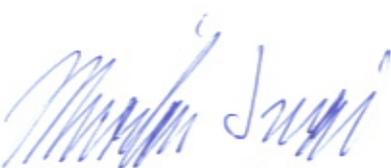
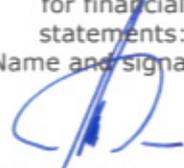


FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2013
TOGETHER WITH AUDITOR'S REPORT

2013

**FINANCIAL STATEMENTS
OF THE CZECH NATIONAL BANK
FOR THE YEAR
ENDED 31 DECEMBER 2013**

Date of preparation:	Governor's signature	Person responsible for accounting Name and signature	Person responsible for financial statements: Name and signature
21 February 2014	 Ing. M. Singer, Ph.D.	 Ing. M. Mayer, LL.M.	 Ing. M. Lorenc

Financial statements and notes to the financial statements were approved by the Bank Board of the CNB on 19 March 2014.

ASSETS

	<u>Note</u>	<u>31 December</u> <u>2013</u>	<u>31 December</u> <u>2012</u>
		CZK million	CZK million
1. Gold	3	664	702
2. Receivables from the International Monetary Fund	4	57,950	55,335
3. Receivables from abroad, including securities	5	1,072,748	813,138
3.1. Deposits at foreign banks and financial institutions		5,623	110,768
3.2. Securities		956,273	607,114
3.3. Other receivables from abroad		110,852	95,256
4. Receivables from domestic banks	6	0	0
5. Fixed assets	7	3,962	4,182
5.1. Tangible fixed assets		3,934	4,145
5.2. Intangible assets		28	37
6. Other assets	8	6,297	4,961
6.1. Other financial assets		4,325	3,999
6.2. Other		<u>1,972</u>	<u>962</u>
TOTAL ASSETS		<u>1,141,621</u>	<u>878,318</u>

LIABILITIES AND EQUITY

	<u>Note</u>	<u>31 December 2013</u> CZK million	<u>31 December 2012</u> CZK million
1. Notes and coins in circulation	9	441,847	422,707
2. Liabilities to the International Monetary Fund	4	43,782	42,697
3. Liabilities abroad	10	604	4,360
3.1. Loans from foreign banks		0	3,726
3.2. Other liabilities abroad		604	634
4. Liabilities to domestic banks	11	664,077	383,642
4.1. Loans received		380,303	241,902
4.2. Bank monetary reserves		59,638	44,301
4.3. Other liabilities to banks		224,136	97,439
5. Liabilities to the state and other public institutions	13	25,510	126,599
6. Provisions	14	228	219
7. Share capital	15	1,400	1,400
8. Funds	15	8,050	8,050
9. Revaluation reserve	15	2,382	8,048
10. Accumulated losses from previous periods	15	(123,565)	(126,410)
11. Net profit for the period	15	73,116	2,846
12. Other liabilities	16	<u>4,190</u>	<u>4,160</u>
TOTAL LIABILITIES AND EQUITY		<u>1,141,621</u>	<u>878,318</u>

The accompanying income statement, off-balance sheet and notes are an integral part of the financial statements.

	<u>Note</u>	<u>31 December 2013</u>	<u>31 December 2012</u>
		CZK million	CZK million
1. Guarantees issued	25	158,074	158,085
2. Issued loan commitments	4	65,004	21,960
3. Receivables from spot, term and futures transactions	20	79,797	89,324
4. Liabilities from spot, term and futures transactions	20	78,939	89,198
5. Guarantees received	25	226,335	156,950
6. Collateral received	25	127,317	108,177

The accompanying balance sheet, income statement and notes are an integral part of the financial statements.

	<u>Note</u>	<u>2013</u> CZK million	<u>2012</u> CZK million
1. Interest income and similar income	17	5,075	6,593
1.1. Interest from fixed income securities		4,819	6,172
1.2. Other		256	421
2. Interest expense and similar expense	17	(310)	(2,360)
3. Income from shares and other interests		2,562	2,628
4. Fee and commission income		309	342
5. Fee and commission expense		(88)	(81)
6. Gains less losses from financial operations	18	67,179	(2,865)
6.1. Net foreign exchange gains / (losses) and foreign exchange spread		47,373	(21,277)
6.2. Other		19,806	18,412
7. Other operating income		737	3,191
7.1. Income from money issue		464	618
7.2. Other		273	2,573
8. Other operating expense		(495)	(2,760)
8.1. Expenses for production of notes and coins		(415)	(388)
8.2. Other		(80)	(2,372)
9. Administration expense	19	(1,572)	(1,528)
9.1. Personnel expenses		(1,243)	(1,199)
9.1.1. Wages and salaries		(875)	(840)
9.1.2. Social and health security		(291)	(280)
9.1.3. Training and employee benefits		(77)	(79)
9.2. Other administration expenses		(329)	(329)
10. Depreciation and amortization of fixed assets	7	(279)	(314)
11. Reversal of provisions for receivables and guarantees, income from receivables already written off	14	460	5
12. Write offs, additions and utilization of provisions for receivables and guarantees	14	(462)	(5)
13. Net profit for the period		<u>73,116</u>	<u>2,846</u>

The accompanying balance sheet, off-balance sheet and notes are an integral part of the financial statements.

1 GENERAL INFORMATION

The Czech National Bank ("the Bank" or "the CNB") is the central bank of the Czech Republic ("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 the 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 CNB Act"). The Bank is a legal entity governed by public law. 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 registered office of the CNB is at Na Příkopě 28, Prague 1, Czech Republic, and its identification number is 48136450.

The primary objective of the Bank is to maintain price stability. In addition, the Bank ensures the financial stability and safe functioning of the financial system in the CR. Without prejudice to its primary objective, the Bank also aims to support the general economic policies of the Government which lead to sustainable economic growth and the general economic policies of the European Union in order to facilitate achieving the objectives of the European Union. The Bank acts in accordance with the principle of an open market economy.

The Bank sets the monetary policy, issues bank notes and coins, manages the circulation of currency and inter-bank clearing and the settlement system of banks and foreign bank branches, including the maintenance of this system to ensure its fluency and efficiency, supervises the institutions operating on the financial market (banks, credit unions, securities traders, issuers of securities, collective investment undertakings, insurance companies and pension funds etc.), assesses risks to the stability of the financial system and within its powers supports the financial system and maintains financial stability. The supervision performed by the Bank focuses on the area of client protection with entities operating on the financial market and supervised by the Bank. The Bank also manages foreign currency reserves and performs other activities as defined by the CNB Act and by other legislation.

Based on the Treaty on the Functioning of the European Union and based on the Protocol about the Statute of the European System of Central Banks and the European Central Bank ("the Statute"), the Bank is a part of the European Central Banks System, contributes to the achievement of its objectives and tasks and is obligated to follow the regulations set by the Statute in the extension of requirements for central banks of those European Union member states which have not yet accepted the euro as their national currency. It is also a part of the European System of Financial Supervision and cooperates with the European Systemic Risk Board and with European supervisory authorities.

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 institutions and international bodies involved in the supervision of the financial market and negotiates relevant agreements.

When carrying out its business, the Bank is independent of any instruction given by the President of the CR, the Czech Parliament, the Czech Government, administrative authorities, European Union authorities, Governments of other European Union member states or other authorities. Disclosure obligations of the Bank to the Chamber of Deputies of the Czech Parliament, Senate, Government and public are defined by the law. The Bank and the Government communicate with each other about principles and measures of monetary, macroprudential and general economic policy.

The supreme management body of the Bank is the Bank Board of the CNB. The Bank Board has seven members. The members include the Governor of the Bank, two Vice-Governors of the Bank, and four other Bank Board members. The members of the Bank Board are appointed and recalled by the President of the CR. The members of the Bank Board are appointed for a period of six years for a maximum of two terms of office. The Bank Board, inter alia, sets the monetary and macroprudential rules and instruments for their implementation and decides about the primary measures of the monetary and macroprudential policies of the Bank and about the measures on the supervision of financial markets.

As at 31 December 2013, the members of the Bank Board and their office termination dates were as follows:

Ing. Miroslav Singer, Ph.D.	Governor	until 30 June 2016
Ing. Mojmír Hampl, MSc., Ph.D.	Vice-Governor	until 30 November 2018
prof. PhDr. Ing. Vladimír Tomšík, Ph.D.	Vice-Governor	until 30 November 2018
prof. Ing. Kamil Janáček, CSc.	Member of Bank Board	until 30 June 2016
doc. Ing. Lubomír Lízal, Ph.D.	Member of Bank Board	until 12 February 2017
Ing. Pavel Řežábek, Ph.D.	Member of Bank Board	until 12 February 2017
Ing. Eva Zamrazilová, CSc.	Member of Bank Board	until 28 February 2014

The statutory representative of the Bank is the Governor. A Vice-Governor is appointed by the Governor to represent him in full extent.

The Bank uses its income to cover the necessary costs of its operations. Pursuant to the CNB Act, the Bank's profit, if any, is allocated to its reserve fund or to other funds created from this profit, and for other uses within the Bank's budget. Any remaining profit is transferred by the CNB 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 Bank Board is monitoring the situation so that appropriate action, consistent with the Bank's statutory objectives, can be taken should it be necessary.

The CNB submits its annual report on its operations to the Chamber of Deputies of the Czech Parliament within three months of the calendar year-end.

