

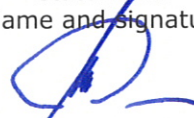


FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2014
TOGETHER WITH AUDITOR'S REPORT

2014

FINANCIAL STATEMENTS OF
THE CZECH NATIONAL BANK
FOR THE YEAR
ENDED 31 DECEMBER 2014

Date of preparation:	Signature of the Governor	Person responsible for accounting Name and signature	Person responsible for the financial statements Name and signature
20 February 2015	 Ing. M. Singer, Ph.D.	 Ing. M. Mayer, LL.M.	 Ing. M. Lorenc

The financial statements and notes to the financial statements were approved by the CNB's Bank Board on 18 March 2015.

ASSETS

	<u>Note</u>	<u>31 December</u> <u>2014</u> CZK million	<u>31 December</u> <u>2013</u> CZK million
1. Gold	3	648	664
2. Receivables from the International Monetary Fund	4	59,979	57,950
3. Receivables from abroad, including securities	5	1,197,432	1,072,748
3.1. Deposits at foreign banks and financial institutions		83,361	5,623
3.2. Securities		1,053,385	956,273
3.3. Other receivables from abroad		60,686	110,852
4. Receivables from domestic banks	6	0	0
5. Fixed assets	7	3,776	3,962
5.1. Tangible fixed assets		3,753	3,934
5.2. Intangible assets		23	28
6. Other assets	8	5,300	6,297
6.1. Other financial assets		4,378	4,325
6.2. Other		<u>922</u>	<u>1,972</u>
TOTAL ASSETS		<u>1,267,135</u>	<u>1,141,621</u>

LIABILITIES AND EQUITY

	<u>Note</u>	<u>31 December 2014</u>	<u>31 December 2013</u>
		CZK million	CZK million
1. Notes and coins in circulation	9	469,476	441,847
2. Liabilities to the International Monetary Fund	4	46,076	43,782
3. Liabilities abroad	10	22,724	604
3.1. Loans from foreign banks		5,084	0
3.2. Other liabilities abroad		17,640	604
4. Liabilities to domestic banks	11	690,435	664,077
4.1. Loans received		216,601	380,303
4.2. Bank monetary reserves		199,193	59,638
4.3. Other liabilities to banks		274,641	224,136
5. Liabilities to the state and other public institutions	13	3,798	25,510
6. Provisions	14	262	228
7. Share capital	15	1,400	1,400
8. Funds	15	8,050	8,050
9. Revaluation reserve	15	10,826	2,382
10. Accumulated losses from previous periods	15	(50,449)	(123,565)
11. Net profit for the period	15	56,560	73,116
12. Other liabilities	16	<u>7,977</u>	<u>4,190</u>
TOTAL LIABILITIES AND EQUITY		<u>1,267,135</u>	<u>1,141,621</u>

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

	<u>Note</u>	<u>31 December 2014</u>	<u>31 December 2013</u>
		CZK million	CZK million
1. Guarantees issued	25	157,954	158,074
2. Issued loan commitments	4	41,588	65,004
3. Receivables from spot, term and futures transactions	25	187,810	79,797
4. Liabilities from spot, term and futures transactions	25	187,783	78,939
5. Guarantees received	25	226,964	226,335
6. Collateral received	25	79,145	127,317

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

	<u>Note</u>	<u>2014</u> CZK million	<u>2013</u> CZK million
1. Interest income and similar income	17	6,676	5,075
1.1. Interest from fixed income securities		6,380	4,819
1.2. Other		296	256
2. Interest expense and similar expense	17	(390)	(310)
3. Income from shares and other interests		2,840	2,562
4. Fee and commission income		353	309
5. Fee and commission expense		(106)	(88)
6. Gains less losses from financial operations	18	48,874	67,179
6.1. Net foreign exchange gains / (losses) and foreign exchange spread		43,625	47,373
6.2. Other		5,249	19,806
7. Other operating income	19	732	737
7.1. Income from money issue		535	464
7.2. Other		197	273
8. Other operating expense	19	(553)	(495)
8.1. Expenses for production of notes and coins		(363)	(415)
8.2. Other		(190)	(80)
9. Administration expense	19	(1,609)	(1,572)
9.1. Personnel expenses		(1,302)	(1,243)
9.1.1. Wages and salaries		(921)	(875)
9.1.2. Social and health security		(299)	(291)
9.1.3. Training and employee benefits		(82)	(77)
9.2. Other administration expenses		(307)	(329)
10. Depreciation and amortisation of fixed assets	7	(257)	(279)
11. Reversal of provisions for receivables and guarantees, income from receivables already written off	14	7	460
12. Write offs, additions and utilisation of provisions for receivables and guarantees	14	(7)	(462)
13. Net profit for the period		<u>56,560</u>	<u>73,116</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") and an authority exercising supervision over the financial market. 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, four branches around the CR (Prague, Hradec Králové, Brno, Ostrava) and three territorial offices (České Budějovice, Plzeň, Ústí nad Labem). 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. Pursuant to the transposition of EU banking directives, the Bank became the National Restructuring Authority and established a standalone unit in its headquarters for this purpose.

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 2014, 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 the Bank Board	until 30 June 2016
Ing. Pavel Řežábek, Ph.D.	Member of the Bank Board	until 12 February 2017
doc. Ing. Lubomír Lízal, Ph.D.	Member of the Bank Board	until 12 February 2017
Ing. Jiří Rusnok	Member of the Bank Board	until 29 February 2020

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. The generated profit 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.

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

2 ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements, comprising a balance sheet, income statement and accompanying notes including also a 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, shares and available-for-sale financial instruments to fair values. 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 at the balance sheet date.

Exchange rates	<u>Quantity</u>	<u>31 December 2014</u>	<u>31 December 2013</u>
EUR	1	27.725	27.425
USD	1	22.834	19,894
JPY	100	19.090	18.957
GBP	1	35.591	32.911
CHF	1	23.058	22.344
CAD	1	19.710	18.707
AUD	1	18.692	17.791
SEK	1	2.954	3.096
Special drawing rights (SDR)	1	33.082	30.637

All resulting realised and unrealised foreign exchange gains and losses are recognised 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 recognised 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 recognised in other financial assets. These shares and interests represent participations reflecting the CNB's 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 the CNB's predefined internal 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 the available-for-sale portfolio. The Bank included the shares administered by external managers in the portfolio measured at fair value through profit or loss and accounts for them on an aggregate basis based on information from external managers.

