monetary-political measures of the Bank.

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**1 GENERAL INFORMATION (continued)**

The members of the Bank Council as at 31 December 2001 and as at 31 December 2000 were as follows (including the information regarding the end of their term):

Mr. Zdeněk Tůma	Governor	Until 12 February 2005
Mr. Luděk Niedermayer	Vice-Governor	Until 26 February 2002
Mr. Oldřich Dědek	Vice-Governor	Until 12 February 2005
Mr. Pavel Štěpánek	member	Until 12 February 2005
Mr. Pavel Racoča	member	Until 12 February 2005
Mrs. Michaela Erbenová	member	Until 30 November 2006
Mr. Jan Frait	member	Until 30 November 2006

In February 2002 the President of the CR appointed Mr. Luděk Niedermayer as a member of the Bank Council for another six-year term.

The statutory representative of the Bank is the Governor. In the event of the Governor's absence the Vice-Governor is appointed by him to represent the Bank.

The Bank uses its income to cover necessary operational costs of its operations. The Bank's profit, if any, is allocated to its reserve fund and other funds, and for other uses within the Bank's budget. Any remaining profit is transferred to the state budget. Accumulated losses are expected to be covered by future profits, however this depends on a number of factors, the outcome of which is not certain. The Banking Council is monitoring the situation, so that appropriate action, which is consistent with the Bank's statutory objectives, can be taken should this be necessary.

CNB submits its annual report on its operations to the Czech Parliament within three months after the calendar year end.

**2 ACCOUNTING POLICIES**

**(a) Basis of preparation**

The financial statements and accounting records are prepared in compliance with the Act on accounting (Act No. 563/1991 Col. as amended) and the Chart of accounts and accounting rules for banks, issued by the Ministry of Finance of the CR. The financial statements are prepared under the amortised or historical cost convention. The financial statements are rounded to millions of Czech Crowns (hereinafter the "CZK") unless otherwise stated. The Bank does not prepare consolidated financial statements.

**2 ACCOUNTING POLICIES (continued)**

**(b) Foreign currencies**

Transactions in foreign currencies are translated to CZK at the exchange rate effective at the transaction date. Assets and liabilities, including all unsettled committed spot or term purchases and sales of foreign currencies, are translated to CZK at the exchange rate announced by the Bank effective at the balance sheet date. All resulting realised and unrealised foreign exchange gains and losses are recognised in the income statement.

**(c) Gold and other precious metals**

Gold and other precious metals are valued at historic cost. Gold swaps are accounted for on the gold account and the related payables from swaps are accounted for as payables and valued at the swap price. Gold deposits are accounted for on the gold account and related interest income is accrued.

**(d) Cash**

Cash includes cash on hand in CZK. Cash in foreign currencies is included in Other receivables from abroad.

**(e) Securities**

The Bank classified all its securities as available-for-sale securities. Shares other than investments in subsidiary or associated undertakings are also included in this portfolio.

Securities transactions are recorded on a settlement date basis.

Foreign securities are purchased in relation to the foreign currency reserves administration in accordance with predefined rules. They consist of money market and capital market securities. Part of the bonds portfolio is managed by external managers.

Treasury bills and other discounted securities are valued at amortised cost.

Bonds are valued at cost increased by accrued coupon interest. Coupon interest income is accrued. The difference between the purchase price and the nominal value of bonds is not amortised. Since the bonds are stated at lower of accrued cost and market value, the CNB's management does not consider the accrued difference between the purchase price and the nominal value of bonds to be material.

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**2 ACCOUNTING POLICIES (continued)**

**(e) Securities (continued)**

Dividends received are included in the income from securities.

Disposals of securities are valued at the weighted average cost.

A specific provision is made for securities for the difference between cost and market value of the individual security where lower. Specific provisions are not created for highly liquid securities with maturity less than six months and which are held till maturity. Specific provisions are also not created for securities subject to term sale contracts when the expected sale price is not lower than cost.

**(f) Investments and other financial investment securities**

The Bank has no investments in subsidiary or associated undertakings. The Bank also does not intend to hold securities in the held-to-maturity portfolio.

**(g) Securities financing arrangements**

Securities purchased under agreements to resell (reverse repo operations) and securities sold under agreements to repurchase (repo operations) are treated as collateralised lending and borrowing transactions respectively, in accordance with the legal form of the contract (i.e. only under circumstances in which a loan agreement exists under which securities are transferred as collateral). These operations are recorded on a settlement date basis. Securities purchased in reverse repo operations are recognised as available-for-sale securities and the Bank does not record the corresponding liability from these securities in its balance sheet.

Securities in repo operations are carried at the latest weighted average cost. Securities in reverse repo operations are carried at the amounts at which the underlying securities were valued in case the Bank has or had them included in its portfolio (latest weighted average cost) or in the amount of loan granted.

The interest related to securities sold in repo operation is included in accrued income.



**2 ACCOUNTING POLICIES (continued)**

**(h) Membership quota at the International Monetary Fund**

The membership quota of the International Monetary Fund (hereinafter the "IMF") is denominated in Special Drawing Rights and is translated to CZK at the last rate advised by the IMF.

**(i) Issued securities**

Bonds issued in foreign currency are recorded at nominal value. The interest expense is accrued.

The amount of treasury bills issued by the Bank is presented in the balance sheet after offset with treasury bills repurchased by the Bank. The Bank repurchases the whole issued amount of treasury bills and uses the treasury bills in repo or sell and buy operations with domestic banks.

**(j) Derivative financial instruments**

The Bank enters into derivative transactions only for the purpose of hedging against foreign currency risk and in 2001 carried out only currency forward transactions. However for accounting purposes these derivatives are not considered to be hedging derivatives. Therefore gains and losses from forward transactions are split between foreign exchange differences accounted for on an ongoing basis with other foreign exchange gains or losses and into gains and losses resulting from the difference between the spot and forward rate accounted for linearly during the whole life of the forward transaction. The Bank does not trade derivative financial instruments for the purpose of market speculation.

Off balance sheet receivables and payables from currency forward transactions are valued using the exchange rate valid at the balance sheet date as announced by the Bank. The value of currency forward reflects the foreign exchange difference of the underlying instrument and the accrued difference between the spot and forward rate. Positive values of derivatives are included in Other assets and negative values in Other liabilities.

**2 ACCOUNTING POLICIES (continued)**

**(k) Interest income and expense**

Interest income and expense are accrued using a linear yield method. Income on non-performing loans is also accrued and included in the related loan balance at the due date. Such amounts are considered in estimating the specific provisions for non-performing loans. Interest income also includes bond coupons and amortised discount from treasury bills and other discounted securities.

Interest expense includes interest expense on treasury bills issued by the Bank and interest from loans and deposits received.

**(l) Fee and commission income**

Fee income from the maintenance of current accounts and other activities is accrued. One-off fees are recognised immediately in the income statement.

**(m) Specific provisions and reserves**

Reserves are created 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.

The amount of specific provisions for loans and other assets at risk is based on appraisals of these assets at the balance sheet date after taking into consideration the present forced sale value of collateral. When creating specific provisions for classified assets related to the consolidation of the banking sector, the guarantee issued by the Czech Government that covers these assets was taken into consideration (see also Note 31). A specific credit risk provision for loan impairment is established to provide for the credit losses as soon as the recovery of an exposure is identified as threatened.