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Bank that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

2 ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements, comprising a balance sheet, income statement and accompanying notes including also statement of changes in equity, are prepared in accordance with the Act on Accounting, decree No. 501/2002 Coll. issued by the Ministry of Finance of the CR and Czech Accounting Standards for financial institutions. The financial statements are prepared under the historical cost convention as modified by the revaluation of derivatives and available-for-sale financial instruments to fair values. The financial statements are prepared according to the principles of presentation and disclosure determined by the management of the CNB to be appropriate, bearing in mind the needs and requirements for reporting of central banks. The financial statements of the CNB are prepared to give a true and fair view of its financial position, financial transactions and the results of its operations. The financial statements are rounded to millions of Czech Crowns ("million CZK") unless otherwise stated.

(b) Foreign currencies and Special Drawing Rights

Transactions in foreign currencies are translated into CZK at the foreign exchange rate effective at the transaction date. Assets and liabilities denominated in foreign currencies are translated to CZK at the exchange rate effective as at the balance sheet date.

Exchange rates	Quantity	31 December 2013	31 December 2012
EUR	1	27.425	25.140
USD	1	19.894	19.055
JPY	100	18.957	22.130
GBP	1	32.911	30.812
CAD	1	18.707	19.142
AUD	1	17.791	19.770
SEK	1	3.096	2.929
Special drawing rights (XDR)	1	30.637	29.286

All resulting realized and unrealized foreign exchange gains and losses are recognized in the income statement in the gains less losses from financial operations, except for foreign exchange gains and losses from capital instruments in available-for-sale portfolios which are recognized in equity (see Note 2d).

(c) Gold and other precious metals

Gold and other precious metals are valued at historical cost. The Bank's gold reserves are used for regular issue of gold commemorative coins.

(d) Securities

The Bank holds foreign debt securities and shares, reported in receivables from abroad, and capital instruments (shares and interests in companies other than subsidiaries or associates) that are recognized in other financial assets. These shares and interests represent participations reflecting the CNB membership in international institutions.

Foreign debt securities and shares recorded in receivables from abroad are purchased in relation to the foreign currency reserves administration, in accordance with predefined internal CNB rules. They consist of money market and capital market securities. The shares are administered by external managers within the passive investment strategy consisting of maximum achievable replication of selected share indexes of advanced economies.

The Bank classifies all debt securities held in its portfolio as available-for-sale, i.e., no debt securities are classified as measured at fair value through profit or loss or held to maturity securities. The Bank also included shares and interests representing the participations in international institutions in available-for-sale portfolio. The Bank included the shares administered by external managers in the portfolio measured at fair value through profit or loss. Booking is performed based on information from external managers.

Securities and interests are initially recognized at cost which includes expenses incurred in connection with their acquisition. Interest income on debt securities is accrued based on the difference between the purchase price and the nominal value using the effective interest rate method, considering also coupon payments if relevant (amortized cost).

Available-for-sale debt securities, shares and interests representing the participations, as well as shares measured at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of available-for-sale bonds and shares representing the participations are recognized directly in equity until the financial asset is derecognized or impaired. In such cases the cumulative gain or loss previously recognized in equity is recognized in the income statement. Gains and losses arising from changes in the fair value of shares measured at fair value through profit or loss are recognized in the income statement. The Bank measures the interests at cost.

The fair value is determined as the bid / mid market value quoted by a relevant stock exchange or other active public market. In other cases the fair value is estimated by:

- the share on the issuer's equity or the historical cost less impairment in the absence of any other measure;
- the risk-adjusted net present value of expected cash flows for debt securities and notes.

Interest and dividends on available-for-sale bonds and shares as well as dividends on shares measured at fair value through profit or loss are recognized in the income statement.

(e) Repo transactions and securities lending

Securities borrowed or purchased under the purchase and resell agreements are not recognized on the balance sheet. Securities lent or sold under those agreements are retained in their original portfolio. The underlying cash flows are recorded as received or provided loans and borrowings, respectively, on a settlement date basis. The value of securities received under reverse repo transactions or under securities lending contracts is reported off balance sheet in collateral received.

Foreign securities deposited with foreign depositories may be used pursuant to an agreement in a lending scheme ("securities lending") operated by a depository performing in the role of an agent or a direct borrower.

As part of the agent-type lending scheme, securities are lent to third parties and the Bank receives other securities as collateral in exchange. Received collateral is recorded off balance sheet, securities at fair value remain in the balance sheet.

As for the automatic lending scheme, the Bank does not receive collateral, but the depository guarantees that the lent securities are returned or reimbursed for in cash.

With both of the lending schemes, securities continue to be carried on the Bank's balance sheet at the original carrying amount; income from these operations is recognized in the income statement.

(f) Notes and coins in circulation

Notes and coins in circulation represent the liability of the Bank from the issue of currency. The expenses for the production of notes and coins are expensed as incurred.

(g) Receivables from and liabilities to the International Monetary Fund

Receivables from and payables to the International Monetary Fund ("IMF") are recorded on the gross basis, i.e. receivables and payables do not balance out. The membership quota at IMF comprises a membership deposit and reserve position. The membership deposit is translated into CZK at the rate advised by the IMF.

(h) Issued securities

The amount of treasury bills issued by the Bank is presented in the balance sheet after offsetting against treasury bills repurchased by the Bank. The Bank records the whole issued amount of treasury bills and uses the treasury bills only as collateral in repo transactions with domestic banks (see Note 12).

(i) Derivative financial instruments

Derivative financial instruments are initially recognized on the balance sheet at cost and are subsequently remeasured at their fair value. Fair values of futures are obtained from quoted market prices, in other cases the market value is derived from discounted expected cash-flow models. Fair values of derivatives are presented in other assets or in other liabilities when they are positive or negative respectively. The Bank does not apply hedge accounting. Changes in the fair value of derivatives are included in the gains less losses from financial operations. Receivables and liabilities arising from derivative transactions in the value of the underlying

instruments are reported off balance sheet and remeasured to reflect exchange rate movements or changes in the fair value of securities.

(j) Interest income and expense

Interest income and interest expense on all interest bearing tools are accrued. For loans, and deposits and available-for-sale coupon bonds with a floating interest rate "floaters" using the straight-line method, for available-for-sale zero coupon and coupon bonds with a fixed interest rate interest is accrued using the effective interest rate method derived from acquisition cost. Accrued interest is recorded together with underlying assets and liabilities.

The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the instrument to its net carrying amount.

Interest income on non-performing loans is also accrued and included in the related loan balance. Such amounts are considered in estimating the specific provisions for non-performing loans. No interest is paid on receivables in case of a debtor's default. Non-interest earning assets, such as long-term receivables, are not discounted.

(k) Fee income

Fee income from the maintenance of current accounts and effected transactions are recognized in accordance with the CNB's Schedule of Charges for Financial and Business Services on an accrual basis, at the end of the month. One-off fees are recognized immediately in the income statement when the service is provided.

(l) Liabilities to and receivables from domestic banks

Bank monetary reserves of banks, foreign bank branches and savings and credit societies (hereinafter referred to as "domestic banks") include deposits with CNB relating to mandatory minimum reserves (hereinafter "MMR") held in CNB's Clearing Centre accounts (payment system account), cash withdrawal and deposit accounts, or in special accounts reserved for MMR.

The MMR requirement is 2% of the volume of received deposits, loans and issued non-trading and other debt securities in respect of non-banks with maturity up to 2 years.

The above deposits bear an interest equal to the current CZK two-week repo interest rate up to the pre-specified volume of minimum reserves, while the domestic banks are required to maintain the average MMR balance over the relevant maintenance period rather than on a daily basis. Since 1 March 2012, the obligation to maintain MMR has also applied to credit unions.

Liabilities to domestic banks from repo transactions (loans received) include the banks' surplus liquidity deposited with CNB through monetary policy repo tenders. CNB provides CNB treasury bills or other securities as collateral in these transactions. The basic duration of these operations is 14 days, while repos with shorter/longer maturities are executed from time to time depending on the interbank money market liquidity changes.

Domestic banks also have an option to make overnight deposits of surplus liquidity with CNB (deposit facility for deposit rates) or borrow overnight liquidity from CNB against collateral (Lombard repo lending facility for Lombard rates).

A list of acceptable financial instruments (collaterals) to secure such operations (repo tenders, Lombard repo transactions) is published on CNB website.

(m) Other receivables

Receivables originated by the Bank are stated at nominal value less specific provisions for impairment, if any. Irrecoverable receivables are generally written off upon completion of bankruptcy proceedings against the debtor or on the debtor's liquidation.

(n) Liabilities to the state

The CNB serves the Czech state by maintaining a system of income and expense accounts and other current and deposit accounts for the state and its organization units and other entities pursuant to Section 3(h) of Act No. 218/2000 Coll., on budgetary rules. The Bank also provides selected banking services on these accounts. Most account balances are connected to the Single Treasury Account in CZK and in the single currency. Accordingly, these liabilities represent state funds deposited with the CNB.

(o) Provisions

Provisions 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.

Additions to provisions are recognized in the income statement, their utilization is recognized together with expenses or losses, for which purpose they were created in the income statement. Reversal of provisions in case they are no longer necessary is recognized into income. Movements in provision accounts denominated in foreign currencies arising from revaluations to exchange rates prevailing as at the balance sheet date are recognized or charged, as appropriate, to exchange rate differences.

(p) Specific impairment provisions

Specific provisions are deducted from the nominal value of each receivable originated by the Bank. The amount of specific provisions for classified receivables and 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.

Specific provisions and provisions are not discounted for the effects of expected timing of cash flows.

When a receivable is deemed to be not collectable, it is written off and the related provision for impairment is reversed. Subsequent recoveries are credited to the current period income statement if previously written off.

(q) Tangible and intangible fixed assets

Tangible and intangible fixed assets are recorded at cost, which includes value added tax ("VAT") unless the VAT is fully recoverable, and are depreciated / amortized by applying the straight-line basis of depreciation over the estimated useful lives.