Securities and interests are initially recognised 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 (amortised cost).

Available-for-sale debt securities and shares are measured at fair value. The fair value is determined as a market price listed by a relevant stock exchange or another active market. If such fair value is not available, available-for-sale debt securities and shares are measured as follows:

- By the share in the issuer's equity or the cost net of a provision in the absence of any other measurement;
- By the risk-adjusted net present value of expected cash flows for debt securities and notes.

Gains and losses arising from changes in the fair value of available-for-sale bonds and shares representing the participations are recognised directly in equity until the financial asset is derecognised or impaired. In such cases the cumulative gain or loss previously recognised in equity is recognised 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 recognised in the income statement. The Bank typically measures the interests at cost (see Note 8).

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 recognised in the income statement.

(e) Repo transactions and securities lending

Securities borrowed or purchased under the purchase and resell agreements are not recognised 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 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 recognised 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 a gross basis, i.e. receivables and payables do not balance out. The membership quota at the 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 recognised 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. Negative interest rates, if any, are recognised as interest expense. 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 the underlying assets and liabilities.

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 bankruptcy. 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 recognised to clients 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 recognised immediately in the income statement when the service is provided.

(l) Payables to and receivables from domestic banks

Bank monetary reserves of banks, foreign bank branches and savings and credit societies ("domestic banks") include deposits with the CNB relating to mandatory minimum reserves ("MMR") on accounts in the CERTIS payment system (payment system account), cash withdrawal and deposit accounts, or in special accounts reserved for the MMR.

The MMR requirement is 2% of payables to non-banking entities arising from received deposits, loans and issued non-trading and other debt securities with maturity up to 2 years.

The above deposits bear 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 the CNB through monetary policy repo tenders. The CBN 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 the CNB (deposit facility for deposit rates) or borrow overnight liquidity from the CNB against collateral (Lombard repo lending facility for Lombard rates).

A list of acceptable financial instruments (collateral) to secure such operations (repo tenders, Lombard repo transactions) is published on the CNB's 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) Payables to the state

The CNB serves the Czech state by maintaining a system of income and expense accounts and other accounts for the state and its organisational 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. Account balances in CZK and the single European currency are reflected in the balance of the Single Treasury Account. 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 recognised in the income statement, their utilisation is recognised 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 recognised in income. Movements in provision accounts denominated in foreign currencies arising from revaluations to exchange rates prevailing at the balance sheet date are recognised or charged, as appropriate, to exchange rate differences.

(p) Specific 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/amortised 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 amortised over the contractual period. Low-value tangible assets with a unit cost not exceeding CZK 40,000, as well as low-value intangible assets with a unit cost not exceeding 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.

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

Buildings and structures	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 amortisation rate or classification or valuation of the property, the depreciation charge 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. 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 costs of its operations. The profit is allocated to funds and other usage (e.g. settlement of accumulated losses from previous periods) in the budgeted amount, any remaining profit is transferred to the state budget.

(t) Staff costs, additional pension insurance and employee benefits

Staff costs, including costs of the Bank Board members, are included in administration expenses.

The Bank does not administer any transformed pension fund or participation fund as a pension company. However, the Bank provides contributions to its employees for additional pension insurance or supplementary pension insurance administered by pension companies. These contributions paid by the Bank are accounted for directly as an expense.

Since 1 January 2010, employee benefits have been charged directly from the Bank's expenses.

(u) Cash flow statement

In accordance with the Act on Accounting, the 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 Bank's management is of the opinion that the presentation of a cash flow statement would not provide further significant information to the users of these financial statements.

(v) Accounting transaction date

Accounting transactions are recognised or charged into income for the period to which they relate. Purchases and sales of foreign currencies and securities are accounted for at the trade date off balance sheet; they are recognised on the balance sheet at the settlement date. Credit transactions, including repo transactions, are accounted for 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; the carrying amount is used if neither face value nor estimated value can be determined.

In the off-balance sheet the Bank recognises other assets taken into custody from clients and banks, assets in own custody and other carrying amounts including money supply (see Notes 7 and 19).

(x) Subsequent events

The effects of events which occur 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 reflecting post balance sheet facts occur subsequent to the balance sheet date but prior to the compilation of the financial statements, the effects of these events are disclosed in the notes, but are not reported in the financial statements.

3 GOLD

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Total gold	<u>648</u>	<u>664</u>
As at 31 December 2014, the Bank held gold bullion, minted gold coins and other unminted gold stock, with the exception of gold collections recorded in other assets, of 340 thousand oz of gold, i.e., 10.6 t (31 December 2013: 349 thousand oz of gold, i.e., 10.8 t).		
As at 31 December 2014, a foreign bank deposit denominated in gold amounted CZK 345 million (5.6 t). As at 31 December 2013: CZK 345 million (5.6 t).		
The total market value of gold as at 31 December 2014 was CZK 9,319 million (31 December 2013: CZK 8,336 million).		

4 RECEIVABLES FROM AND PAYABLES TO THE INTERNATIONAL MONETARY FUND

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Membership deposit	20,263	19,875
Reserve position	<u>12,484</u>	<u>11,123</u>
Membership quota at IMF	<u>32,747</u>	<u>30,998</u>
Loan provided to IMF	187	174
Long-term loan provided to IMF	2,179	3,759
Deposits in IMF	24,866	23,019
Total receivables from IMF	<u>59,979</u>	<u>57,950</u>
Payable from the SDR allocation	25,813	23,907
Payable to IMF from the bill of exchange	18,468	17,709
Current account with IMF	<u>1,795</u>	<u>2,166</u>
Total payables to IMF	<u>46,076</u>	<u>43,782</u>

Receivables from IMF result from the membership of the Czech Republic in this organisation. 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 the CNB at IMF represents a part of membership quota paid in foreign currency and is denominated in SDR.

Payables to IMF include IMF deposits in the 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, the CNB committed to granting the International Monetary Fund a loan denominated in SDR, up to the equivalent of EUR 2,530 million. The undrawn element of the facility was EUR 1,500 million as at 31 December 2014, i.e. CZK 41,588 million (EUR 2,370 million as at 31 December 2013, i.e. CZK 65,004 million). The loan collateral is disclosed in Note 25.