Reserves for off balance sheet exposures and reserves for standard loans are included in liabilities. Specific provisions adjust the book value of individual assets at risk.

In the case of receivables from borrowers in countries where there is an increased risk of difficulties in servicing external debt, an assessment of the political and economic situation is made, and additional country risk provisions are established as necessary.

When a loan is deemed to be not collectable, it is written off and the related provision for impairment is released into the profit and loss account. Subsequent recoveries are credited to the income statement if previously written off.

## 2 ACCOUNTING POLICIES (continued)

### (n) Tangible and intangible fixed assets

Tangible and intangible fixed assets with the exception of vehicles are recorded at cost excluding value added tax (hereinafter the "VAT"). Vehicles are valued at cost including VAT.

Tangible fixed assets are depreciated by applying the straight-line basis of depreciation over the estimated useful lives. Intangible fixed assets are amortised over four years unless their usage is limited by contract; in such case the intangible fixed assets are amortised over the shorter of the contractual period or five years. Low value tangible fixed assets with a unit cost of more than CZK 2,000 and less than or equal to CZK 40,000 and low value intangible fixed assets with a unit cost less than or equal to CZK 60,000 are treated as fixed assets and are fully depreciated / amortised upon the inception of use. Land, art and art collections are not depreciated.

Tangible and intangible fixed assets are depreciated as follows:

Buildings and constructions	30 years
Furniture and fittings	6 years
Motor vehicles	4 years
Office equipment and computers	4 years
Software	4 years

In case of a change in annual depreciation or amortisation rate, classification or valuation of the property the depreciation is modified in the month of the change; the depreciation or amortisation charged before that date is not adjusted.

Repairs and maintenance expenditures are charged to expenses as incurred. Improvement expenditures exceeding CZK 40,000 per unit in one year are included in the costs of the property.

### (o) Value added tax

The Bank is registered for VAT. In accordance with the VAT Act CNB claims the full amount of input VAT in respect of received taxable supplies used to effect taxable supplies liable to output tax or to generate income or proceeds for supplies which are not taxable (i.e. the production of Czech coins and notes for circulation and support of the information system for the credit register maintained by CNB according to Bank Act no. 21/1992 as amended).

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**2 ACCOUNTING POLICIES (continued)**

**(p) Income tax and profit transfer to the state budget**

The Bank is exempt from income tax in accordance with Paragraph 17, Article 2 of the Act No. 586/92 Col. on Income Taxes as amended. As a result the Bank does not account for deferred tax. The income of the Bank is used to cover necessary operating expenses. Remaining profit is transferred to the state budget.

**(q) Pensions**

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

**(r) Cash flow statement**

As the Bank is the central bank of the CR, the management of the Bank is of the opinion that inclusion of the cash flow statement would not provide to the users of these financial statements further significant information.

**(s) Changes in accounting policy**

In 2001 the Bank implemented new definitions of securities portfolios (trading securities, held-to-maturity securities and available-for-sale securities). This change has no impact on the income statement.

**(t) 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 that are indicative of conditions which arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves reflected in the financial statements.

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**3 GOLD**

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
Gold in total	<u>837</u>	<u>841</u>

The market value of gold as at 31 December 2001 was CZK 4,470 million (as at 31 December 2000: CZK 4,640 million).

**4 RECEIVABLES AND PAYABLES WITH THE INTERNATIONAL MONETARY FUND**

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
Membership quota IMF (Assets Balance sheet line 2)	34,064	42,406
Deposits in IMF (Assets Balance sheet line 2)	5,736	396
Liability to IMF (Liabilities Balance sheet line 2)	(33,925)	(42,291)
Current account IMF (Liabilities Balance sheet line 2)	<u>(108)</u>	<u>(108)</u>
Total position with IMF	<u>5,767</u>	<u>403</u>

Membership quota at IMF is denominated in special drawing rights (SDR) and financed by bills of exchange payable on request issued by the Czech Government.

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**5 RECEIVABLES FROM ABROAD INCLUDING SECURITIES**

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
Current accounts with banks	555	1,134
Deposits	<u>116,891</u>	<u>91,671</u>
Total amounts with foreign banks	<u>117,446</u>	<u>92,805</u>
Reverse repo operations with foreign banks	<u>14,384</u>	<u>14,240</u>
Total loans provided to foreign banks	<u>14,384</u>	<u>14,240</u>
Cash in foreign currencies	37	60
Other receivables from abroad	<u>12</u>	<u>-</u>
Total other receivables from abroad	<u>49</u>	<u>60</u>
Receivables from abroad excluding securities	131,879	107,105
Specific provisions (Note 18)	-	-
Receivables from foreign financial institutions	<u>131,879</u>	<u>107,105</u>
Treasury bills and other discounted securities	79,083	130,125
Bonds and other coupon securities	319,230	269,177
Other financial investments	<u>50</u>	<u>50</u>
	<u>398,363</u>	<u>399,352</u>
Specific provisions (Note 18)	<u>(1,573)</u>	<u>(1,106)</u>
Total securities	<u>396,790</u>	<u>398,246</u>
Total receivables from abroad including securities	<u>528,669</u>	<u>505,351</u>

**5 RECEIVABLES FROM ABROAD INCLUDING SECURITIES (continued)****Loans provided to foreign banks**

Loans provided to foreign banks consist only of reverse repo operations.

Securities used in reverse repo operations include treasury bills, other short term treasury bills and government bonds. Their market value does not materially differ from the carrying value of the agreements.

Reverse repo operations at 31 December 2001 include foreign bonds purchased from counter parties of CZK 14,384 million (31 December 2000: CZK 14,240 million). The maturity of these operations is less than 60 days.

**Geographic sector risk concentrations within the receivables from abroad excluding the securities (Assets Balance sheet lines 3.1., 3.2., 3.4.)**

	<u>31 December 2001</u> CZK million	<u>31 December 2001</u> %	<u>31 December 2000</u> CZK million	<u>31 December 2000</u> %
Great Britain	42,871	33	48,819	46
France	51,845	39	26,987	25
Other European Union countries	36,588	28	26,111	24
Other European countries	99	-	4	-
USA	522	-	5,119	5
Japan	1	-	1	-
Other countries	<u>3</u>	<u>-</u>	<u>64</u>	<u>-</u>
	<u>131,929</u>	<u>100</u>	<u>107,105</u>	<u>100</u>

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**5 RECEIVABLES FROM ABROAD INCLUDING SECURITIES (continued)**

**Treasury bills and other discounted securities (Assets Balance sheet line 3.3.)**

At 31 December 2001

	<u>Cost</u> CZK million	<u>Market value</u> CZK million
State treasury bills	32,793	32,805
Other short term treasury bills	<u>46,290</u>	<u>46,289</u>
	<u>79,083</u>	<u>79,094</u>
Specific provisions (Note 18)	<u>(6)</u>	
Treasury bills and other discounted securities	<u>79,077</u>	

At 31 December 2000

	<u>Cost</u> CZK million	<u>Market value</u> CZK million
State treasury bills	48,823	48,846
Other short term treasury bills	<u>81,302</u>	<u>81,278</u>
	130,125	<u>130,124</u>
Specific provisions (Note 18)	<u>(29)</u>	
Treasury bills and other discounted securities	<u>130,096</u>	



CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**5 RECEIVABLES FROM ABROAD INCLUDING SECURITIES (continued)**