If usage of intangible fixed assets is limited by contract, the intangible fixed assets are amortized over the contractual period. Low-value, tangible fixed assets with a unit cost not

exceeding CZK 40,000, as well as low-value, intangible fixed assets with a unit cost not exceeding CZK 60,000, are treated as fixed assets and are fully depreciated / amortized upon the inception of use. Land, art and art collections are not depreciated.

Estimated useful lives of the tangible and intangible fixed assets are as follows (in years):

Buildings and constructions	20 – 50
Machinery and equipment	
- Motor vehicles	4 – 5
- Office equipment and computers	3 – 4
- Cash processing machines	5 – 8
Furniture and fittings	5 – 10
Other	
- Software	3 – 4
- Other intangible assets	6

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

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

(r) Value added tax

The Bank is registered for VAT. In accordance with the VAT Act, the CNB claims the full amount of input VAT in respect of received taxable supplies used only for taxable supplies liable to VAT, where the input VAT is fully recoverable.

(s) Income tax and profit transfer to the state budget

The Bank is exempt from income tax in accordance with Section 17(2) of Act No. 586/92 Coll. on Income Taxes, as amended. As a result, the Bank does not account for current or deferred tax. The Bank uses its income to cover the necessary costs of its operations. Any remaining profit after allocations to funds and other usage (e.g. budgeted compensation of accumulated losses from previous periods) would be transferred to the state budget.

(t) Staff costs, pensions and employee benefits

Staff costs are included in administration expenses and they also include the Bank Board salaries and benefits.

The Bank does not administer its own pension fund but provides contributions for its employees to selected commercial pension funds. Contributions paid by the Bank are accounted for directly as an expense.

With effect from 1 January 2010, employee benefits are charged directly from expenses of the Bank.

(u) Cash flow statement

In accordance with Act on Accounting, CNB is not obliged to prepare a cash flow statement as part of its financial statements. As the Bank is the central bank of the CR, the management of the Bank is of the opinion that inclusion of a cash flow statement would not provide further significant information to the users of these financial statements.

(v) Date of accounting transaction

Accounting transactions are recognized or charged into income for the period to which they relate. Purchases and sales of foreign currencies and securities are accounted for as at the trade date off balance sheet; they are recognized on the balance sheet as at the settlement date. Credit transactions, including repo transactions, are accounted for as at the settlement date.

(w) Other off-balance sheet assets and liabilities

In compliance with accounting procedures for banks, the CNB records other off-balance sheet assets and liabilities in an off balance sheet account. Off-balance-sheet items are carried at face value or estimated value; carrying amount is used if neither face value nor estimated value can be determined.

In the off-balance sheet the Bank recognizes other assets taken into custody from clients and banks, assets in own custody and other carrying amounts.

In the off-balance sheet, the Bank recognizes at carrying amounts the assets not reflected in the balance sheet which the Bank received in connection with the fulfillment of its functions, especially in the field of currency. These items (particularly realized and unrealized designs of tender, legal and non-valid foreign and domestic tender and their counterfeits) are important for archiving and documentation purposes and, mainly, for studying and comparative purposes in order to ensure currency protection.

(x) Subsequent events

The effects of events which occurred between the balance sheet date and the date of compilation of the financial statements are reflected in the financial statements. This happens 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 but prior to the compilation of the financial statements, the effects of these events are disclosed, but are not themselves reflected in the financial statements.

3 GOLD

	<u>31 December 2013</u> CZK million	<u>31 December 2012</u> CZK million
Gold at cost	<u>664</u>	<u>702</u>

As at 31 December 2013, the Bank held gold bullion, minted gold coins and other unminted gold stock of 349 thousand oz of gold, i.e., 10.8 t (31 December 2012: 372 thousand oz of gold, i.e., 11.6 t).

In 2013, the Bank transferred a foreign bank deposit of CZK 345 million (5.6 t) denominated in gold to physical (allocated) gold, deposited. As at 31 December 2012, a foreign bank deposit denominated in gold amounted CZK 341 million (5.6 t).

The total market value of gold as at 31 December 2013 was CZK 8,336 million (31 December 2012: CZK 11,776 million).

4 RECEIVABLES FROM AND PAYABLES TO IMF

	<u>31 December 2013</u> CZK million	<u>31 December 2012</u> CZK million
Membership deposit	19,875	19,846
Reserve position	11,123	9,636
Membership quota at IMF	<u>30,998</u>	<u>29,482</u>
Loan provided to IMF	174	166
Long-term loan provided to IMF	3,759	3,693
Deposits in IMF	23,019	21,994
Total receivables from IMF	<u>57,950</u>	<u>55,335</u>
Liability from the SDR allocation	23,907	22,851
Liability to IMF from the bill of exchange	17,709	16,790
Current account with IMF	<u>2,166</u>	<u>3,056</u>
Total payables to IMF	<u>43,782</u>	<u>42,697</u>

Receivables from IMF result from the membership of the Czech Republic in this organization. They include membership deposit, reserve position, bank funds at SDR, an interest-free loan provided within the IMF programme for the support of less developed countries and a long-term loan provided to IMF. The reserve position of CNB at IMF represents a part of membership quota paid in foreign currency and is denominated in SDR.

Liabilities to IMF include IMF deposits in CNB, reflecting the sum of CZK held by IMF, and are largely covered by an interest-free bill of exchange of the Bank, long-term liabilities and from SDR allocations.

Pursuant to two bilateral agreements, CNB committed to grant the International Monetary Fund a loan denominated in SDR, up to the equivalent of EUR 2,530 million (an increase of EUR 1.5 billion compared to 2012). The undrawn element of the facility was EUR 2,370 million as at 31 December 2013, i.e. CZK 65,004 million (EUR 873 million as at 31 December 2012, i.e. CZK 21,960 million). The loan collateral is described in Note 25.

5 RECEIVABLES FROM ABROAD, INCLUDING SECURITIES

	<u>31 December 2013</u> CZK million	<u>31 December 2012</u> CZK million
Current accounts with banks	4,908	84,373
Deposits	<u>715</u>	<u>26,395</u>
Total deposits at foreign banks and financial institutions	5,623	110,768
Treasury bills and other discounted securities	230,782	124,052
Bonds and other coupon securities	617,558	396,166
Shares	<u>107,933</u>	<u>86,896</u>
Total securities	956,273	607,114
Funds from rev. repo	110,744	95,148
Foreign exchange	<u>108</u>	<u>108</u>
Total other receivables from abroad	110,852	95,256
Total receivables from abroad including securities	<u>1,072,748</u>	<u>813,138</u>

Foreign banks are banks with residence abroad. Foreign banks do not include branches of foreign banks resident in the Czech Republic.

Other receivables from foreign banks are particularly represented by reverse repo transactions for which collateral was received in the amount of CZK 109,516 million as at 31 December 2013 (31 December 2012: CZK 95,622 million) (see Note 25).

Deposits include also provided collateral in form of cash placed in foreign banks in total amount of CZK 602 million (31 December 2012: CZK 1,254 million) provided based on the framework agreements on derivatives transactions (ISDA Master Agreement, ISDA Credit Support Annex).

TREASURY BILLS AND OTHER DISCOUNTED SECURITIES

Treasury bills and other discounted securities can be analyzed as follows:

	Fair value <u>31 December 2013</u> CZK million	Fair value <u>31 December 2012</u> CZK million
Treasury bills	197,559	108,773
Other discounted securities	<u>33,223</u>	<u>15,279</u>
Total treasury bills and other discounted securities	<u>230,782</u>	<u>124,052</u>

BONDS AND OTHER COUPON SECURITIES

Bonds and other coupon securities can be analyzed as follows:

	Fair value <u>31 December 2013</u> CZK million	Fair value <u>31 December 2012</u> CZK million
Government bonds	541,414	337,435
Other foreign bonds	<u>76,144</u>	<u>58,731</u>
Total bonds and other coupon securities	<u>617,558</u>	<u>396,166</u>

Of the total portfolio of bonds and other coupon securities and treasury bills and other discounted securities with a fair value of CZK 848,340 million as at 31 December 2013 (CZK 520,218 million as at 31 December 2012) bonds in total amount of CZK 0 million (CZK 3,650 million as at 31 December 2012) were granted as collateral in accordance with the agreements on repo transactions and to secure transactions with a counterparty totaling CZK 0 million (CZK 106 million as at 31 December 2012) (see Note 10).

As at 31 December 2013, bonds and other coupon securities and treasury bills and other discounted securities with a fair value of CZK 5,646 million (CZK 6,658 million as at 31 December 2012) were lent out within the automatic lending scheme.

SHARES

Share indexes selected by the Bank for investing a part of foreign reserves portfolio are as follows:

MSCI Euro	Large Cap index comprises the liquid shares of large companies having their registered office in a country included in the European Monetary Union; the total number of companies included in the index oscillates, 113 companies were included as at 31 December 2013.
S&P 500	Index comprising 500 Large Cap US companies traded on the NYSE and NASDAQ.
FTSE 100	Index comprising 100 largest companies by reference to market capitalization on the London Stock Exchange.
Nikkei 225	Index comprising 225 share titles of the best rated Japanese companies traded on the Tokyo Stock Exchange.
S&P TSX	Index comprising the largest Canadian companies traded on the Toronto Stock Exchange; the index included 242 companies at the end of 2013.
S&P ASX 200	Index comprising 200 shares of the largest and most liquid companies traded on the Australian Stock Exchange.