5 RECEIVABLES FROM ABROAD INCLUDING SECURITIES

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Current accounts with banks	45,892	4,908
Deposits	<u>37,469</u>	<u>715</u>
Total deposits at foreign banks and financial institutions	83,361	5,623
Zero-coupon bonds	167,885	230,782
Coupon bonds	764,517	617,558
Shares	<u>120,983</u>	<u>107,933</u>
Total securities	1,053,385	956,273
Funds from reverse repo transactions	60,566	110,744
Foreign currency	<u>120</u>	<u>108</u>
Total other receivables from abroad	60,686	110,852
Total receivables from abroad including securities	<u>1,197,432</u>	<u>1,072,748</u>

Foreign banks are banks with registered offices abroad. Foreign banks do not include branches of foreign banks with the registered office 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 59,912 million as at 31 December 2014 (31 December 2013: CZK 109,516 million) (see Note 25).

Deposits include also provided collateral in the form of cash placed in foreign banks in the total amount of CZK 1,987 million (31 December 2013: CZK 602 million) provided based on the framework agreements on derivatives transactions (ISDA Master Agreement, ISDA Credit Support Annex).

ZERO-COUPON BONDS

Zero-coupon bonds can be classified as follows:

	Fair value at <u>31 December 2014</u> CZK million	Fair value at <u>31 December 2013</u> CZK million
Government zero-coupon bonds	160,838	197,559
Other zero-coupon bonds	<u>7,047</u>	<u>33,223</u>
Total zero-coupon bonds	<u>167,885</u>	<u>230,782</u>

COUPON BONDS

Coupon bonds can be classified as follows:

	Fair value at <u>31 December 2014</u> CZK million	Fair value at <u>31 December 2013</u> CZK million
Government bonds	591,176	541,414
Other foreign bonds	<u>173,341</u>	<u>76,144</u>
Total coupon bonds	<u>764,517</u>	<u>617,558</u>

Of the total portfolio of coupon and zero-coupon bonds with a fair value of CZK 932,402 million as at 31 December 2014 (CZK 848,340 million as at 31 December 2013) bonds in the total amount of CZK 5,085 million (CZK 0 as at 31 December 2013) were granted as collateral in accordance with the agreements on repo transactions and to secure transactions with a counterparty totalling CZK 140 million (CZK 0 as at 31 December 2013) (see Note 10).

Coupon and zero-coupon bonds with the fair value of CZK 52,277 million were lent out within the automatic lending scheme as at 31 December 2014 (CZK 5,646 million as at 31 December 2013).

SHARES

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

MSCI Euro	Index also known as MSCI EMU Large Cap composed of liquid shares of large companies having their registered offices in any of the countries in the European monetary union.
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 capitalisation 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.
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 at <u>31 December 2014</u> CZK million	Fair value at <u>31 December 2013</u> CZK million
MSCI euro (in EUR)	73,499	68,942
S&P 500 (in USD)	26,571	20,333
FTSE 100 (in GBP)	4,306	3,927
Nikkei 225 (in JPY)	4,931	4,525
S&P TSX (in CAD)	6,972	6,002
S&P ASX 200 (in AUD)	<u>4,704</u>	<u>4,204</u>
Total shares	<u>120,983</u>	<u>107,933</u>
of which financial institutions:		
MSCI euro (in EUR)	17,198	16,287
S&P 500 (in USD)	3,753	2,884
FTSE 100 (in GBP)	905	773
Nikkei 225 (in JPY)	166	170
S&P TSX (in CAD)	2,169	1,869
S&P ASX 200 (in AUD)	1,846	1,601

As at 31 December 2014, shares with a fair value of CZK 2,447 million (31 December 2013: CZK 1,708 million) were lent out within the automatic lending scheme. Collateral in the form of other assets at a total value of CZK 2,585 million (31 December 2013: CZK 1,844 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 2014 and 2013.

In addition, reverse repo transactions in the 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 16,520 million as at 31 December 2014 (31 December 2013: CZK 15,418 million), reported off balance sheet (see Note 25).

7 TANGIBLE AND INTANGIBLE FIXED ASSETS

Tangible fixed assets

	<u>Land</u> CZK million	<u>Buildings</u> CZK million	Machinery, furniture and fittings and other CZK million	Acquisition of assets and prepayments made CZK million	<u>Total</u> CZK million
<u>Cost</u>					
31 December 2013	184	6,997	2,802	21	10,004
Additions to assets	0	9	53	59	121
Disposals / transfer of assets	0	0	(66)	(61)	(127)
31 December 2014	<u>184</u>	<u>7,006</u>	<u>2,789</u>	<u>19</u>	<u>9,998</u>

Accumulated depreciation

31 December 2013	0	3,399	2,671	0	6,070
Additions to accumulated depreciation	0	175	61	0	236
Disposals of accumulated depreciation	0	0	(61)	0	(61)
31 December 2014	<u>0</u>	<u>3,574</u>	<u>2,671</u>	<u>0</u>	<u>6,245</u>

Net book value

31 December 2013	184	3,598	131	21	3,934
31 December 2014	<u>184</u>	<u>3,432</u>	<u>118</u>	<u>19</u>	<u>3,753</u>

Intangible assets

	<u>Software</u>	Other intangible <u>assets</u>	Acquisition of intangible assets and <u>prepayments made</u>	<u>Total</u>
	CZK million	CZK million	CZK million	CZK million
<u>Cost</u>				
31 December 2013	710	13	1	724
Additions to assets	13	0	18	31
Disposals / transfer of assets	(1)	0	(15)	(16)
31 December 2014	<u>722</u>	<u>13</u>	<u>4</u>	<u>739</u>
<u>Accumulated amortisation</u>				
31 December 2013	684	12	0	696
Additions to accumulated amortisation	21	0	0	21
Disposals of accumulated amortisation	(1)	0	0	(1)
31 December 2014	<u>704</u>	<u>12</u>	<u>0</u>	<u>716</u>
<u>Net book value</u>				
31 December 2013	26	1	1	28
31 December 2014	<u>18</u>	<u>1</u>	<u>4</u>	<u>23</u>

As at 31 December 2014, the depreciation of tangible assets was CZK 236 million, amortisation of intangible assets was CZK 21 million (as at 31 December 2013 the amounts were CZK 256 million and CZK 23 million).

Approximately 98% of the Bank's assets at net book value are 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.