**Treasury bills and other discounted securities (Assets Balance sheet line 3.3. continued)**

**Geographic sector risk concentrations within treasury bills and other discounted securities**

	<u>31 December 2001</u> CZK million	<u>31 December 2001</u> %	<u>31 December 2000</u> CZK million	<u>31 December 2000</u> %
Great Britain	-	-	4,014	3
USA	10,798	14	11,820	9
Italy	6,319	8	13,745	11
Switzerland	18,516	23	56,237	43
Other European Union countries	32,818	42	27,217	21
Japan	-	-	5,943	4
Other countries	<u>10,632</u>	<u>13</u>	<u>11,149</u>	<u>9</u>
	<u>79,083</u>	<u>100</u>	<u>130,125</u>	<u>100</u>

**Bonds and other coupon securities (Assets Balance sheet line 3.3.)**

Bonds and other coupon securities can be analysed as follows:

	Cost 31 December <u>2001</u> CZK million	Market value 31 December <u>2001</u> CZK million	Cost 31 December <u>2000</u> CZK million	Market value 31 December <u>2000</u> CZK million
State bonds	257,676	256,930	237,953	238,300
Other foreign bonds	43,584	43,916	14,431	14,586
Bonds managed by external manager	11,695	11,758	11,219	11,219
Accrued interest from bonds	<u>6,275</u>	<u>6,275</u>	<u>5,574</u>	<u>5,573</u>
	<u>319,230</u>	<u>318,879</u>	<u>269,177</u>	<u>269,678</u>
Specific provisions (Note 18)	<u>(1,567)</u>		<u>(1,077)</u>	
Bonds and other coupon securities	<u>317,663</u>		<u>268,100</u>	

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**5 RECEIVABLES FROM ABROAD INCLUDING SECURITIES (continued)**

**Bonds and other coupon securities (Assets Balance sheet line 3.3. continued)**

Bonds and other securities with fixed income reported as trading securities as at 31 December 2001 and 31 December 2000 include solely fixed income securities.

**Geographic sector risk concentrations within bonds and other coupon securities**

	<u>31 December 2001</u> CZK million	<u>31 December 2001</u> %	<u>31 December 2000</u> CZK million	<u>31 December 2000</u> %
Germany	83,298	26	49,807	19
France	30,473	10	36,793	14
Italy	104,990	33	102,692	38
Other European Union countries	36,626	11	28,234	10
USA	62,697	20	50,728	19
Other countries	<u>1,146</u>	<u>-</u>	<u>923</u>	<u>-</u>
	<u>319,230</u>	<u>100</u>	<u>269,177</u>	<u>100</u>

**Other financial investments (balance sheet line 3.3.)**

	Cost <u>31 December 2001</u> CZK million	Cost <u>31 December 2000</u> CZK million
Bank for International Settlements	<u>50</u>	<u>50</u>
Total shares	<u>50</u>	<u>50</u>

The Bank holds an investment in SWIFT of net book value below CZK 1 million (CZK 198,000). According to the opinion of the Bank's management the market value of other foreign investments does not substantially differ from the purchase price.

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**6 RECEIVABLES FROM DOMESTIC BANKS**

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
Redistribution loans	-	12,800
Non-performing loans	14	14
Loans provided from Export-Import Bank of Japan (the "EXIM") and European Investment Bank (the "EIB") funds (Note 12)	133	169
Other receivables	<u>660</u>	<u>4,402</u>
	807	17,385
Specific provisions to receivables from domestic banks (Note 18)	<u>(14)</u>	<u>(14)</u>
Total receivables from domestic banks	<u>793</u>	<u>17,371</u>

**Redistribution loans**

Long-term redistribution loans were provided to Konsolidační banka Praha, s. p. ú. (now Česká konsolidační agentura) in the years 1990 and 1991. The redistribution loan under special conditions was provided for funding the co-operative housing scheme. It is repayable by annual instalments based on payments received from clients and its final maturity has not been specified. As in 2001 Konsolidační Banka Praha, s.p.ú., was transformed into Česká konsolidační agentura, this receivable is included in receivables from clients.

**Non-performing loans**

Non-performing loans represent loans after maturity and loans that show in other respects violated contract terms or which show a worsening financial situation of the debtor.

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**7 DUE FROM CLIENTS**

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
Standard loans	25,760	15,225
Classified loans	<u>26,658</u>	<u>27,197</u>
	52,418	42,422
Specific provisions for classified loans (Note 18)	<u>(4,155)</u>	<u>(4,680)</u>
Total due from clients	<u>48,263</u>	<u>37,742</u>

**Classified loans**

Classified loans are categorised in accordance with the definitions issued by the Bank into four categories (watch, substandard, doubtful, loss). They consist of total outstanding principal and accrued interest receivable, and are overdue or show other defaults in contractual terms or financial performance.

	<u>Accounting value as at</u> <u>31 December 2001</u> CZK million	<u>Fair value as at</u> <u>31 December 2001</u> CZK million	<u>Accounting value as at</u> <u>31 December 2000</u> CZK million	<u>Fair value as at</u> <u>31 December 2000</u> CZK million
Watch	-	-	-	-
Substandard	-	-	-	-
Doubtful	4	2	36	18
Loss	<u>26,654</u>	-	<u>27,161</u>	-
Total classified loans	<u>26,658</u>	<u>2</u>	<u>27,197</u>	<u>18</u>

Specific provisions created by the Bank totalled CZK 4,155 million (as at 31 December 2000: CZK 4 680 million) (Note 18) and the remaining balance of the classified loans is covered by a guarantee provided by the Czech Government (Note 31).

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**8 DOMESTIC SECURITIES AND SHARES**

Domestic securities and shares include the following equity shares or shares issued by subsidiary or associated undertakings of the Bank and other equity investments:

	Cost 31 December <u>2001</u> CZK million	Market value 31 December <u>2001</u> CZK million	Cost 31 December <u>2000</u> CZK million	Market value 31 December <u>2000</u> CZK million
Bankovní institut vysoká škola, a. s.	-	-	11	11
Other investments:				
Shares of GE Capital Bank, a.s.	<u>19,717</u>	<u>-</u>	<u>19,717</u>	<u>-</u>
	19,717		19,728	11
Specific provisions (Note 18)	<u>(19,717)</u>		<u>(19,717)</u>	
Total domestic securities and shares	<u>-</u>		<u>11</u>	

The Bank sold its share in Bankovní institut vysoká škola, a. s. in 2001.

**Investments in subsidiary undertakings**

In June 2000 the Bank sold its investment in its subsidiary undertaking Česká finanční, s. r. o. (hereinafter the "CF") to Konsolidační banka Praha, s. p. ú. (now Česká konsolidační agentura) for CZK 1 (Note 31).