With respect to selected share indexes, the Bank's share portfolio is diversified as follows:

Share indexes selected by the Bank for investing the part of foreign currency reserves portfolio:	Fair value	Fair value
	<u>31 December 2013</u>	<u>31 December 2012</u>
	CZK million	CZK million
MSCI Euro (EUR)	68,942	65,828
S&P 500 (USD)	20,333	14,649
FTSE 100 (GBP)	3,927	3,139
Nikkei 225 (JPY)	4,525	3,280
S&P TSX (CAD)	6,002	0
S&P ASX 200 (AUD)	<u>4,204</u>	<u>0</u>
Total shares	<u>107,933</u>	<u>86,896</u>
Of which: financial institutions		
MSCI Euro (EUR)	16,287	13,829
S&P 500 (USD)	2,884	1,961
FTSE 100 (GBP)	773	596
Nikkei 225 (JPY)	170	132
S&P TSX (CAD)	1,869	0
S&P ASX 200 (AUD)	1,601	0

As at 31 December 2013, shares with a fair value of CZK 1,708 million (31 December 2012: CZK 2,181 million) were lent out within the automatic lending scheme. Collateral in the form of other assets at a total value of CZK 1,844 million (31 December 2012: CZK 2,315 million) was received against this lending (see Note 25).

6 RECEIVABLES FROM DOMESTIC BANKS

Receivables from loans provided to domestic banks are represented by reverse repo transactions. No transactions were concluded as at 31 December 2013 and 2012.

In addition, reverse repo transactions in form of securities (collateral) switch are concluded with domestic banks. As a result of these transactions, collateral received from this type of transactions was CZK 15,418 million as at 31 December 2013 (31 December 2012: CZK 10,137 million), reported off balance sheet (see Note 25).

7 FIXED ASSETS

Tangible fixed assets

	<u>Land</u> CZK million	<u>Buildings</u> CZK million	<u>Machinery, furniture and fittings and other</u> CZK million	<u>Tangible assets acquisition and advances</u> CZK million	<u>Total</u> CZK million
<u>Cost</u>					
31 December 2012	184	6,995	2,852	19	10,050
Additions	0	3	39	55	97
Disposals / transfers	0	(1)	(89)	(53)	(143)
31 December 2013	<u>184</u>	<u>6,997</u>	<u>2,802</u>	<u>21</u>	<u>10,004</u>
<u>Accumulated amortization</u>					
31 December 2012	0	3,225	2,680	0	5,905
Additions to accumulated amortization	0	175	81	0	256
Disposal of accumulated amortization	0	(1)	(90)	0	(91)
31 December 2013	<u>0</u>	<u>3,399</u>	<u>2,671</u>	<u>0</u>	<u>6,070</u>
<u>Net book value</u>					
31 December 2012	184	3,770	172	19	4,145
31 December 2013	<u>184</u>	<u>3,598</u>	<u>131</u>	<u>21</u>	<u>3,934</u>

Intangible assets

	<u>Software</u> CZK million	Other intangible <u>assets</u> CZK million	Intangible assets acquisition and <u>advances</u> CZK million	<u>Total</u> CZK million
<u>Cost</u>				
31 December 2012	838	13	0	851
Additions	17	0	19	36
Disposals / transfers	(145)	0	(18)	(163)
31 December 2013	<u>710</u>	<u>13</u>	<u>1</u>	<u>724</u>
<u>Accumulated amortization</u>				
31 December 2012	802	12	0	814
Additions to accumulated amortization	23	0	0	23
Disposal of accumulated depreciation	(141)	0	0	(141)
31 December 2013	<u>684</u>	<u>12</u>	<u>0</u>	<u>696</u>
<u>Net book value</u>				
31 December 2012	36	1	0	37
31 December 2013	<u>26</u>	<u>1</u>	<u>1</u>	<u>28</u>

As at 31 December 2013, the depreciation of tangible assets was CZK 256 million, amortization of intangible assets was CZK 23 million (as at 31 December 2012 the amounts were CZK 292 million and CZK 22 million).

Approximately 98% of the Bank's assets at net book value is used for its operating needs. The Bank did not provide any fixed tangible or intangible assets as collateral and does not hold any fixed assets under finance lease contracts.

8 OTHER ASSETS

	<u>31 December 2013</u> CZK million	<u>31 December 2012</u> CZK million
Share in the ECB	162	147
BIS and SWIFT shares	<u>4,163</u>	<u>3,852</u>
Other financial assets	4,325	3,999
Loss loans of former banks	2,839	3,294
Specific provisions against loss loans of former banks (Note 14)	<u>(2,839)</u>	<u>(3,294)</u>
Total receivables from former banks	0	0
Prepaid expenses	37	27
Advances in relation to the Indemnity letter (see Note 27)	221	263
Other precious metals	69	93
Positive fair value of interest rate swaps (Note 20)	252	6
Positive fair value of currency forwards (Note 20)	861	110
Margin account including profit/(loss) from change in fair value of futures (Note 20)	237	214
Loans to employees	133	139
Other operating receivables	184	130
Specific provisions against other operating receivables (see Note 14)	<u>(22)</u>	<u>(20)</u>
Other	1,972	962
Total other assets	<u>6,297</u>	<u>4,961</u>

Other financial assets include CNB's share in the European Central Bank ("ECB"), the Bank for International Settlement ("BIS") and SWIFT. Following the accession of Croatia to the European Union, the membership shares of member countries in the ECB have been recalculated. In line with Article 29 of the Statute, the CR's membership share in the ECB was 1.4539% (totaling EUR 5.9 million) as at 31 December 2013 based on the population and gross domestic product.

The BIS and SWIFT shares are non-tradable and their holding results from the participation of the CNB in these institutions. The ECB and SWIFT shares are measured at cost. The BIS shares are measured at CNB's share on the paid-up portion of BIS net assets (or equity) reduced by 30%, which reflects the valuation of shares used by the BIS.

In addition, other financial assets include shares of former banks acquired by the CNB during the consolidation of the banking sector. The Bank did not incur any losses in this connection. The shares are measured at fair value, which based on the Bank's estimate approximates zero.

9 NOTES AND COINS IN CIRCULATION

	<u>31 December 2013</u> CZK million	<u>31 December 2012</u> CZK million
Notes in circulation	428,469	410,236
Coins in circulation	<u>13,378</u>	<u>12,471</u>
Total notes and coins in circulation	<u>441,847</u>	<u>422,707</u>

10 LIABILITIES ABROAD

	<u>31 December 2013</u> CZK million	<u>31 December 2012</u> CZK million
Funds from repo	0	3,726
Other liabilities abroad	<u>604</u>	<u>634</u>
Total liabilities abroad	<u>604</u>	<u>4,360</u>

The funds received represent the repo transactions with foreign banks. As at 31 December 2013, collateral provided for repo transactions in the form of debt securities was CZK 0 million (as at 31 December 2012: CZK 3,756 million) (see Note 5).

In addition, foreign banks provided deposits of CZK 79 million (31 December 2012: CZK 80 million) and collateral in form of cash deposit in total amount of CZK 525 million (31 December 2012: CZK 554 million) in accordance with the master agreements on derivatives transactions (ISDA Master Agreement, ISDA Credit Support Annex).

11 LIABILITIES TO DOMESTIC BANKS

	<u>31 December 2013</u> CZK million	<u>31 December 2012</u> CZK million
Loans received - repo transactions	380,303	241,902
Payment system accounts	52,481	35,848
Balances on cash withdrawal and deposit accounts	7,121	8,266
Special MMR accounts	<u>36</u>	<u>187</u>
Total domestic bank reserves	59,638	44,301
Short-term deposits received	224,071	97,439
Other liabilities	<u>65</u>	<u>0</u>
Total other liabilities to domestic banks	224,136	97,439
Total liabilities to domestic banks	<u>664,077</u>	<u>383,642</u>

In connection with the repo transactions with domestic banks, collateral of CZK 373,008 million was provided in form of the Bank's treasury bills as at 31 December 2013 (31 December 2012: CZK 237,525 million) (see Note 12).

In addition, repo transactions in form of securities (collateral) switch are entered into with domestic banks, reported off balance sheet. In connection with these transactions, collateral of CZK 15,070 million was provided in form of the Bank's treasury bills as at 31 December 2013 (31 December 2012: CZK 10,000 million) (see Note 12).

12 ISSUED DOMESTIC SECURITIES

	<u>31 December 2013</u> CZK million (700,000)	<u>31 December 2012</u> CZK million (700,000)
Treasury bills issued		
Treasury bills in repo transactions (carrying amount)	373,008	237,525
Borrowed treasury bills (collateral switch)	15,070	10,000
Available treasury bills	<u>311,922</u>	<u>452,475</u>
Total	<u>0</u>	<u>0</u>

For details see Note 2h of accounting procedures.

13 LIABILITIES TO THE STATE AND OTHER PUBLIC INSTITUTIONS

	<u>31 December 2013</u> CZK million	<u>31 December 2012</u> CZK million
State funds' accounts	0	18,975
State financial assets denominated in CZK including the Single Treasury Account (see Note 2n)	5,404	4,972
Off-budget funds deposits	0	19,890
Other deposits in CZK	<u>691</u>	<u>3,831</u>
Total CZK funds	6,095	47,668
Single Treasury Account in EUR	18,263	0
Other deposits in foreign currencies	<u>1,152</u>	<u>78,931</u>
Total foreign currency funds	19,415	78,931
Total state deposits	<u>25,510</u>	<u>126,599</u>

In connection with the adoption of Act No. 501/2012 Coll., which amended the Act No. 218/2000 Coll., on budgetary rules and amendments to certain related acts (budgetary rules), extensive changes pertaining to state accounts maintained with CNB were made with effect from 1 January 2013. Additional extra-budgetary funds of organizational government branches, state-budget organizations, state funds as well as funds from grants for local government units, universities and scientific-research institutions were subordinated under the Single Treasury Account in CZK.