Other tangible assets include the collection of coins and medals made of precious metals in the amount of CZK 10 million as at 31 December 2014 (CZK 6 million as at 31 December 2013) (see Note 19).

8 OTHER ASSETS

	31 December 2014	31 December 2013
	CZK million	CZK million
Share in the ECB	181	162
BIS and SWIFT shares	<u>4,197</u>	<u>4,163</u>
Other financial assets	4,378	4,325
Loss loans of former banks	2,838	2,839
Specific provisions against loss loans of former banks (Note 14)	<u>(2,838)</u>	<u>(2,839)</u>
Total receivables from former banks	0	0
Prepaid expenses	35	37
Advances in relation to the Indemnity Letter and Agreement (see Note 27)	221	221
Other precious metals	54	69
Positive fair value of interest rate swaps (see Note 25)	12	252
Positive fair value of currency forwards (see Note 25)	40	861
Margin account including profit/(loss) from change in fair value of futures (see Note 25)	273	237
Loans to employees	129	133
Other operating receivables	179	184
Specific provisions against other operating receivables (see Note 14)	<u>(21)</u>	<u>(22)</u>
Other	922	1,972
Total other assets	<u>5,300</u>	<u>6,297</u>

Other financial assets include the CNB's share in the European Central Bank ("ECB"), the Bank for International Settlement ("BIS") and SWIFT. The share of the Czech Republic in the ECB's capital as at 31 December 2014 amounts to 1.6075 % totalling EUR 6.5 million (1.4539% totalling EUR 5.9 million as at 31 December 2013). The share was calculated in line with Article 29 of the Statute of the European System of Central Banks and European Central Bank using the population number 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 the CNB's share on the paid-up portion of the BIS's 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 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Notes in circulation	455,386	428,469
Coins in circulation	<u>14,090</u>	<u>13,378</u>
Total notes and coins in circulation	<u>469,476</u>	<u>441,847</u>

10 LIABILITIES ABROAD

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Funds from repo transactions	5,084	0
Other liabilities abroad	<u>17,640</u>	<u>604</u>
Total liabilities abroad	<u>22,724</u>	<u>604</u>

The funds received represent the repo transactions with foreign banks. As at 31 December 2014, collateral provided for repo transactions in the form of debt securities was CZK 5,225 million (as at 31 December 2013: CZK 0) (see Note 5).

In addition, foreign banks provided deposits of CZK 16,627 million (31 December 2013: CZK 79 million) and collateral in the form of cash deposit in the total amount of CZK 1,014 million (31 December 2013: CZK 525 million) in accordance with the master agreements on derivatives transactions (ISDA Master Agreement, ISDA Credit Support Annex).

11 PAYABLES TO DOMESTIC BANKS

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Loans received - repo transactions	216,601	380,303
Payment system accounts	189,024	52,481
Balances on cash withdrawal and deposit accounts	10,068	7,121
Special MMR accounts	<u>101</u>	<u>36</u>
Total domestic bank reserves	199,193	59,638
Short-term deposits received	274,582	224,071
Other liabilities	<u>59</u>	<u>65</u>
Total other liabilities to domestic banks	274,641	224,136
Total liabilities to domestic banks	<u>690,435</u>	<u>664,077</u>

In connection with the repo transactions with domestic banks, collateral of CZK 212,316 million was provided in the form of the Bank's treasury bills as at 31 December 2014 (31 December 2013: CZK 373,008 million) (see Note 12).

In addition, repo transactions in the form of securities (collateral) switches are entered into with domestic banks, reported off balance sheet. In connection with these transactions, collateral of CZK 16,213 million was provided in the form of the Bank's treasury bills as at 31 December 2014 (31 December 2013: CZK 15,070 million) (see Note 12).

12 ISSUED DOMESTIC SECURITIES

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Treasury bills issued	(1,000,000)	(700,000)
Treasury bills in repo transactions (carrying amount)	212,316	373,008
Borrowed treasury bills (collateral switch)	16,213	15,070
Available treasury bills	<u>771,471</u>	<u>311,922</u>
Total	<u>0</u>	<u>0</u>

For details see Note 2h of accounting policies.

13 PAYABLES TO THE STATE AND OTHER PUBLIC INSTITUTIONS

	<u>31 December 2014</u> CZK million	<u>31 December 2013</u> CZK million
Single Treasury Account and other state funds in CZK (see Note 2n)	1,708	5,404
Other deposits in CZK	<u>648</u>	<u>691</u>
Total CZK funds	2,356	6,095
Single Treasury Account in EUR	219	18,263
Other deposits in foreign currencies	<u>1,223</u>	<u>1,152</u>
Total foreign currency funds	1,442	19,415
Total state deposits	<u>3,798</u>	<u>25,510</u>

The year-on-year decrease in "Single Treasury Account and other state funds in CZK" is due to the inclusion of other state funds in the Single Treasury Account during 2014. These other available funds were invested on the money market by the Ministry of Finance in line with its strategy. This followed up on the significant extension of state funds made in 2013 by the amendment to Act No. 218/2000 Coll., on Budgetary Rules and Change to Certain Acts (budgetary rules).

The year-on-year decrease in "Single Treasury Account in EUR" is primarily due to a significantly more active management of the liquidity in the Single Treasury Account in EUR. Similarly as for the funds denominated in CZK, the Ministry of Finance invested the available liquidity on the market. The reason for a more active management of EUR funds liquidity by the Ministry of Finance was also the CNB's decision on determining a negative interest rate for above-the-limit volumes of EUR funds of clients which followed the announcement of the ECB's negative rates.