## CZECH NATIONAL BANK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**8 DOMESTIC SECURITIES AND SHARES (continued)****Investments in associated undertakings**

At 31 December 2001

<u>Name</u>	<u>Cost</u> CZK million	<u>Nominal value</u> CZK million	<u>Share capital</u> CZK million	<u>Share</u> %
Bankovní institut vysoká škola, a. s.	=	-	-	-

At 31 December 2000

<u>Name</u>	<u>Cost</u> CZK million	<u>Nominal value</u> CZK million	<u>Share capital</u> CZK million	<u>Share</u> %
Bankovní institut vysoká škola, a. s.	<u>11</u>	13	44	30

Changes in investments in subsidiary and associated undertakings can be analysed as follows:

	<u>Investments in subsidiaries</u>		<u>Investments in associates</u>	
	<u>Cost</u> CZK million	<u>Nominal value</u> CZK million	<u>Cost</u> CZK million	<u>Nominal value</u> CZK million
At 1 January 2000	15,814	15,814	11	13
Sale of share in CF	<u>(15,814)</u>	<u>(15,814)</u>	-	-
At 31 December 2000	<u>=</u>	<u>=</u>	<u>11</u>	<u>13</u>
Sale of share in Bankovní institut vysoká škola, a. s.	-	-	(11)	(13)
At 31 December 2001	<u>=</u>	<u>=</u>	<u>=</u>	<u>=</u>

## CZECH NATIONAL BANK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**9 TANGIBLE AND INTANGIBLE FIXED ASSETS****Tangible fixed assets**

	<u>31 December 2000</u> CZK million	<u>Additions</u> CZK million	<u>Disposals</u> CZK million	<u>31 December 2001</u> CZK million
<u>Cost</u>				
Land	197	5	-	202
Buildings	7,046	110	75	7,081
Technical equipment	2,707	128	281	2,554
Equipment	367	12	24	355
Other	445	16	14	447
Advances for fixed asset acquisitions	<u>79</u>	<u>318</u>	<u>323</u>	<u>74</u>
Total cost	<u>10,841</u>	<u>589</u>	<u>717</u>	<u>10,713</u>
<u>Accumulated depreciation</u>				
Buildings	(581)	324	75	(830)
Technical equipment	(1,769)	304	252	(1,821)
Equipment	(202)	42	13	(231)
Other	<u>(412)</u>	<u>13</u>	<u>13</u>	<u>(412)</u>
Total accumulated depreciation	<u>(2,964)</u>	<u>683</u>	<u>353</u>	<u>(3,294)</u>
Net book amount	<u>7,877</u>			<u>7,419</u>

The value of low value tangible fixed assets that have been fully amortised when put into use in 2001 is CZK 15 million (2000: CZK 205 million).

Land of CZK 197 million was recorded in 1991 in accordance with decree of the Ministry of Finance number 393/1991.

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**9 TANGIBLE AND INTANGIBLE FIXED ASSETS (continued)**

**Intangible fixed assets**

	<u>31 December 2000</u> CZK million	<u>Additions</u> CZK million	<u>Disposals</u> CZK million	<u>31 December 2001</u> CZK million
<u>Cost</u>				
Software	956	74	4	1,026
Other intangible assets	2	-	-	2
Advances for intangible assets acquisitions	<u>38</u>	<u>78</u>	<u>77</u>	<u>39</u>
Total cost	<u>996</u>	<u>152</u>	<u>81</u>	<u>1,067</u>
<u>Accumulated amortisation</u>				
Software	(543)	174	2	(715)
Other intangible assets	<u>(1)</u>	<u>1</u>	-	<u>(2)</u>
Total accumulated amortisation	<u>(544)</u>	<u>175</u>	<u>2</u>	<u>(717)</u>
Net book amount	<u>452</u>			<u>350</u>

The value of low value intangible fixed assets that has been fully amortised when put into use in 2001 is CZK 1 million (2000: CZK 0.6 million).

The Bank did not provide any fixed tangible or intangible assets as collateral at 31 December 2001 or at 31 December 2000.

The Bank does not hold any fixed assets under finance lease contracts.



CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**10 OTHER ASSETS**

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
Prepayments	16	19
Accrued revenue	372	412
Advances	2,407	2,136
Other precious metals	18	16
Other	<u>337</u>	<u>566</u>
	3,150	3,149
Specific provisions (Note 18)	<u>(1,781)</u>	<u>(1,477)</u>
Total other assets	<u>1,369</u>	<u>1,672</u>

**11 ISSUE OF CURRENCY**

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
Notes in circulation	201,793	191,584
Coins in circulation	<u>5,782</u>	<u>5,416</u>
Total currency in issue	<u>207,575</u>	<u>197,000</u>

**12 LIABILITIES TO ABROAD INCLUDING SECURITIES**

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
Repo operations	14,141	13,246
Loans from EIB	<u>134</u>	<u>169</u>
Total loans from abroad	<u>14,275</u>	<u>13,415</u>
Total bonds issued	-	-
Total other liabilities to abroad	<u>468</u>	<u>414</u>
Total liabilities to abroad including securities	<u>14,743</u>	<u>13,829</u>

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**12 LIABILITIES TO ABROAD INCLUDING SECURITIES (continued)**

**Loans from EIB and EXIM**

The Bank received loans from EIB and EXIM. From this source, the Bank granted loans in foreign currencies to commercial banks in the CR. Loans were received and provided in the same amount, have the same maturity date and are not secured. CNB earns a margin on these loans. The loan from EXIM was repaid in 1998.

**Loans from abroad**

State treasury bills and state bonds guarantee the loans from repo operations. Their market value does not materially differ from the carrying value of the operations.

Geographic sector risk concentrations within the liabilities to abroad including securities were as follows:

	<u>31 December 2001</u> CZK million	<u>31 December 2001</u> %	<u>31 December 2000</u> CZK million	<u>31 December 2000</u> %
Italy	-	-	1,796	13
Other European Union countries	3,461	23	177	1
Other European countries	5	-	-	-
USA	<u>11,277</u>	<u>77</u>	<u>11,856</u>	<u>86</u>
	<u>14,743</u>	<u>100</u>	<u>13,829</u>	<u>100</u>

**13 DUE TO DOMESTIC BANKS**

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
Monetary reserves from banks	<u>30,273</u>	<u>26,575</u>
Repo operations	264,847	251,386
Other liabilities to domestic banks	<u>14,127</u>	<u>17,910</u>
Total other liabilities	<u>278,974</u>	<u>269,296</u>
Total liabilities to domestic banks	<u>309,247</u>	<u>295,871</u>

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**13 DUE TO DOMESTIC BANKS (continued)**

**Monetary reserves from banks**

Obligatory minimum reserves represent deposits of the banks in the CR held at the CNB and CNB pays interest equal to the CZK two-week repo interest rate on these deposits since 12 July 2001. In the period from 7 October 1999 to the date of the financial statements the stated percentage was 2% from deposits with maturity less than two years.

**Repo operations**

Repo operations as at 31 December 2001 include CZK 264,847 million (31 December 2000: CZK 251,386 million) of loans received from banks in the CR. Repurchased treasury bills of the Bank guarantee these loans. Their market value does not materially differ from the carrying value of the operations.

**14 CLIENT DEPOSITS**

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
Current accounts	9,730	7,070
Term deposits	2,046	2,134
Deposits of local government bodies	11,092	5,970
Other deposits	<u>5,048</u>	<u>6,399</u>
Total client deposits	<u>27,916</u>	<u>21,573</u>

**15 DOMESTIC SECURITIES ISSUED**

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
CNB treasury bills	400,000	400,000
CNB treasury bills repurchased:		
- held in the treasury bills portfolio	(136,826)	(148,631)
- in repo operations	(263,175)	(252,206)
- in reverse repo operations	<u>1</u>	<u>837</u>
	<u>-</u>	<u>-</u>

The treasury bills were issued at zero discount during 2001 and 2000.