At the same time, a Single Treasury Account denominated in EUR was established and accounts kept in the single currency were subordinated under the account.

Pursuant to the strategy of the Ministry of Finance of the Czech Republic, available funds were deposited with banks in the course of 2013.

14 PROVISIONS, SPECIFIC PROVISIONS AND WRITE-OFFS

The Bank records specific provisions and provisions for assets at risk:

	<u>31 December 2013</u> CZK million	<u>31 December 2012</u> CZK million
Specific provisions		
Classified loans of former banks (Note 8)	2,839	3,294
Other operating receivables (Note 8)	<u>22</u>	<u>20</u>
Total specific provisions	<u>2,861</u>	<u>3,314</u>
Provisions		
Guarantees for clients (Note 25)	<u>228</u>	<u>219</u>
Total provisions	<u>228</u>	<u>219</u>

Specific impairment provisions

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

	Classified loans of former <u>banks</u> CZK million	Other operating <u>receivables</u> CZK million	Total <u>provisions</u> CZK million
As at 1 January 2012	3,294	21	3,315
Addition	0	0	0
Depreciation	0	(1)	(1)
Reversal	<u>0</u>	<u>0</u>	<u>0</u>
As at 31 December 2012	<u>3,294</u>	<u>20</u>	<u>3,314</u>
Addition	0	2	2
Depreciation	(455)	0	(455)
Reversal	<u>0</u>	<u>0</u>	<u>0</u>
As at 31 December 2013	<u>2,839</u>	<u>22</u>	<u>2,861</u>

Provisions

The movements in provisions can be analyzed as follows:

	<u>Guarantees for clients</u> CZK million	<u>Total</u> CZK million
As at 1 January 2012	229	229
Addition	4	4
Utilization	(4)	(4)
Foreign exchange differences	<u>(10)</u>	<u>(10)</u>
As at 31 December 2012	<u>219</u>	<u>219</u>
Addition	5	5
Utilization	(5)	(5)
Foreign exchange differences	<u>9</u>	<u>9</u>
As at 31 December 2013	<u>228</u>	<u>228</u>

Creation and reversal of provisions for receivables and guarantees can be analyzed as follows:

	<u>2013</u> CZK million	<u>2012</u> CZK million
Creation of specific provisions	(457)	(1)
Creation of provisions	(5)	(4)
	<u>(462)</u>	<u>(5)</u>

	<u>2013</u> CZK million	<u>2012</u> CZK million
Reversal of specific provisions	455	1
Reversal of provisions	5	4
	<u>460</u>	<u>5</u>

15 EQUITY

Changes in equity during 2013 and 2012 were as follows:

	<u>Share capital</u> CZK million	<u>Funds</u> CZK million	<u>Accumulated losses</u> CZK million	<u>Revaluation reserve</u> CZK million	<u>Net profit/ (loss) for the period</u> CZK million	<u>Total equity</u> CZK million
Balance as at 1 January 2012	1,400	8,050	(161,836)	12,239	35,425	(104,722)
Profit distribution for 2011	0	0	35,425	0	(35,425)	0
Other (rounding effect)	0	0	1	0	0	1
Revaluation reserve not included in profit	0	0	0	(4,191)	0	(4,191)
Profit for 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,846</u>	<u>2,846</u>
Balance as at 31 December 2012	<u>1,400</u>	<u>8,050</u>	<u>(126,410)</u>	<u>8,048</u>	<u>2,846</u>	<u>(106,066)</u>
Profit distribution for 2012	0	0	2,846	0	(2,846)	0
Other (rounding effect)	0	0	(1)	0	0	(1)
Revaluation reserve not included in profit	0	0	0	(5,666)	0	(5,666)
Profit for 2013	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>73,116</u>	<u>73,116</u>
Balance as at 31 December 2013	<u>1,400</u>	<u>8,050</u>	<u>(123,565)</u>	<u>2,382</u>	<u>73,116</u>	<u>(38,617)</u>

In accordance with the approved budget and the financial management principles for 2013, the Bank's profit will be used in full to reduce the accumulated losses from previous periods.

The accumulated losses after setting off the 2013 profit will amount to CZK 50,449 million.

Revaluation reserve

The revaluation reserve represents the change in the real value of available-for-sale debt securities, shares and interests representing the participations until the time of sale or impairment (see Note 2d).

Funds

The Bank's only fund is the general reserve fund which has been created from profit and is restricted to cover accumulated losses, increase share capital or for any other purpose approved by the Bank Board of the CNB.

As at 31 December 2013, the general reserve fund's balance is CZK 8,050 million (2012: CZK 8,050 million).

16 OTHER LIABILITIES

	<u>31 December 2013</u>	<u>31 December 2012</u>
	CZK million	CZK million
Negative fair value of foreign currency forwards (Note 20)	9	0
Negative fair value of interest rate swaps (Note 20)	266	955
Advance received in relation to the State Guarantee (Note 27)	221	263
Liabilities to the European Union	1,995	323
Employee accounts	1,153	1,260
Other liabilities	<u>546</u>	<u>1,359</u>
Total other liabilities	<u>4,190</u>	<u>4,160</u>

Liabilities to the European Union include funds from the EU budget to be used by the CR.

Other liabilities totaling CZK 546 million include liabilities of CZK 41 million owing to social security and health insurance premiums as at 31 December 2013 (2012: CZK 35 million). The Bank has no liabilities related to social security and health insurance that would be overdue.

17 INTEREST INCOME, NET

	<u>2013</u> CZK million	<u>2012</u> CZK million
Interest income and similar income	5,075	6,593
Interest expense and similar expense	<u>(310)</u>	<u>(2,360)</u>
Interest income, net	<u>4,765</u>	<u>4,233</u>

Interest income and similar income

	<u>2013</u> CZK million	<u>2012</u> CZK million
Interest on treasury bills and other discounted securities	478	560
Interest on coupon bonds	<u>4,341</u>	<u>5,612</u>
Total interest on securities	<u>4,819</u>	<u>6,172</u>
Interest on inter-bank deposits	252	416
Interest on employees loans	<u>4</u>	<u>5</u>
Total other interest income	<u>256</u>	<u>421</u>
Total interest income and similar income	<u>5,075</u>	<u>6,593</u>

Interest expense and similar expense

	<u>2013</u> CZK million	<u>2012</u> CZK million
Interest on liabilities to the state	34	117
Interest on liabilities to banks	270	2,224
Interest on liabilities to employees and other clients	<u>6</u>	<u>19</u>
Total interest expense and similar expense	<u>310</u>	<u>2,360</u>

18 GAINS LESS LOSSES FROM FINANCIAL OPERATIONS

Gains less losses from financial operations can be analyzed as follows:

	<u>2013</u> CZK million	<u>2012</u> CZK million
Foreign exchange gains / (losses)	46,626	(21,985)
Foreign exchange spread	<u>747</u>	<u>708</u>
Net foreign exchange gains / (losses) and foreign exchange spread	<u>47,373</u>	<u>(21,277)</u>
Realized gain from sales of securities	1,825	7,890
Realized loss from sales of securities	(763)	(94)
Realized profit / (loss) from revaluation and sale of shares	18,185	11,389
Net gains / (losses) from currency forwards	33	136
Net gains / (losses) from interest futures	(96)	33
Net gains / (losses) from total return swaps	0	(316)
Net gains / (losses) from interest rate swaps	302	(785)
Net gains / (losses) from share futures	<u>320</u>	<u>159</u>
Other	<u>19,806</u>	<u>18,412</u>
Total gains less losses from financial operations	<u>67,179</u>	<u>(2,865)</u>

The foreign exchange spread represents the difference between the ask foreign exchange rate and the mid foreign exchange rate used for purchases and sales of the cash and non-cash of the Bank's clients.

19 ADMINISTRATION EXPENSE

The administration expenses can be analyzed as follows:

	<u>2013</u> CZK million	<u>2012</u> CZK million
Wages and salaries	875	840
Social and health security	291	280
Other social costs and employee benefits	53	52
Costs of personnel training	<u>24</u>	<u>27</u>
Total personnel costs	<u>1,243</u>	<u>1,199</u>
Rent	2	1
Other	<u>327</u>	<u>328</u>
Total other administration expenses	<u>329</u>	<u>329</u>
Total administration expenses	<u>1,572</u>	<u>1,528</u>

Of the total wages and salaries of CZK 875 million as at 31 December 2013 (CZK 840 million as at 31 December 2012) the wages, compensations and bonuses of the Bank's Board members totaled CZK 25 million (CZK 24 million as at 31 December 2012).

Staff statistics

	<u>2013</u>	<u>2012</u>
Average number of employees	1,372	1,389
Of which: Number of members of the Bank Board	7	7

20 FINANCIAL RISKS

Liquidity risk

The Bank monitors and manages the structure and duration of its foreign currency reserves in compliance with the mission of the Bank. The table in Note 21 analyses and categorizes the assets and liabilities of the Bank into the relevant maturity bands based on the period from the balance sheet date to the contractual maturity date.

Interest rate risk

The Bank takes on exposure resulting from fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Changes in interest rates result in a change in the market value of securities held in the portfolio of the Bank. The rules for investing foreign currency reserves are aimed at limiting the losses resulting from changes in interest rates; for USD in horizon of 3 years and for EUR in horizon of 1 year. The table in Note 22 summarizes the Bank's exposure to interest rate risks. The table lists the Bank's interest-bearing assets and liabilities at carrying amounts, categorized by the earlier contractual, re-pricing or maturity dates.