14 PROVISIONS, SPECIFIC PROVISIONS AND WRITE-OFFS OF ASSETS

The Bank records the following specific provisions and provisions for risk assets:

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Specific provisions		
Classified loans of former banks (Note 8)	2,838	2,839
Other operating receivables (Note 8)	<u>21</u>	<u>22</u>
Total specific provisions	<u>2,859</u>	<u>2,861</u>
Provisions		
Guarantees for clients (Note 25)	<u>262</u>	<u>228</u>
Total provisions	<u>262</u>	<u>228</u>

Specific provisions

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

	Classified loans of former <u>banks</u> CZK million	Other operating <u>receivables</u> CZK million	Total specific <u>provisions</u> CZK million
At 1 January 2013	3,294	20	3,314
Addition	0	2	2
Write-off	(455)	0	(455)
Release	<u>0</u>	<u>0</u>	<u>0</u>
At 31 December 2013	<u>2,839</u>	<u>22</u>	<u>2,861</u>
Addition	0	0	0
Write-off	0	(1)	(1)
Release	<u>(1)</u>	<u>0</u>	<u>(1)</u>
At 31 December 2014	<u>2,838</u>	<u>21</u>	<u>2,859</u>

Provisions

The movements in provisions can be analysed as follows:

	<u>Guarantees in favour of clients</u>	<u>Total</u>
	CZK million	CZK million
At 1 January 2013	219	219
Additions	5	5
Usage	(5)	(5)
FX differences	<u>9</u>	<u>9</u>
At 31 December 2013	<u>228</u>	<u>228</u>
Additions	5	5
Usage	(5)	(5)
FX differences	<u>34</u>	<u>34</u>
At 31 December 2014	<u>262</u>	<u>262</u>

Additions, usage and release of specific provisions and provisions can be analysed as follows:

	<u>2014</u>	<u>2013</u>
	CZK million	CZK million
Usage of specific provisions	(2)	(457)
Additions to provisions	(5)	(5)
	<u>(7)</u>	<u>(462)</u>
	<u>2014</u>	<u>2013</u>
	CZK million	CZK million
Release of specific provisions	2	455
Usage of provisions	5	5
	<u>7</u>	<u>460</u>

15 EQUITY

Changes in equity during 2014 and 2013 were as follows:

	Share <u>capital</u> CZK million	<u>Funds</u> CZK million	Accumulated <u>losses</u> CZK million	Revaluation <u>reserve</u> CZK million	Profit/loss for the reporting <u>period</u> CZK million	Total <u>equity</u> CZK million
Balance as at 1 January 2013	1,400	8,050	(126,410)	8,048	2,846	(106,066)
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>
Profit distribution for 2013	0	0	73,116	0	(73,116)	0
Revaluation reserve not included in profit	0	0	0	8,444	0	8,444
Profit for 2014	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>56,560</u>	<u>56,560</u>
Balance at 31 December 2014	<u>1,400</u>	<u>8,050</u>	<u>(50,449)</u>	<u>10,826</u>	<u>56,560</u>	<u>26,387</u>

In accordance with the approved budget and the financial management principles for 2014, the Bank's profit will be used in full to reduce the accumulated losses from previous periods (CZK 50,449 million as at 31 December 2013).

Revaluation reserve

The revaluation reserve represents the change in the fair value of available-for-sale debt securities, shares and interests representing the participations until the time of sale or permanent 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 in the share capital or for any other purpose approved by the Bank Board of the CNB.

As at 31 December 2014, the general reserve fund's balance is CZK 8,050 million (2013: CZK 8,050 million).

16 OTHER LIABILITIES

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Negative fair value of foreign currency forwards (Note 25)	17	9
Negative fair value of interest rate swaps (Note 25)	1,060	266
Advances received in relation to the State Guarantee (Note 27)	221	221
Payables to the European Commission	4,035	1,995
Employee accounts	1,129	1,153
Other liabilities	<u>1,515</u>	<u>546</u>
Total other liabilities	<u>7,977</u>	<u>4,190</u>

Payables to the European Commission include funds from the EU budget to be used by the Czech Republic.

Other liabilities totalling CZK 1,515 million include liabilities of CZK 47 million owing to social security and health insurance premiums as at 31 December 2014 (2013: CZK 41 million). The Bank has no liabilities related to social security and health insurance that would be overdue.

17 NET INTEREST INCOME

	<u>2014</u>	<u>2013</u>
	CZK million	CZK million
Interest income and similar income	6,676	5,075
Interest expense and similar expense	<u>(390)</u>	<u>(310)</u>
Net interest income	<u>6,286</u>	<u>4,765</u>

Interest income and similar income

	<u>2014</u>	<u>2013</u>
	CZK million	CZK million
Interest on zero-coupon bonds	495	478
Interest on coupon bonds	<u>5,885</u>	<u>4,341</u>
Total interest on securities	<u>6,380</u>	<u>4,819</u>
Interest on inter-bank deposits	292	252
Interest on employees loans	<u>4</u>	<u>4</u>
Total other interest income	<u>296</u>	<u>256</u>
Total interest income and similar income	<u>6,676</u>	<u>5,075</u>

Interest expense and similar expense

	<u>2014</u>	<u>2013</u>
	CZK million	CZK million
Interest on liabilities to the state	0	34
Interest on liabilities to banks	386	270
Interest on liabilities to employees and other clients	<u>4</u>	<u>6</u>
Total interest expense and similar expense	<u>390</u>	<u>310</u>

18 GAINS LESS LOSSES FROM FINANCIAL OPERATIONS

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

	<u>2014</u> CZK million	<u>2013</u> CZK million
Foreign exchange gains / (losses)	42,815	46,626
Foreign exchange spread	<u>810</u>	<u>747</u>
Net foreign exchange gains / (losses) and foreign exchange spread	<u>43,625</u>	<u>47,373</u>
Gains from sales of securities	2,019	1,825
Losses from sales of securities	(177)	(763)
Profit / (loss) from revaluation and sale of shares	4,612	18,185
Net gains / (losses) from currency forwards	42	33
Net gains / (losses) from interest futures	25	(96)
Net gains / (losses) from interest rate swaps	(1,381)	302
Net gains / (losses) from share futures	<u>109</u>	<u>320</u>
Other	<u>5,249</u>	<u>19,806</u>
Gains less losses from financial operations	<u>48,874</u>	<u>67,179</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 OTHER EXPENSES AND INCOME

Administration expense can be analysed as follows:

	<u>2014</u> CZK million	<u>2013</u> CZK million
Wages and salaries	921	875
Social and health security	299	291
Other social costs and employee benefits	56	53
Costs of personnel training	<u>26</u>	<u>24</u>
Total personnel costs	<u>1,302</u>	<u>1,243</u>
Rental	3	2
Other	<u>304</u>	<u>327</u>
Total other administration expense	<u>307</u>	<u>329</u>
Total administration expenses	<u>1,609</u>	<u>1,572</u>

Of the total wages and salaries of CZK 921 million as at 31 December 2014 the wages, compensations and bonuses of the Bank's Board members totalled CZK 27 million (CZK 875 million as at 31 December 2013 the wages, compensations and bonuses of the Bank's Board members totalled CZK 25 million).