## CZECH NATIONAL BANK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**16 OTHER LIABILITIES TO STATE BUDGET**

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
State funds accounts	12,033	7,130
Other state assets	<u>45,704</u>	<u>29,444</u>
Total other liabilities to state budget	<u>57,737</u>	<u>36,574</u>

**17 EQUITY**

Changes of equity during 2001 and 2000 were as follows:

	<u>Share capital</u> CZK million	<u>Funds</u> CZK million	Retained earnings/ (accumulated losses) CZK million	Profit / (loss) for the year CZK million	<u>Equity</u> CZK million
Balance at 1 January 2000	1,400	8,203	(50,740)	32,378	(8,759)
Transfer of profit from 1999 to accumulated losses	-	-	32,347	(32,347)	-
Usage of social fund	-	(32)	-	-	(32)
Allocation to social fund from profit for 1999	-	31	-	(31)	-
Profit for the year 2000	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,524</u>	<u>2,524</u>
Balance at 31 December 2000	<u>1,400</u>	<u>8,202</u>	<u>(18,393)</u>	<u>2,524</u>	<u>(6,267)</u>
Transfer of profit from 2000 to accumulated losses	-	-	2,489	(2,489)	-
Usage of social fund	-	(39)	-	-	(39)
Allocation to social fund from profit for 2000	-	35	-	(35)	-
Loss for the year 2001	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28,628)</u>	<u>(28,628)</u>
Balance at 31 December 2001	<u>1,400</u>	<u>8,198</u>	<u>(15,904)</u>	<u>(28,628)</u>	<u>(34,934)</u>

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**17 EQUITY (continued)**

**Distribution of profit for the year 2000**

The profit for the year 2000 was allocated to the social fund (CZK 35 million) and the accumulated losses (CZK 2,489 million).

**18 RESERVES, SPECIFIC PROVISIONS AND WRITE OFFS**

At 31 December 2001 and 31 December 2000 the Bank created specific provisions and reserves for assets at risk:

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
Specific provisions for non-performing loans to domestic banks (Note 6)	14	14
Specific provisions for classified loans to clients (Note 7)	4,155	4,680
Total specific provisions for securities	21,290	20,823
- Foreign securities (Note 5)	1,573	1,106
- Domestic securities (Note 8)	19,717	19,717
Specific provisions for other receivables from abroad (Note 5)	-	-
Other specific provisions (Note 10)	<u>1,781</u>	<u>1,477</u>
Total specific provisions	<u>27,240</u>	<u>26,994</u>
Reserves for guarantees (Note 20)	418	828
Reserves for standard loans (Note 6)	348	348
Reserves for guarantee related to consolidation of the banking sector (Note 20, 31)	11,169	11,421
- of which CF (Note 31)	<u>10,587</u>	<u>10,867</u>
Total reserves	<u>11,935</u>	<u>12,597</u>

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**18 RESERVES, SPECIFIC PROVISIONS AND WRITE OFFS (continued)**

The movements in the specific provisions can be analysed as follows:

	Amounts due from banks and from abroad CZK million	Classified loans CZK million	Securities CZK million	Other CZK million	Total CZK million
At 1 January 2000	25,824	5,336	22,648	1,444	55,252
Addition	-	23	1,534	34	1,591
FX difference	-	-	(70)	-	(70)
Usage	(25,810)	(679)	(3,289)	(1)	(29,779)
At 31 December 2000	<u>14</u>	<u>4,680</u>	<u>20,823</u>	<u>1,477</u>	<u>26,994</u>
Addition	-	18	1,190	305	1,513
FX difference	-	-	(84)	-	(84)
Usage	-	(543)	(639)	(1)	(1,183)
At 31 December 2001	<u>14</u>	<u>4,155</u>	<u>21,290</u>	<u>1,781</u>	<u>27,240</u>

The 2001 and 2000 creation and usage of specific provisions for securities were presented as profit or loss from financial operations (Note 22).

The movements in reserves can be analysed as follows:

	Standard loans CZK million	Consolidation CZK million	Other CZK million	Total CZK million
At 1 January 2000	348	31,900	1,354	33,602
Addition	-	1,317	11	1,328
Usage	-	(21,796)	(537)	(22,333)
At 31 December 2000	<u>348</u>	<u>11,421</u>	<u>828</u>	<u>12,597</u>
Addition	-	28	11	39
Usage	-	(280)	(421)	(701)
At 31 December 2001	<u>348</u>	<u>11,169</u>	<u>418</u>	<u>11,935</u>

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**18 RESERVES, SPECIFIC PROVISIONS AND WRITE OFFS (continued)**

**Write-offs and recovery of amounts written off previously**

The Bank wrote off a receivable of CZK 128 million in 2001 and did not receive any payments on debts that had been previously written off.

**19 OTHER LIABILITIES**

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
Deferred revenue and accrued expenses	<u>186</u>	<u>346</u>
Settlement accounts of local authorities resources	-	1,127
Other liabilities	<u>776</u>	<u>968</u>
Total others	<u>776</u>	<u>2,095</u>
Total other liabilities	<u>962</u>	<u>2,441</u>

**20 CONTINGENCIES AND COMMITMENTS**

**Received and issued guarantees**

Received and issued guarantees can be analysed as follows:

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
Issued guarantees for clients	514	540
Issued guarantee for CF (Note 31)	10,587	10,867
Issued guarantees for the consolidation of the banking sector	<u>92,686</u>	<u>67,333</u>
Total issued guarantees	<u>103,787</u>	<u>78,740</u>
Guarantee received from the Czech Government for impaired assets overtaken by the Bank within the Consolidation programme (Note 31)	22,500	22,500
Guarantee received from the Ministry of Finance (Note 31)	<u>39,840</u>	<u>7,945</u>
Total guarantees received	<u>62,340</u>	<u>30,445</u>

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**20 CONTINGENCIES AND COMMITMENTS (continued)**

The issued guarantees for the consolidation of the banking sector include the Indemnity Letter and Guarantee for deposits of IPB (Note 31).

The identified need for reserves for expected loss on the issued guarantees was CZK 11,587 million as at 31 December 2001 (as at 31 December 2000: CZK 12,248 million).

**Receivables and payables from spot, term and option operations**

Receivables and payables from spot, term and option operations can be analysed as follows:

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
Receivables		
- from spots	2,877	494
- from forwards (Note 30)	5	6,368
- from option contracts (Note 30)	<u>7,985</u>	<u>6,832</u>
Total receivables from spot, term and option operations	<u>10,867</u>	<u>13,694</u>
Payables		
- from spots	2,871	493
- from forwards (Note 30)	5	5,944
- from option contracts (Note 30)	<u>7,985</u>	<u>6,832</u>
Total payables from spot, term and option operations	<u>10,861</u>	<u>13,269</u>

**Settlements and legal claims**

In assessing claims against the Bank, the Bank has recorded reserves based on its best estimates of the likely outcome.

**Investment commitments**

The Bank did not enter into any contract for the purchase of tangible and intangible fixed assets at 31 December 2001 (31 December 2000: CZK 12 million).

**Assets held in custody**

The Bank has not received any assets from third parties to be held in custody.



CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**21 INTEREST MARGIN**

	<u>2001</u> CZK million	<u>2000</u> CZK million
Interest income and similar income	28,089	28,825
Interest expense and similar expense	<u>(17,092)</u>	<u>(17,249)</u>
Interest margin	<u>10,997</u>	<u>11,576</u>

**Interest income and similar income**

	<u>2001</u> CZK million	<u>2000</u> CZK million
Discount on repurchased treasury bills issued by the Bank	53	185
Discount on debt securities	3,952	7,322
Interest on debt securities	<u>18,376</u>	<u>14,189</u>
Interest from securities with fixed income	<u>22,381</u>	<u>21,696</u>
Interest on inter-bank transactions	4,250	5,340
Interest on loans to clients	1,449	979
Interest on swap transactions	-	498
Other interest income	<u>9</u>	<u>312</u>
Total other interest and similar income	<u>5,708</u>	<u>7,129</u>
Total interest income and similar income	<u>28,089</u>	<u>28,825</u>

Based on the estimate of the Bank's management, in 2001 total income included CZK 14 million from interest income on classified loans (2000: CZK 32 million). Unpaid interest is accrued and is taken into account when calculating the amount of specific provisions.

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**21 INTEREST MARGIN (continued)**

**Interest expense and related expense**

	<u>2001</u> CZK million	<u>2000</u> CZK million
Interest and discount from issued treasury bills and bonds	<u>-</u>	<u>495</u>
Interest on liabilities to state	429	1,020
Interest on liabilities to banks	16,348	14,959
Interest on liabilities to clients	315	319
Interest on swap transactions	-	432
Other interest expense	<u>-</u>	<u>24</u>
Total other interest and related expense	<u>17,092</u>	<u>16,754</u>
Total interest expense and related expense	<u>17,092</u>	<u>17,249</u>

**22 PROFIT / (LOSS) FROM FINANCIAL OPERATIONS**

Net profit / (loss) from financial operations for the year ended 31 December 2001 and 31 December 2000 can be analysed as follows:

	<u>2001</u> CZK million	<u>2000</u> CZK million
Profit from sale of securities	3,927	691
Loss from sale of securities	(2,117)	(5,333)
Foreign exchange gains / (losses)	(40,113)	(3,523)
Other income	1,101	1,336
Addition to specific provisions for securities	(1,190)	(1,534)
Usage of specific provisions for securities	<u>639</u>	<u>3,289</u>
Total loss on financial operations	<u>(37,753)</u>	<u>(5,074)</u>

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**23 GENERAL OPERATING EXPENSES**

	<u>2001</u> CZK million	<u>2000</u> CZK million
Wages and salaries	501	484
Social security and health insurance	<u>176</u>	<u>182</u>
Personnel costs in total	<u>677</u>	<u>666</u>
Depreciation of tangible fixed assets	604	812
Amortisation of intangible fixed assets	175	163
Rent	16	121
Other	<u>530</u>	<u>593</u>
Total other operating expenses	<u>1,325</u>	<u>1,689</u>
Total general operating expenses	<u>2,002</u>	<u>2,355</u>

**Staff statistics**

	<u>2001</u>	<u>2000</u>
Average number of employees	1,448	1,458
Number of members of the Bank Council	7	7

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**24 OTHER EXPENSES**

	<u>2001</u> CZK million	<u>2000</u> CZK million
Cost of transfer of the Narodni banka Slovenska receivable (Note 5)	-	25,810
Cost of transfer of the share in CF (Note 31)	13	15,814
Settlement of CF losses (Note 31)	864	7,394
Expenses for issuing bank notes and coins	309	297
Other expenses	<u>579</u>	<u>550</u>
Other expenses in total	<u>1,765</u>	<u>49,865</u>

**Transfer of receivable from Národní banka Slovenska**

Until 2000 other receivables included receivables towards Národní banka Slovenska of CZK 25,810 million resulting from the split of the assets and liabilities of the former Státní banka Československá between the central banks of the CR and Slovak Republic and from the losses resulting from the split of federal currency as at 31 December 1992. The agreement concerning the transfer of this receivable to the Czech state for CZK 1 became effective in 2000 and CNB recognized the loss of CZK 25,810 million and released the established provision of CZK 25,810 million at the same time.

**25 EXTRAORDINARY EXPENSE AND INCOME**

	<u>2001</u> CZK million	<u>2000</u> CZK million
Extraordinary expenses	10	3
Other damages	<u>1</u>	<u>-</u>
Total extraordinary expense	<u>11</u>	<u>3</u>
Total extraordinary income	<u>42</u>	<u>280</u>

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

26 LIQUIDITY RISK

As at 31 December 2001	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Un- specified	Total
<b>Assets</b>							
Gold	837	-	-	-	-	-	837
Receivables from the IMF	-	-	-	-	-	39,800	39,800
Treasury bills and other eligible bills	17,719	18,048	42,712	598	-	-	79,077
Bonds and other securities with fixed income	9,663	8,403	66,730	231,261	1,606	-	317,663
Other receivables from abroad	116,827	15,053	-	-	-	49	131,929
Receivables from domestic banks	660	12	12	96	13	-	793
Due from clients	21,928	4	14,077	80	-	12,174	48,263
Cash	1,714	-	-	-	-	-	1,714
Fixed assets	-	-	-	-	-	7,769	7,769
Other assets	981	-	388	-	-	-	1,369
<b>Total assets</b>	<u>170,329</u>	<u>41,520</u>	<u>123,919</u>	<u>223,035</u>	<u>1,619</u>	<u>59,792</u>	<u>629,214</u>
<b>Liabilities and equity</b>							
Issue of currency	-	-	-	-	-	207,575	207,575
Due to the IMF	-	-	-	-	-	34,033	34,033
Liabilities to abroad including securities	14,610	12	12	96	13	-	14,743
Due to domestic banks	309,247	-	-	-	-	-	309,247
Client deposits	25,870	-	1,719	327	-	-	27,916
Other liabilities to state budget	52,986	-	-	4,751	-	-	57,737
Reserves	-	-	-	-	-	11,935	11,935
Share capital	-	-	-	-	-	1,400	1,400
Funds	-	-	-	-	-	8,198	8,198
Accumulated profits / (losses)	-	-	-	-	-	(15,904)	(15,904)
Profit / (loss) for the period	-	-	-	-	-	(28,628)	(28,628)
Other liabilities	776	-	186	-	-	-	962
<b>Total liabilities and equity</b>	<u>403,489</u>	<u>12</u>	<u>1,917</u>	<u>5,174</u>	<u>13</u>	<u>218,609</u>	<u>629,214</u>
<b>Net liquidity gap</b>	<u>(233,160)</u>	<u>41,508</u>	<u>122,002</u>	<u>226,861</u>	<u>1,606</u>	<u>(158,817)</u>	<u>-</u>
<b>As at 31 December 2000</b>							
Total assets	147,985	99,022	114,235	185,480	18,137	51,158	616,017
Total liabilities	350,594	9,912	7,810	1,923	49	245,729	616,017
<b>Net liquidity gap</b>	<u>(202,609)</u>	<u>89,110</u>	<u>106,425</u>	<u>183,557</u>	<u>18,088</u>	<u>(194,571)</u>	<u>-</u>