Currency risk

The Bank takes on exposure resulting from fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. Most of the assets and liabilities denominated in foreign currency are made up of foreign currency reserves which support the CNB's ability to perform intervention and insure against a Balance of Payments crisis, and result from performing the Bank's currency policy. Due to the necessity to keep foreign currency reserves, the CNB cannot reduce the risk of the strengthening of the Czech currency against major foreign currencies. The table in Note 23 summarizes the Bank's exposure to the currency risk. The table lists the Bank's foreign currency-denominated assets and liabilities at carrying amounts, categorized by currency.

Credit risk

The Bank manages the levels of credit risk it undertakes during the management of foreign currency reserves by placing limits on the amount of risk accepted in relation to one borrower or group of borrowers and to geographical segments. Such risks are monitored on a revolving basis and are subject to review at least once per year. The geographical concentrations of assets and liabilities are stated in Note 24.

Spot transactions and derivative financial instruments

The receivables and payables from spot, forward, swap and futures transactions can be analyzed as follows:

Off-balance sheet receivables:

	<u>31 December 2013</u>	<u>31 December 2012</u>
	CZK million	CZK million
- from currency forward transactions	47,887	61,120
- from interest swap transactions	21,382	16,254
- from interest futures transactions	5,091	6,003
- from share futures transactions	1,318	1,071
- from unsettled interest spot transactions	4,118	4,757
- from unsettled currency spot transactions	<u>1</u>	<u>119</u>
	<u>79,797</u>	<u>89,324</u>

Off-balance sheet payables:

- from currency forward transactions	47,029	60,994
- from interest swap transactions	21,382	16,254
- from interest futures transactions	5,091	6,003
- from share futures transactions	1,318	1,071
- from unsettled interest spot transactions	4,118	4,757
- from unsettled currency spot transactions	<u>1</u>	<u>119</u>
	<u>78,939</u>	<u>89,198</u>

The Bank has outstanding currency forwards as at the balance sheet date hedging the movement of foreign exchange rates:

	<u>31 December 2013</u>	<u>31 December 2012</u>
	CZK million	CZK million
Off-balance sheet receivables from forward transactions	47,887	61,120
Off-balance sheet payables from forward transactions	47,029	60,994
Positive real value (Note 8)	861	110
Negative fair value (Note 16)	9	0

All currency forwards mature in 2014.

The foreign currency forwards do not qualify for hedge accounting as defined by Czech accounting regulations and, accordingly, are treated as derivatives held for trading. Gains and losses from the change of the fair value of these foreign currency forwards are recorded in the gain less loss from financial operations (Note 18).

The Bank has outstanding swaps as at the balance sheet date:

	<u>31 December 2013</u>	<u>31 December 2012</u>
	CZK million	CZK million
Off-balance sheet receivables from interest swap transactions	21,382	16,254
Off-balance sheet payables from interest swap transactions	21,382	16,254
Positive real value (Note 8)	252	6
Negative fair value (Note 16)	266	955

The interest rate and share total return swaps also do not qualify for hedge accounting as defined by the Czech accounting regulations and, accordingly, are treated as derivatives held for trading. Gains and losses from the change of the fair value are recorded in the gain or loss from financial operations (Note 18).

The Bank has outstanding futures as at the balance sheet date:

	<u>31 December 2013</u>	<u>31 December 2012</u>
	CZK million	CZK million
Off-balance sheet receivables from interest futures transactions	5,091	6,003
Off-balance sheet payables from interest futures transactions	5,091	6,003
Net gain/(loss) from change in fair values of interest futures transactions open at the year-end (Note 18)	(96)	33

	<u>31 December 2013</u>	<u>31 December 2012</u>
	CZK million	CZK million
Off-balance sheet receivables from share futures transactions	1,318	1,071
Off-balance sheet payables from share futures transactions	1,318	1,071
Net gain/(loss) from change in fair values of futures transactions open at the year-end (Note 18)	320	159

	<u>31 December 2013</u>	<u>31 December 2012</u>
	CZK million	CZK million
Net gain/(loss) from change in fair values of futures transactions open at the year-end	224	192
Cash on margin account	<u>13</u>	<u>22</u>
Margin account including settled change in fair value of interest futures transactions (Note 8)	<u>237</u>	<u>214</u>

Gains or losses from change in fair values of futures transactions are settled on an ongoing basis against cash on margin account reported within other assets.

The interest rate and share futures transactions do not qualify for hedge accounting as defined by the Czech accounting regulations and, accordingly, are treated as derivatives held for trading. Gains and losses from the change of the fair value are recorded in the gain or loss from financial operations (see Note 18).

21 LIQUIDITY RISK

As at 31 December 2013	Up to 1 <u>month</u> CZK million	1 – 3 <u>months</u> CZK million	3 - 12 <u>months</u> CZK million	1 – 5 <u>years</u> CZK million	Over 5 <u>years</u> CZK million	Un- <u>specified</u> CZK million	<u>Total</u> CZK million
Assets							
Gold	664	0	0	0	0	0	664
Receivables from IMF	0	0	0	0	0	57,950	57,950
Treasury bills and other discounted securities	41,287	61,438	97,662	29,754	641	0	230,782
Bonds and other coupon securities	32,567	10,122	170,712	349,752	54,405	0	617,558
Deposits, loans and other receivables from abroad	224,408	0	0	0	0	0	224,408
Receivables from domestic banks	0	0	0	0	0	0	0
Fixed assets	0	0	0	0	0	3,962	3,962
Other assets	<u>1,576</u>	<u>0</u>	<u>37</u>	<u>2</u>	<u>358</u>	<u>4,324</u>	<u>6,297</u>
Total assets	<u>300,502</u>	<u>71,560</u>	<u>268,411</u>	<u>379,508</u>	<u>55,404</u>	<u>66,236</u>	<u>1,141,621</u>
Liabilities and equity							
Notes and coins in circulation	0	0	0	0	0	441,847	441,847
Liabilities to IMF	0	0	0	0	0	43,782	43,782
Liabilities abroad	0	0	76	0	0	528	604
Liabilities to domestic banks	664,077	0	0	0	0	0	664,077
Liabilities to the state	25,510	0	0	0	0	0	25,510
Provisions	0	0	0	0	0	228	228
Equity	0	0	0	0	0	(38,617)	(38,617)
Other liabilities	<u>3,134</u>	<u>0</u>	<u>386</u>	<u>213</u>	<u>0</u>	<u>457</u>	<u>4,190</u>
Total liabilities and equity	<u>692,721</u>	<u>0</u>	<u>462</u>	<u>213</u>	<u>0</u>	<u>448,225</u>	<u>1,141,621</u>
Net liquidity gap	<u>(392,219)</u>	<u>71,560</u>	<u>267,949</u>	<u>379,295</u>	<u>55,404</u>	<u>(381,989)</u>	<u>0</u>

As at 31 December 2012	Up to 1 <u>month</u> CZK million	1 – 3 <u>months</u> CZK million	3 - 12 <u>months</u> CZK million	1 – 5 <u>years</u> CZK million	Over 5 <u>years</u> CZK million	Un- <u>specified</u> CZK million	<u>Total</u> CZK million
Assets							
Gold	702	0	0	0	0	0	702
Receivables from IMF	0	0	0	0	0	55,335	55,335
Treasury bills and other discounted securities	18,110	22,411	66,110	17,421	0	0	124,052
Bonds and other coupon securities	9,544	21,013	54,802	261,084	49,723	0	396,166
Deposits, loans and other receivables from abroad	292,920	0	0	0	0	0	292,920
Receivables from domestic banks	0	0	0	0	0	0	0
Fixed assets	0	0	0	0	0	4,182	4,182
Other assets	<u>531</u>	<u>0</u>	<u>26</u>	<u>3</u>	<u>402</u>	<u>3,999</u>	<u>4,961</u>
Total assets	<u>321,807</u>	<u>43,424</u>	<u>120,938</u>	<u>278,508</u>	<u>50,125</u>	<u>63,516</u>	<u>878,318</u>
Liabilities and equity							
Notes and coins in circulation	0	0	0	0	0	422,707	422,707
Liabilities to IMF	0	0	0	0	0	42,697	42,697
Liabilities abroad	0	0	3,802	0	0	558	4,360
Liabilities to domestic banks	383,642	0	0	0	0	0	383,642
Liabilities to the state	125,512	59	0	0	1,028	0	126,599
Provisions	0	0	0	0	0	219	219
Equity	0	0	0	0	0	(106,066)	(106,066)
Other liabilities	<u>3,200</u>	<u>0</u>	<u>456</u>	<u>241</u>	<u>0</u>	<u>263</u>	<u>4,160</u>
Total liabilities and equity	<u>512,354</u>	<u>59</u>	<u>4,258</u>	<u>241</u>	<u>1,028</u>	<u>360,378</u>	<u>878,318</u>
Net liquidity gap	<u>(190,547)</u>	<u>43,365</u>	<u>116,680</u>	<u>278,267</u>	<u>49,097</u>	<u>(296,862)</u>	<u>0</u>