Staff statistics

	<u>2014</u>	<u>2013</u>
Average recalculated number of employees	1,314	1,372
of which members of the Bank Board	7	7

Other expenses:

During the year ended 31 December 2014, the Bank paid the performance under the Contract and Indemnity Letter of CZK 130 million not covered by the state guarantee (CZK 0 in 2013) (see Notes 8, 25 and 27) as part of other operating expenses.

Other income:

During the year ended 31 December 2014, the Czech National Bank included the value of a part of collection objects made of precious metals previously recorded off-balance sheet of CZK 4 million (CZK 0 in 2013) (see Note 2w and 7) in other tangible assets under extraordinary operating income.

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 categorises 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 summarises the Bank's exposure to interest rate risks. The table lists the Bank's interest-bearing assets and liabilities at carrying amounts, categorised 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 summarises the Bank's exposure to the currency risk. The table lists the Bank's foreign currency-denominated assets and liabilities at carrying amounts, categorised 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.

21 LIQUIDITY RISK

Balance at 31 December 2014	<u>Up to 1 month</u>	<u>1 – 3 months</u>	<u>3 - 12 months</u>	<u>1 – 5 years</u>	<u>Over 5 years</u>	<u>Un-specified</u>	<u>Total</u>
	CZK million	CZK million	CZK million	CZK million	CZK million	CZK million	CZK million
Assets							
Gold	648	0	0	0	0	0	648
Receivables from IMF	0	0	0	0	0	59,979	59,979
Zero-coupon bonds	34,999	49,694	48,934	34,258	0	0	167,885
Coupon bonds	22,998	37,439	150,931	450,135	103,014	0	764,517
Deposits, loans and other receivables from abroad	265,030	0	0	0	0	0	265,030
Receivables from domestic banks	0	0	0	0	0	0	0
Tangible and intangible assets	0	0	0	0	0	3,776	3,776
Other assets	<u>541</u>	<u>0</u>	<u>34</u>	<u>1</u>	<u>347</u>	<u>4,377</u>	<u>5,300</u>
Total assets	<u>324,216</u>	<u>87,133</u>	<u>199,899</u>	<u>484,394</u>	<u>103,361</u>	<u>68,132</u>	<u>1,267,135</u>
Liabilities							
Notes and coins in circulation	0	0	0	0	0	469,476	469,476
Liabilities to IMF	0	0	0	0	0	46,076	46,076
Liabilities abroad	0	0	5,160	0	0	17,564	22,724
Liabilities to domestic banks	690,435	0	0	0	0	0	690,435
Liabilities to the state	3,798	0	0	0	0	0	3,798
Provisions	0	0	0	0	0	262	262
Equity	0	0	0	0	0	26,387	26,387
Other liabilities	<u>7,168</u>	<u>0</u>	<u>390</u>	<u>198</u>	<u>0</u>	<u>221</u>	<u>7,977</u>
Total liabilities	<u>701,401</u>	<u>0</u>	<u>5,550</u>	<u>198</u>	<u>0</u>	<u>559,986</u>	<u>1,267,135</u>
Net liquidity gap	<u>(377,185)</u>	<u>87,133</u>	<u>194,349</u>	<u>484,196</u>	<u>103,361</u>	<u>(491,854)</u>	<u>0</u>

Balance 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
Zero-coupon bonds	41,287	61,438	97,662	29,754	641	0	230,782
Coupon bonds	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
Tangible and intangible 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							
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	<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>

22 INTEREST RATE RISK

Balance at 31 December 2014	Up to 1 <u>month</u>	1 – 3 <u>months</u>	3 - 12 <u>months</u>	1 – 5 <u>years</u>	Over 5 <u>years</u>	Not sensitive to the interest <u>rate</u>	<u>Total</u>
	CZK million	CZK million	CZK million	CZK million	CZK million	CZK million	CZK million
Assets							
Gold	0	0	0	0	0	648	648
Receivables from IMF	0	0	0	0	0	59,979	59,979
Zero-coupon bonds	34,999	49,694	48,934	34,258	0	0	167,885
Coupon bonds	104,376	235,781	424,360	0	0	0	764,517
Deposits, loans and other receivables from abroad	265,030	0	0	0	0	0	265,030
Receivables from domestic banks	0	0	0	0	0	0	0
Tangible and intangible assets	0	0	0	0	0	3,776	3,776
Other assets	<u>575</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>126</u>	<u>4,598</u>	<u>5,300</u>
Total assets	<u>404,980</u>	<u>285,475</u>	<u>473,294</u>	<u>34,259</u>	<u>126</u>	<u>69,001</u>	<u>1,267,135</u>
Liabilities							
Notes and coins in circulation	0	0	0	0	0	469,476	469,476
Liabilities to IMF	0	0	0	0	0	46,076	46,076
Liabilities abroad	22,724	0	0	0	0	0	22,724
Liabilities to domestic banks	690,435	0	0	0	0	0	690,435
Liabilities to the state	3,798	0	0	0	0	0	3,798
Provisions	0	0	0	0	0	262	262
Equity	0	0	0	0	0	26,387	26,387
Other liabilities	<u>7,168</u>	<u>588</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>221</u>	<u>7,977</u>
Total liabilities	<u>724,125</u>	<u>588</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>542,422</u>	<u>1,267,135</u>
Net interest sensitivity gap	<u>(319,145)</u>	<u>284,887</u>	<u>473,294</u>	<u>34,259</u>	<u>126</u>	<u>(473,421)</u>	<u>0</u>

Balance at 31 December 2013	Up to 1 month	1 – 3 months	3 - 12 months	1 – 5 years	Over 5 years	Not sensitive to the interest rate	Total
	CZK million	CZK million	CZK million	CZK million	CZK million	CZK million	CZK million
Assets							
Gold	0	0	0	0	0	664	664
Receivables from IMF	0	0	0	0	0	57,950	57,950
Zero-coupon bonds	52,193	61,438	97,662	18,848	641	0	230,782
Coupon bonds	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
Tangible and intangible 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							
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	<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>