## CZECH NATIONAL BANK

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

## 27 INTEREST RATE RISK

As at 31 December 2001	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Not sensitive	Total
<b>Assets</b>							
Gold	-	-	-	-	-	837	837
Receivables from the IMF	-	-	-	-	-	39,800	39,800
Treasury bills and other eligible bills	17,719	18,048	42,712	598	-	-	79,077
Bonds and other securities with fixed income	15,279	21,042	62,839	218,503	-	-	317,663
Other receivables from abroad	116,827	15,053	-	-	-	49	131,929
Receivables from domestic banks	660	12	12	96	13	-	793
Due from clients	21,928	4	14,077	80	-	12,174	48,263
Cash	-	-	-	-	-	1,714	1,714
Fixed assets	-	-	-	-	-	7,769	7,769
Other assets	<u>1,369</u>	-	-	-	-	-	<u>1,369</u>
<b>Total assets</b>	<u>173,782</u>	<u>54,159</u>	<u>119,640</u>	<u>219,277</u>	<u>13</u>	<u>62,343</u>	<u>629,214</u>
<b>Liabilities and equity</b>							
Issue of currency	-	-	-	-	-	207,575	207,575
Due to the IMF	-	-	-	-	-	34,033	34,033
Liabilities to abroad including securities	14,610	12	12	96	13	-	14,743
Due to domestic banks	309,247	-	-	-	-	-	309,247
Client deposits	27,916	-	-	-	-	-	27,916
Other liabilities to state budget	52,986	-	-	4,751	-	-	57,737
Reserves	-	-	-	-	-	11,935	11,935
Share capital	-	-	-	-	-	1,400	1,400
Funds	-	-	-	-	-	8,198	8,198
Accumulated profits / (losses)	-	-	-	-	-	(15,904)	(15,904)
Profit / (loss) for the period	-	-	-	-	-	(28,628)	(28,628)
Other liabilities	<u>962</u>	-	-	-	-	-	<u>962</u>
<b>Total liabilities and equity</b>	<u>405,721</u>	<u>12</u>	<u>12</u>	<u>4,847</u>	<u>13</u>	<u>218,609</u>	<u>629,214</u>
<b>On balance sheet interest sensitivity gap</b>	<u>(231,939)</u>	<u>54,147</u>	<u>119,628</u>	<u>214,430</u>	<u>-</u>	<u>(156,266)</u>	<u>-</u>
<b>As at 31 December 2000</b>							
<b>Total assets</b>	207,422	145,539	211,852	2	60	51,142	616,017
<b>Total liabilities</b>	<u>354,188</u>	<u>9,912</u>	<u>5,651</u>	<u>488</u>	<u>49</u>	<u>245,729</u>	<u>616,017</u>
<b>On balance sheet interest sensitivity gap</b>	<u>(146,766)</u>	<u>135,627</u>	<u>206,201</u>	<u>(486)</u>	<u>11</u>	<u>(194,587)</u>	<u>-</u>

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

28 CURRENCY RISK

Concentrations of assets and liabilities

As at 31 December 2001	CZK	EUR	USD	JPY	DEM	Other	Total
<b>Assets</b>							
Gold	-	-	-	-	-	837	837
Receivables from the IMF	34,033	-	-	-	-	5,767	39,800
Treasury bills and other eligible bills	-	39,521	39,556	-	-	-	79,077
Bonds and other securities with fixed income	-	238,542	74,605	-	3,409	1,107	317,663
Other receivables from abroad	-	81,631	50,214	1	-	83	131,929
Receivables from domestic banks	660	133	-	-	-	-	793
Due from clients	48,263	-	-	-	-	-	48,263
Cash	1,714	-	-	-	-	-	1,714
Fixed assets	7,759	-	-	-	-	10	7,769
Other assets	<u>997</u>	<u>345</u>	<u>27</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,369</u>
<b>Total assets</b>	<u>93,426</u>	<u>360,172</u>	<u>164,402</u>	<u>1</u>	<u>3,409</u>	<u>7,804</u>	<u>629,214</u>
<b>Liabilities and equity</b>							
Issue of currency	207,575	-	-	-	-	-	207,575
Due to the IMF	34,033	-	-	-	-	-	34,033
Liabilities to abroad including securities	468	3,398	10,877	-	-	-	14,743
Due to domestic banks	309,247	-	-	-	-	-	309,247
Client deposits	26,394	1,415	107	-	-	-	27,916
Other liabilities to state budget	36,468	1,796	19,473	-	-	-	57,737
Reserves	11,935	-	-	-	-	-	11,935
Share capital	1,400	-	-	-	-	-	1,400
Funds	8,198	-	-	-	-	-	8,198
Accumulated profits / (losses)	(15,904)	-	-	-	-	-	(15,904)
Profit / (loss) for the period	(28,628)	-	-	-	-	-	(28,628)
Other liabilities	<u>951</u>	<u>8</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>962</u>
<b>Total liabilities and equity</b>	<u>592,137</u>	<u>6,617</u>	<u>30,459</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>629,214</u>
<b>Net assets</b>	<u>(498,711)</u>	<u>353,555</u>	<u>133,943</u>	<u>1</u>	<u>3,409</u>	<u>7,803</u>	<u>-</u>
<b>As at 31 December 2000</b>							
Total assets	108,832	347,720	144,263	5,944	7,122	2,136	616,017
Total liabilities	<u>600,320</u>	<u>4,174</u>	<u>11,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>616,017</u>
<b>Net assets</b>	<u>(491,488)</u>	<u>343,546</u>	<u>132,740</u>	<u>5,944</u>	<u>7,122</u>	<u>2,136</u>	<u>-</u>

CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

29 CREDIT RISK

**Geographical concentrations of assets and liabilities**

	<u>Total assets</u> CZK million	<u>Total liabilities</u> <u>and equity</u> CZK million
<b>As at 31 December 2001</b>		
Czech Republic	60,745	580,438
Germany	83,298	-
Switzerland	18,516	-
France	82,318	-
Italy	111,309	-
Great Britain	42,871	-
Other European Union countries	104,711	3,461
Other European countries	99	5
Canada and USA	113,565	45,310
Japan	1	-
Other countries	<u>11,781</u>	<u>-</u>
	<u>629,214</u>	<u>629,214</u>
<b>As at 31 December 2000</b>		
Czech Republic	67,974	559,789
Germany	49,807	-
Switzerland	56,237	-
France	63,780	-
Italy	116,437	1,796
Great Britain	52,833	-
Other European Union countries	80,469	177
Other European countries	4	-
Canada and USA	110,456	54,255
Japan	5,944	-
Other countries	<u>12,076</u>	<u>-</u>
	<u>616,017</u>	<u>616,017</u>



CZECH NATIONAL BANK

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2001

**30 DERIVATIVE FINANCIAL INSTRUMENTS**

The Bank has outstanding derivative contracts at the balance sheet date that can be divided as follows:

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
<u>Currency derivatives</u>		
Receivables from forwards	5	6,368
Payables from forwards	5	5,944
<u>Option contracts on shares</u>		
Receivables from option contracts	7,985	6,832
Payables from option contracts	7,985	6,832

**31 CONSOLIDATION OF THE BANKING SECTOR**

**Consolidation of the banking sector**

Pursuant to its role in supporting and maintaining the stability of the banking sector the CNB took over certain assets and liabilities or guaranteed certain liabilities of various commercial banks. The Czech Government issued a guarantee of CZK 22,500 million in favour of the Bank (hereinafter the "Guarantee") to cover the exposure of the Bank arising as a consequence of these activities. The Guarantee was issued on 19 March 1997 and is valid for ten years from that date. CNB has fully provided for the estimated losses resulting from the consolidation of the banking sector not covered by the Guarantee.