22 INTEREST RATE RISK**As at 31 December 2013**

	Up to 1 <u>month</u> CZK million	1 – 3 <u>months</u> CZK million	3 - 12 <u>months</u> CZK million	1 – 5 <u>years</u> CZK million	Over 5 <u>years</u> CZK million	Un- <u>specified</u> CZK million	<u>Total</u> CZK million
Assets							
Gold	0	0	0	0	0	664	664
Receivables from IMF	0	0	0	0	0	57,950	57,950
Treasury bills and other discounted securities	52,193	61,438	97,662	18,848	641	0	230,782
Bonds and other coupon securities	118,309	123,187	376,062	0	0	0	617,558
Deposits, loans and other receivables from abroad	224,408	0	0	0	0	0	224,408
Receivables from domestic banks	0	0	0	0	0	0	0
Fixed assets	0	0	0	0	0	3,962	3,962
Other assets	<u>1,617</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>130</u>	<u>4,548</u>	<u>6,297</u>
Total assets	<u>396,527</u>	<u>184,625</u>	<u>473,724</u>	<u>18,850</u>	<u>771</u>	<u>67,124</u>	<u>1,141,621</u>
Liabilities and equity							
Notes and coins in circulation	0	0	0	0	0	441,847	441,847
Liabilities to IMF	0	0	0	0	0	43,782	43,782
Liabilities abroad	604	0	0	0	0	0	604
Liabilities to domestic banks	664,077	0	0	0	0	0	664,077
Liabilities to the state	25,510	0	0	0	0	0	25,510
Provisions	0	0	0	0	0	228	228
Equity	0	0	0	0	0	(38,617)	(38,617)
Other liabilities	<u>3,134</u>	<u>599</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>457</u>	<u>4,190</u>
Total liabilities and equity	<u>693,325</u>	<u>599</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>447,697</u>	<u>1,141,621</u>
Net interest sensitivity gap	<u>(296,798)</u>	<u>184,026</u>	<u>473,724</u>	<u>18,850</u>	<u>771</u>	<u>(380,573)</u>	<u>0</u>

As at 31 December 2012	Up to 1 <u>month</u> CZK million	1 – 3 <u>months</u> CZK million	3 - 12 <u>months</u> CZK million	1 – 5 <u>years</u> CZK million	Over 5 <u>years</u> CZK million	Un- specified CZK million	<u>Total</u> CZK million
Assets							
Gold	0	0	0	0	0	702	702
Receivables from IMF	0	0	0	0	0	55,335	55,335
Treasury bills and other discounted securities	27,424	22,411	66,110	8,107	0	0	124,052
Bonds and other coupon securities	63,552	89,821	242,793	0	0	0	396,166
Deposits, loans and other receivables from abroad	292,920	0	0	0	0	0	292,920
Receivables from domestic banks	0	0	0	0	0	0	0
Fixed assets	0	0	0	0	0	4,182	4,182
Other assets	<u>538</u>	<u>0</u>	<u>0</u>	<u>3</u>	<u>135</u>	<u>4,285</u>	<u>4,961</u>
Total assets	<u>384,434</u>	<u>112,232</u>	<u>308,903</u>	<u>8,110</u>	<u>135</u>	<u>64,504</u>	<u>878,318</u>
Liabilities and equity							
Notes and coins in circulation	0	0	0	0	0	422,707	422,707
Liabilities to IMF	0	0	0	0	0	42,697	42,697
Liabilities abroad	4,360	0	0	0	0	0	4,360
Liabilities to domestic banks	383,642	0	0	0	0	0	383,642
Liabilities to the state	125,571	1,028	0	0	0	0	126,599
Provisions	0	0	0	0	0	219	219
Equity	0	0	0	0	0	(106,066)	(106,066)
Other liabilities	<u>3,200</u>	<u>697</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>263</u>	<u>4,160</u>
Total liabilities and equity	<u>516,773</u>	<u>1,725</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>359,820</u>	<u>878,318</u>
Net interest sensitivity gap	<u>(132,339)</u>	<u>110,507</u>	<u>308,903</u>	<u>8,110</u>	<u>135</u>	<u>(295,316)</u>	<u>0</u>

23 CURRENCY RISK**As at 31 December
2013**

	<u>CZK</u> CZK million	<u>EUR</u> CZK million	<u>USD</u> CZK million	<u>JPY</u> CZK million	<u>GBP</u> CZK million	<u>CAD</u> CZK million	<u>AUD</u> CZK million	<u>SEK</u> CZK million	<u>Other</u> CZK million	<u>Total</u> CZK million
Assets										
Gold	0	0	0	0	0	0	0	0	664	664
Receivables from IMF	19,875	0	0	0	0	0	0	0	38,075	57,950
Treasury bills and other discounted securities	0	185,178	4,970	13,270	0	15,939	0	11,425	0	230,782
Bonds and other coupon securities	0	387,060	148,215	0	0	35,351	35,508	11,424	0	617,558
Deposits, loans and other receivables from abroad	0	175,604	23,638	4,562	4,022	6,344	4,365	5,859	14	224,408
Receivables from domestic banks	0	0	0	0	0	0	0	0	0	0
Fixed assets	3,955	0	0	0	0	0	0	0	7	3,962
Other assets	<u>1,308</u>	<u>337</u>	<u>339</u>	<u>12</u>	<u>30</u>	<u>26</u>	<u>14</u>	<u>0</u>	<u>4,231</u>	<u>6,297</u>
Total assets	<u>25,138</u>	<u>748,179</u>	<u>177,162</u>	<u>17,844</u>	<u>4,052</u>	<u>57,660</u>	<u>39,887</u>	<u>28,708</u>	<u>42,991</u>	<u>1,141,621</u>
Liabilities and equity										
Notes and coins in circulation	441,847	0	0	0	0	0	0	0	0	441,847
Liabilities to IMF	19,875	0	0	0	0	0	0	0	23,907	43,782
Liabilities abroad	79	496	29	0	0	0	0	0	0	604
Liabilities to domestic banks	664,077	0	0	0	0	0	0	0	0	664,077
Liabilities to the state	6,095	18,268	1,064	0	0	0	0	0	83	25,510
Provisions	0	0	228	0	0	0	0	0	0	228
Other liabilities	<u>3,905</u>	<u>253</u>	<u>31</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,190</u>
Total liabilities	<u>1,135,878</u>	<u>19,017</u>	<u>1,352</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0 23,990</u>	<u>1,180,238</u>
Net assets/(liabilities)	(1,110,740)	729,162	175,810	17,844	4,051	57,660	39,887	28,708	19,001	(38,617)
Net off-balance sheet assets / (liabilities)	0	<u>2,384</u>	<u>(18,731)</u>	<u>572</u>	<u>16,633</u>	0	0	0	0	<u>858</u>
Net foreign exchange position	<u>(1,110,740)</u>	<u>731,546</u>	<u>157,079</u>	<u>18,416</u>	<u>20,684</u>	<u>57,660</u>	<u>39,887</u>	<u>28,708</u>	<u>19,001</u>	<u>(37,759)</u>

As at 31 December 2012	<u>CZK</u> CZK million	<u>EUR</u> CZK million	<u>USD</u> CZK million	<u>JPY</u> CZK million	<u>GBP</u> CZK million	<u>CAD</u> CZK million	<u>AUD</u> CZK million	<u>SEK</u> CZK million	<u>Other</u> CZK million	<u>Total</u> CZK million
Assets										
Gold	0	0	0	0	0	0	0	0	702	702
Receivables from IMF	19,846	0	0	0	0	0	0	0	35,489	55,335
Treasury bills and other discounted securities	0	76,967	0	19,029	0	16,295	0	11,761	0	124,052
Bonds and other coupon securities	0	180,721	130,152	0	0	35,182	39,271	10,840	0	396,166
Deposits, loans and other receivables from abroad	0	246,419	34,830	3,339	3,184	630	1	4,505	12	292,920
Receivables from domestic banks	0	0	0	0	0	0	0	0	0	0
Fixed assets	4,175	0	0	0	0	0	0	0	7	4,182
Other assets	<u>597</u>	<u>330</u>	<u>53</u>	<u>18</u>	<u>19</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,944</u>	<u>4,961</u>
Total assets	<u>24,618</u>	<u>504,437</u>	<u>165,035</u>	<u>22,386</u>	<u>3,203</u>	<u>52,107</u>	<u>39,272</u>	<u>27,106</u>	<u>40,154</u>	<u>878,318</u>
Liabilities and equity										
Notes and coins in circulation	422,707	0	0	0	0	0	0	0	0	422,707
Liabilities to IMF	19,846	0	0	0	0	0	0	0	22,851	42,697
Liabilities abroad	80	3,726	554	0	0	0	0	0	0	4,360
Liabilities to domestic banks	383,642	0	0	0	0	0	0	0	0	383,642
Liabilities to the state	47,586	79,001	12	0	0	0	0	0	0	126,599
Provisions	0	0	219	0	0	0	0	0	0	219
Other liabilities	<u>2,970</u>	<u>668</u>	<u>493</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29</u>	<u>0</u>	<u>4,160</u>
Total liabilities	<u>876,831</u>	<u>83,395</u>	<u>1,278</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29</u>	<u>22,851</u>	<u>984,384</u>
Net assets/(liabilities)	(852,213)	421,042	163,757	22,386	3,203	52,107	39,272	27,077	17,303	(106,066)
Net off-balance sheet assets / (liabilities)	<u>0</u>	<u>(5,294)</u>	<u>(13,260)</u>	<u>(4,941)</u>	<u>16,024</u>	<u>4,307</u>	<u>3,262</u>	<u>28</u>	<u>0</u>	<u>126</u>
Net foreign exchange position	<u>(852,213)</u>	<u>415,748</u>	<u>150,497</u>	<u>17,445</u>	<u>19,227</u>	<u>56,414</u>	<u>42,534</u>	<u>27,105</u>	<u>17,303</u>	<u>(105,940)</u>

24 CREDIT RISK AND CONCENTRATION OF LIABILITIES**Geographical concentrations of assets**

	<u>31 December 2013</u>	<u>31 December 2012</u>
	CZK million	CZK million
Czech Republic	6,253	5,505
Germany	383,560	233,149
France	211,351	136,556
Netherlands	98,733	61,260
Austria	14,385	17,622
Spain	7,427	6,864
Italy	4,556	5,055
Ireland	598	524
Other Eurozone countries	24,737	52,024
Great Britain	27,813	25,521
Sweden	24,385	17,020
Switzerland	4,519	4,033
Other European countries	29,094	5,407
USA	195,058	199,441
Canada	54,980	50,700
Japan	17,796	22,311
Australia	36,314	35,169
Other countries	<u>62</u>	<u>157</u>
	<u>1,141,621</u>	<u>878,318</u>
Of which deposits and bonds:		
Central governments and central banks	745,941	555,915
Government agencies	107,570	70,976
Securities hedged by other assets (Covered bonds, Pfandbriefs)	1,812	3,035
Commercial banks	108,060	89,997
BIS	<u>112</u>	<u>0</u>
	<u>963,495</u>	<u>719,923</u>