23 CURRENCY RISK**Balance at
31 December
2014**

	<u>CZK</u> CZK million	<u>EUR</u> CZK million	<u>USD</u> CZK million	<u>JPY</u> CZK million	<u>CHF</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	648	648
Receivables from IMF	20,263	0	0	0	0	0	0	0	39,716	59,979
Zero-coupon bonds	0	110,540	1,141	27,313	0	22,985	0	5,906	0	167,885
Coupon bonds	0	365,540	184,498	0	0	115,337	75,170	23,972	0	764,517
Deposits, loans and other receivables from abroad	0	152,358	28,090	4,990	45,209	7,435	5,442	17,113	4,393	265,030
Receivables from domestic banks	0	0	0	0	0	0	0	0	0	0
Tangible and intangible assets	3,776	0	0	0	0	0	0	0	0	3,776
Other assets	<u>474</u>	<u>370</u>	<u>112</u>	<u>17</u>	<u>0</u>	<u>33</u>	<u>12</u>	<u>0</u>	<u>4,282</u>	<u>5,300</u>
Total assets	<u>24,513</u>	<u>628,808</u>	<u>213,841</u>	<u>32,320</u>	<u>45,209</u>	<u>145,790</u>	<u>80,624</u>	<u>46,991</u>	<u>49,039</u>	<u>1,267,135</u>
Liabilities										
Notes and coins in circulation	469,476	0	0	0	0	0	0	0	0	469,476
Liabilities to IMF	20,263	0	0	0	0	0	0	0	25,813	46,076
Liabilities abroad	16,626	1,014	0	0	0	0	0	5,084	0	22,724
Liabilities to domestic banks	690,435	0	0	0	0	0	0	0	0	690,435
Liabilities to the state	2,356	219	1,222	0	1	0	0	0	0	3,798
Provisions	0	0	262	0	0	0	0	0	0	262
Equity	26,387	0	0	0	0	0	0	0	0	26,387
Other liabilities	<u>5,361</u>	<u>2,463</u>	<u>153</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,977</u>
Total liabilities	<u>1,230,904</u>	<u>3,696</u>	<u>1,637</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>5,084</u>	<u>25,813</u>	<u>1,267,135</u>
Net assets/(liabilities)	(1,206,391)	625,112	212,204	32,320	45,208	145,790	80,624	41,907	23,226	0
Net off-balance sheet assets / (liabilities)	<u>0</u>	<u>68,990</u>	<u>(28,615)</u>	<u>(12,289)</u>	<u>(45,203)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,144</u>	<u>27</u>
Net foreign exchange position	<u>(1,206,391)</u>	<u>694,102</u>	<u>183,589</u>	<u>20,031</u>	<u>5</u>	<u>145,790</u>	<u>80,624</u>	<u>41,907</u>	<u>40,370</u>	<u>27</u>

The volume of GBP in assets at the end of 2014 was CZK 4,388 million. For this reason, GBP was transferred to Other and replaced by CHF.

Due to an oversight (using the opposite sign on the line Net off-balance sheet assets/liabilities), previously issued financial statements incorrectly recognised the amount of the net foreign exchange position for 2014. The error was corrected on 24 July 2015.

**Balance 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
Zero-coupon bonds	0	185,178	4,970	13,270	0	15,939	0	11,425	0	230,782
Coupon bonds	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
Tangible and intangible 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										
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
Equity	(38,617)	0	0	0	0	0	0	0	0	(38,617)
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>1,097,261</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>23,990</u>	<u>1,141,621</u>
Net assets/(liabilities)	(1,072,123)	729,162	175,810	17,844	4,051	57,660	39,887	28,708	19,001	0
Net off-balance sheet assets / (liabilities)	<u>0</u>	<u>2,384</u>	<u>(18,731)</u>	<u>572</u>	<u>16,633</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>858</u>
Net foreign exchange position	<u>(1,072,123)</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>858</u>

24 CREDIT RISK AND CONCENTRATION OF LIABILITIES

Geographical concentration of assets

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Czech Republic	5,001	6,253
Germany	386,437	383,560
France	126,273	211,351
Netherlands	55,286	98,733
Slovakia	34,770	0
Luxembourg	17,231	11,982
Austria	10,135	14,385
Spain	8,592	7,427
Other Eurozone countries	13,689	17,909
Switzerland	50,367	4,519
Sweden	35,429	24,385
Denmark	25,094	21,344
United Kingdom	21,819	27,813
Norway	9,956	7,750
Other European countries	1	0
USA	229,337	195,058
Canada	138,984	54,980
Japan	32,242	17,796
Australia	66,367	36,314
Other countries	<u>125</u>	<u>62</u>
	<u>1,267,135</u>	<u>1,141,621</u>
Of which deposits and bonds:		
Central governments and central banks	834,157	745,941
Government agencies	179,332	107,570
Securities hedged by other assets (Covered bonds, Pfandbriefs)	711	1,812
Commercial banks	53,789	108,060
BIS	<u>0</u>	<u>112</u>
	<u>1,067,989</u>	<u>963,495</u>

Geographical concentration of liabilities

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Czech Republic	1,194,299	1,095,240
Eurozone countries	20,579	1,998
Other European countries	6,105	525
USA	<u>46,152</u>	<u>43,858</u>
	<u>1,267,135</u>	<u>1,141,621</u>

25 OTHER OFF-BALANCE SHEET ITEMS**Guarantees issued**

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
To clients (Note 14)	262	228
In relation to the Indemnity Letter and Agreement (Note 27)	156,820	156,950
For deposits held by IPB (Note 27)	72	96
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>157,954</u>	<u>158,074</u>

The identified need for provisions for expected losses on the guarantees issued to clients was CZK 262 million as at 31 December 2014 (31 December 2013: CZK 228 million) (see Note 14).

The Bank has not recognised a provision for claims for the guarantees provided in connection with the sale of 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 recognised a provision for claims for guarantees under the Indemnity Letter and Agreement or for claims for guarantees issued in connection with deposits held by IPB (see Note 27).

Guarantees received

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
From the Ministry of Finance of the CR received in relation to the State Guarantee (Note 27)	156,820	156,950
State guarantee to secure the loan to the IMF	<u>70,144</u>	<u>69,385</u>
Total guarantees received	<u>226,964</u>	<u>226,335</u>

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

Collateral received

The total collateral received in the form of debt securities as at 31 December 2014 was CZK 79,145 million (31 December 2013: CZK 127,317 million).