The assets taken over and specific provisions and reserves created as at 31 December 2001 and as at 31 December 2000 can be summarised as follows:

	<u>31 December 2001</u> CZK million	<u>31 December 2000</u> CZK million
Receivables from banks	27,481	27,851
Purchased receivables of banks	139	410
Guarantees and commitments	<u>581</u>	<u>553</u>
	28,201	28,814
Specific provisions and reserves for assets related to the consolidation of the banking sector	<u>(5,701)</u>	<u>(6,314)</u>
Total net book value covered by the Guarantee	<u>22,500</u>	<u>22,500</u>

**31 CONSOLIDATION OF THE BANKING SECTOR (continued)**

**Česká finanční, s. r. o.**

CF was 100% acquired by the Bank in 1997 as a special purpose vehicle to administer the banking industry Stabilisation and Consolidation programmes which focused on small and middle sized banks. Further to the resolution of the Czech Government number 1162 dated 8 November 1999, by which the Czech Government approved the restructuring of certain transformation institutions, CNB sold its 100% ownership interest in CF for an agreed price of CZK 1 to Konsolidační Banka Praha, s.p.ú., now Česká Konsolidační Agentura (hereinafter the "CKA") based on an agreement for the transfer of the ownership interest in a company concluded between CNB and CKA in June 2000. CNB has undertaken to cover all CF losses resulting from the Consolidation Programme and concluded an agreement with CF on the settlement of operating costs and losses from assumed assets incurred in relation to the implementation of the Consolidation Programme, which would not be set off against the CF share capital of CZK 13,833 million which CNB had increased in 1998 and 1997.

The Consolidation programme involved transfers of certain doubtful assets of certain banks taking part in this programme to CF in exchange for an irrecoverable cash advance from CF. The aim of this programme was to assist certain small banks to regain financial stability and the programme was started in 1997. The unaudited book amount of the Consolidation programme assets administered by CF (net of provisions created by CF) was CZK 25,799 million as at 31 December 2001 (audited amount as at 31 December 2000: CZK 28,990 million).

In compliance with this agreement CF operating costs will be settled on a quarterly basis and the agreement also specifies CF's reporting duties to CNB on a regular basis. The mechanism whereby CNB retains a certain level of control over CF activities relating to the Consolidation Programme was agreed by CNB and CKA in the agreement on the settlement of operating costs and losses from assumed assets incurred in relation to the implementation of the Consolidation Programme.

**31 CONSOLIDATION OF THE BANKING SECTOR (continued)****Česká finanční (continued)**

The calculation of the reserve as at 31 December 2001 and as at 31 December 2000 can be summarised as follows:

	<u>31 December 2001</u> CZK'000	<u>31 December 2000</u> CZK'000
Provided loans	14,026	15,161
Less expected recoverability of		
- receivables in Consolidation programme	3,334	4,173
- securities in Consolidation programme	<u>105</u>	<u>121</u>
	<u>3,439</u>	<u>4,294</u>
Created reserves (Note 18)	<u>10,587</u>	<u>10,867</u>

**Investiční a poštovní banka, a. s.**

In June 2000 CNB declared forced administration in Investiční a poštovní banka, a. s. (hereinafter "IPB"). On 16 June 2000 CNB issued a guarantee for deposits (hereinafter the "Guarantee for Deposits") covering all commitments resulting from deposits received by IPB and from bonds issued by IPB including accrued interest as at 16 June 2000.

Liabilities with a fixed maturity date were guaranteed until the maturity date and liabilities without a fixed maturity date were guaranteed until the end of the 12 month period after the forced administration of IPB is terminated.

The Guarantee for Deposits is regularly updated in the CNB off balance sheet based on an assessment of the liabilities covered by the Guarantee for Deposits performed by Československá obchodní banka, a. s. (hereinafter "CSOB"). The balance of the Guarantee for Deposits as at 31 December 2001 was CZK 48,707 million (31 December 2000: CZK 54,200 million).

CSOB concluded with the forced administrator of IPB a contract about the sale of the business on 19 June 2000 and based on this agreement CSOB took over assets and liabilities of IPB. On 19 June 2000 the CNB issued an Agreement and Indemnity Letter (hereinafter the "Indemnity Letter") in which it irrevocably and unconditionally undertook to pay to CSOB certain losses and it indemnifies CSOB for certain costs related to the transaction.

**31 CONSOLIDATION OF THE BANKING SECTOR (continued)****Investiční a poštovní banka, a. s. (continued)**

On 23 June 2000 the Czech Government issued a Government guarantee in which it undertook that it will refund certain losses incurred by the CNB in connection with the CSOB indemnification based on the Indemnity Letter (hereinafter the "State Guarantee"). This guarantee covers only losses incurred by CNB resulting from indemnification of CSOB's losses arising from any unrecorded liabilities relating to IPB, which were not recorded in the IPB accounting records.

During 2001 the CNB granted two advances to CSOB relating to the Indemnity letter totalling CZK 478 million. Both these advances relate to compensations paid by CSOB resulting from liabilities unrecorded in the IPB accounting records and for this reason they are not provided for, since they are considered to be covered by the State Guarantee.

The amounts covered under the Indemnity letter, advances paid to CSOB and the received State Guarantee can be analysed as follows:

	<u>31 December 2001</u> CZK '000	<u>31 December 2000</u> CZK '000
Potential claims under the Indemnity Letter	39,362	7 945
Advances paid to CSOB	<u>478</u>	<u>0</u>
	<u>39,840</u>	<u>7 945</u>
Received State Guarantee	<u>39,840</u>	<u>7 945</u>

CSOB regularly lists and quantifies the other items under the Indemnity Letter, which may lead to a potential claim, although the final outcome of any potential claim currently cannot be reasonably determined by CNB. The potential claims from the Indemnity letter decreased by the amount of the advances paid and also recoverable under the State Guarantee as at 31 December 2001 quantified by CSOB was CZK 39,840 million (31 December 2000: CZK 7,945 million).

**31 CONSOLIDATION OF THE BANKING SECTOR (continued)****Investiční a poštovní banka, a. s. (continued)**

In case CSOB will ask CNB to settle any claim under the Indemnity Letter, CNB will make the related payment within the five working days after the receipt of the CSOB request. The payment calendar related to the State Guarantee is as follows:

<u>Amount claimed by the CNB</u>	<u>Maturity</u>
Below or equal to CZK 2 billion	in the same calendar year
Greater than CZK 2 billion and less than or equal to CZK 5 billion	CZK 2 billion in the same calendar year; the rest in the following calendar year
Over CZK 5 billion	CZK 2 billion in the same calendar year CZK 3 billion in the following calendar year the rest in the third calendar year

**32 RELATED PARTY TRANSACTIONS**

Related party transactions, including transactions with the management and employees of CNB arose under the same conditions and interest rates as for unrelated parties under the same terms. In the opinion of the management of the Bank, a common interest rate was used in all cases and the deposits do not have different liquidity risk or other unfavourable features.

Related parties include CF. The objectives and basic activities of CF are described in Note 31. Transactions were entered into with CF when performing the Bank's role in stabilisation of the banking sector. Loans were provided on arm's length interest rate terms.

**33 SUBSEQUENT EVENTS**

The CNB's management is not aware of any subsequent events that would have a material impact on the financial statements.