Geographical concentrations of liabilities

	<u>31 December 2013</u>	<u>31 December 2012</u>
	CZK million	CZK million
Czech Republic	1,095,240	830,937
Eurozone countries	1,998	328
Other European countries	525	4,117
USA	<u>43,858</u>	<u>42,936</u>
	<u>1,141,621</u>	<u>878,318</u>

25 OTHER OFF-BALANCE SHEET ITEMS

Guarantees issued	<u>31 December 2013</u>	<u>31 December 2012</u>
	CZK million	CZK million
To clients (Note 14)	228	219
In relation to the Indemnity Letter (Note 27)	156,950	156,950
For deposits held by IPB (Note 27)	96	116
Consolidation of the banking sector – sale of part of the business of Agrobanka Praha a.s.	<u>800</u>	<u>800</u>
Total issued guarantees	<u>158,074</u>	<u>158,085</u>

The identified need for provisions for expected losses on the guarantees issued to clients was CZK 228 million as at 31 December 2013 (31 December 2012: CZK 219 million) (see Note 14).

The Bank has not recognized a provision for claims for the guarantees provided in connection with the sale of a part of the business of Agrobanka Praha, a.s. because it considers the claim-related risk to be insignificant based on the available information.

The CNB has not recognized a provision for claims for guarantees under Indemnity Letter or for claims for guarantees issued in connection with deposits held by IPB (see Note 27).

Guarantees received	<u>31 December 2013</u>	<u>31 December 2012</u>
	CZK million	CZK million
From the Ministry of Finance of CR received in relation to the State Guarantee (Note 27)	156,950	156,950
State guarantee to secure the loan for IMF	<u>69,385</u>	<u>0</u>
Total guarantees received	<u>226,335</u>	<u>156,950</u>

For purposes of providing a state guarantee of CR to secure the CNB loan to IMF, Act No. 216/2013 Coll. was adopted.

Collateral received

The total collateral received in the form of debt securities as at 31 December 2013 was CZK 127,317 million (31 December 2012: CZK 108,177 million).

As at 31 December 2013, the Bank received collateral of CZK 109,516 million (31 December 2012: CZK 95,622 million) within repo transactions and CZK 1,844 million within the securities automatic lending program in foreign currencies with respect to foreign banks (31 December 2012: CZK 2,315 million) and CZK 539 million to secure transactions with counterparties (31 December 2012: CZK 103 million). The Bank also received collateral of CZK 15,418 million (31 December 2012: CZK 10,137 million) in CZK within "Collateral switch" transactions concluded with domestic banks (see Note 5 and 6).

Assets held in custody

The Bank has not received any financial assets from third parties to be held in custody in 2013 and 2012. The Bank has other custody in the off-balance sheet evidence (see Note 2w).

26 CONTINGENCIES AND COMMITMENTS

In accordance with the Agreement on the payment of operating costs and losses related to assumed assets that are incurred in connection with the fulfilment of the Consolidation Programme concluded on 29 June 2000, as amended, the CNB charges against income the amounts it pays for the acknowledged reasonable operating costs of the Ministry of Finance of the Czech Republic (until 31 December 2007 costs of the Česká Konsolidační Agentura a.s.). In 2013 these costs were CZK 0.1 million (2012: CZK 0.1 million). The Bank does not recognize any provisions against these contingencies and commitments as they are immaterial.

Pending lawsuits

Pursuant to its role in supporting and maintaining the stability of the banking sector, the CNB or third parties are defendants in several court and arbitration proceedings. Based on consultation with external law firms and internal analyses, the CNB does not consider it probable that the outcome of these legal cases will result in any material outflow of CNB resources and, therefore, has not recognized any provisions. Similarly, the Bank evaluates the contingencies and commitments from legal cases which relate to the activities of the former authorities of financial market supervision and which the Bank keeps on the basis of Act No. 57/2006 Col., an amendment connected to the unification of financial market supervision. According to this Act, any financial liabilities arising from these legal cases would be reimbursed by the state.

27 BANKING SECTOR CONSOLIDATION

Investiční a Poštovní banka, a.s.

In June 2000, the CNB declared forced administration in Investiční a Poštovní banka, a.s. ("IPB"). On 16 June 2000, the CNB issued a guarantee for deposits held by IPB ("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 June 2003.

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 CSOB. The balance of the Guarantee for Deposits in the off-balance sheet of the CNB as at 31 December 2013 was CZK 96 million (31 December 2012: CZK 116 million).

The forced administrator of IPB concluded a contract with CSOB regarding the sale of the business on 19 June 2000. Based on this agreement, CSOB took over the assets and liabilities of IPB. On 19 June 2000, the CNB and CSOB concluded the Indemnity Letter and Agreement ("Indemnity Letter") in which the CNB irrevocably and unconditionally undertook to pay to CSOB certain losses and to indemnify CSOB for certain costs related to the transaction.

On 23 June 2000, the Czech Government issued a state guarantee in which it undertook to refund certain losses incurred by the CNB in connection with the CSOB indemnification based on the Indemnity Letter ("the State Guarantee"). The State Guarantee covers losses incurred by the CNB resulting from the indemnification of CSOB's losses (damages) arising from unrecorded liabilities relating to IPB that were transferred to CSOB.

On 6 November 2002, the CNB obtained a unilateral binding declaration from CSOB according to which all claims for compensations under the Indemnity letter from the CNB will be made by CSOB and will be settled by the CNB by 31 December 2016; the maximum amount of the compensation is CZK 160 billion. Based on this declaration, the CNB expects the maximum compensation from the State Guarantee to be of the same amount.

The CNB received a Binding Representation from CSOB on 28 June 2004. A final List of Claims is enclosed with this Binding Representation. The CNB accepted this Binding Representation on 28 June 2004. This does not mean that the CNB accepted or approved the individual claims in the enclosure; however, further claims not included in the Binding Representation may not be brought by CSOB.

The advances and final payments to CSOB and potential amounts covered under the Indemnity letter can be analyzed as follows:

	<u>31 December 2013</u>	<u>31 December 2012</u>
	CZK million	CZK million
Total potential claims under the Indemnity Letter	160,000	160,000
Advances provided to CSOB (Note 8)	(221)	(263)
Foreign exchange differences	(17)	(17)
Settlement to CSOB	<u>(2,812)</u>	<u>(2,770)</u>
Total potential future claims under the Indemnity Letter (see Note 25)	<u>156,950</u>	<u>156,950</u>

The advances and final payments received from the State Guarantee and available State Guarantee can be analyzed as follows:

	<u>31 December 2013</u>	<u>31 December 2012</u>
	CZK million	CZK million
Total State Guarantee received	160,000	160,000
Advances received from the State Guarantee (Note 16)	(221)	(263)
Final settlement from the State Guarantee	<u>(2,829)</u>	<u>(2,787)</u>
Unused amount of State Guarantee (see Note 25)	<u>156,950</u>	<u>156,950</u>

The CNB has so far not recognized a provision for future possible claims under the Indemnity Letter as the volume of claims settled so far which were not covered by the State Guarantee has been marginal. In addition, the CNB is currently unable to reliably assess the expected outcome of legal proceedings or the amount of damages, if any, which may be incurred by CSOB, then claimed from the CNB, which would not be covered by the State Guarantee and would therefore become an expense of CNB.

The CNB refused to satisfy the claims of CSOB under the Indemnity Letter for which the CNB believes that they do not qualify for indemnification.

28 TRANSACTIONS WITH RELATED PARTIES

Related parties and parties with special relations to the Bank are members of the Bank Board, senior management at the top level and their relatives.

CNB grants members of the Bank Board and senior management in accordance with internal rules the services consisting of maintaining current and deposit accounts and special purpose loans, especially for housing. The loans to the members of the Bank Board and senior management are provided under the same conditions as loans to other employees of the Bank.

29 SUBSEQUENT EVENTS

Due to the termination of office of member of the Bank Board, Ing. Eva Zamrazilová, CSc., the President of the Czech Republic, Mr. Miloš Zeman, appointed new member of the Bank Board Ing. Jiří Rusnok on 5 February 2014, effective as of 1 March 2014.

In connection with the regular five-year update of the capital key in the ECB and the accession of Latvia to the Eurozone as at 1 January 2014, the CR's membership share in the ECB was set at 1.6075%, i.e. EUR 6.5 million as at 1 January 2014.

The CNB's management is not aware of any other subsequent events that would have a material impact on financial statements for 2013.

The accompanying balance sheet, off-balance sheet and income statement are an integral part of the financial statements.

(Translation of a report originally issued in Czech - see Note 1 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Bank Board of Česká národní banka:

We have audited the accompanying financial statements of Česká národní banka, which comprise the balance sheet as at 31 December 2013, and the income statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. For details of Česká národní banka see Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

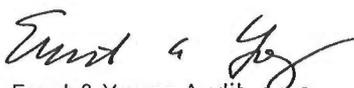
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Česká národní banka as at 31 December 2013, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.



Ernst & Young Audit, s.r.o.
License No. 401
Represented by Partner



Magdalena Soucek
Auditor, License No. 1291

19 March 2014
Prague, Czech Republic