As at 31 December 2014, the Bank received collateral of CZK 59,912 million (31 December 2013: CZK 109,516 million) within repo transactions and CZK 2,585 million within the securities automatic lending programme in foreign currencies with respect to foreign banks (31 December 2013: CZK 1,844 million) and CZK 128 million to secure transactions with counterparties (31 December 2013: CZK 539 million). The Bank also received collateral of CZK 16,520 million (31 December 2013: CZK 15,418 million) in CZK within "Collateral switch" transactions concluded with domestic banks (see Notes 5 and 6).

Spot transactions and derivative financial instruments

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

Off-balance sheet receivables

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
- from currency forward transactions	110,392	47,887
- from interest rate swap transactions	29,479	21,382
- from interest rate futures transactions	0	5,091
- from share futures transactions	931	1,318
- from unsettled interest rate spot transactions	45,625	4,118
- from unsettled currency spot transactions	<u>1,383</u>	<u>1</u>
	<u>187,810</u>	<u>79,797</u>

Off-balance sheet payables

- from currency forward transactions	110,365	47,029
- from interest rate swap transactions	29,479	21,382
- from interest rate futures transactions	0	5,091
- from share futures transactions	931	1,318
- from unsettled interest spot transactions	45,625	4,118
- from unsettled currency spot transactions	<u>1,383</u>	<u>1</u>
	<u>187,783</u>	<u>78,939</u>

At the balance sheet date, the Company records contracts for the following currency forwards hedging the movement of foreign exchange rates:

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Off-balance sheet receivables from forward transactions	110,392	47,887
Off-balance sheet payables from forward transactions	110,365	47,029
Positive fair value (Note 8)	40	861
Negative fair value (Note 16)	17	9

All currency forwards will mature in 2015.

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 gains less losses from financial operations (Note 18).

The Bank records contracts for the following swap transactions at the balance sheet date:

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Off-balance sheet receivables from interest rate swap transactions	29,479	21,382
Off-balance sheet payables from interest rate swap transactions	19,479	21,382
Positive fair value (Note 8)	12	252
Negative fair value (Note 16)	1,060	266

The interest rate and share total return swaps also 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 in the fair value are recorded in gains less losses from financial operations (Note 18).

The Bank records contracts for the following futures transactions at the balance sheet date:

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Off-balance sheet receivables from interest rate futures transactions	0	5,091
Off-balance sheet payables from interest rate futures transactions	0	5,091
Net gain/(loss) from change in fair values of interest rate futures transactions open at the year-end (Note 18)	25	(96)

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Off-balance sheet receivables from share futures transactions	931	1,318
Off-balance sheet payables from share futures transactions	931	1,318
Net gain/(loss) from change in fair values of futures transactions open at the year-end (Note 18)	109	320

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Net gain/(loss) from change in fair values of futures transactions open at the year-end	134	224
Cash on margin account	<u>139</u>	<u>13</u>
Margin account including settled change in fair value of interest rate futures transactions (Note 8)	<u>273</u>	<u>237</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 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 gains less losses from financial operations (see Note 18).

Assets held in custody

The Bank did not receive any financial assets from third parties to be held in custody in 2014 and 2013. The Bank maintains other assets in custody in the off-balance sheet records (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 the costs of Česká konsolidační agentura a.s.). In 2014 these costs were CZK 0.1 million (2013: CZK 0.1 million). The Bank does not recognise any provisions for these contingencies and commitments as they are immaterial.

Ongoing lawsuits

As a result of the transactions the CNB conducted in the past pursuant to its role in supporting and maintaining the stability of the banking sector, the CNB or third parties are defendants in several court 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 the CNB's resources and, therefore, has not recognised 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., on the Amendment of Acts Connected with 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 BANK 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's off-balance sheet based on an assessment of the liabilities covered by the Guarantee for Deposits calculated by Československá obchodní banka a.s. ("CSOB"). The balance of the Guarantee for Deposits in the off-balance sheet of the CNB as at 31 December 2014 was CZK 72 million (31 December 2013: CZK 96 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's indemnification based on the Indemnity Letter ("the State Guarantee"). The State Guarantee covers losses that may be incurred by the CNB as a result of the indemnification of CSOB for losses (damage) arising from IPB's unrecorded liabilities 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 to 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 analysed as follows:

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Total potential claims under the Indemnity Letter	160,000	160,000
Advances provided to CSOB (Note 8)	(221)	(221)
Foreign exchange differences	(17)	(17)
Settlement to CSOB	<u>(2 942)</u>	<u>(2 812)</u>
Total potential future claims under the Indemnity Letter (see Note 25)	<u>156,820</u>	<u>156,950</u>

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

	<u>31 December 2014</u>	<u>31 December 2013</u>
	CZK million	CZK million
Total State Guarantee received	160,000	160,000
Advances received from the State Guarantee (Note 16)	(221)	(221)
Funds from the State Guarantee	(2,829)	(2,829)
Funds of the CNB not covered by the State Guarantee	<u>(130)</u>	<u>0</u>
Unused amount of State Guarantee (see Note 25)	<u>156,820</u>	<u>156,950</u>

The CNB has not yet recognised a provision for future possible claims under the Indemnity Letter as it is currently unable to reliably assess the expected outcome of legal proceedings or the amount of damage, 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 the CNB's expense.

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

28 RELATED PARTY TRANSACTIONS

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.

In accordance with internal rules the CNB provides the members of the Bank Board and senior management with 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

The CNB's management is not aware of any subsequent events that would have a material impact on the financial statements for the year ended 31 December 2014.

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

INDEPENDENT AUDITOR'S REPORT To the Bank Board of the Czech National Bank

Having its registered office at: Na Příkopě 28, 115 03 Prague 1
Identification number: 481 36 450

We have audited the accompanying financial statements of the Czech National Bank, which comprise the balance sheet as of 31 December 2014, and the income statement and the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The management of the Czech National Bank is responsible for the preparation and fair presentation of these financial statements in accordance with accounting regulations applicable 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 and the related application guidelines issued by 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 about 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 the 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 give a true and fair view of the financial position of the Czech National Bank as of 31 December 2014, and of its financial performance for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Other Matters

The financial statements of the Czech National Bank for the year ended 31 December 2013 were audited by another auditor who issued an unqualified opinion on those financial statements on 19 March 2014.

In Prague on 18 March 2015

Audit firm:

Deloitte Audit s.r.o.
certificate no. 79



Statutory auditor:

Diana Rádí Rogerová
certificate no. 2045

