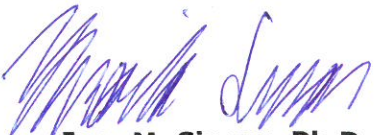

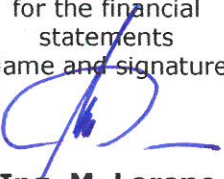


FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2015
TOGETHER WITH AUDITOR'S REPORT

2015

FINANCIAL STATEMENTS OF
THE CZECH NATIONAL BANK
FOR THE YEAR
ENDED 31 DECEMBER 2015

Date of preparation: 16 March 2016	Signature of the Governor  Ing. M. Singer, Ph.D.	Person responsible for accounting Name and signature  Ing. M. Mayer, LL.M.	Person responsible for the financial statements Name and signature  Ing. M. Lorenc
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The financial statements and notes to the financial statements were approved by the CNB's Bank Board on 24 March 2016.

ASSETS

	<u>Note</u>	<u>31 December</u> <u>2015</u> CZK million	<u>31 December</u> <u>2014</u> CZK million
1. Gold	3	616	648
2. Receivables from the International Monetary Fund	4	60,985	59,979
3. Receivables from abroad, including securities	5	1,556,939	1,197,432
3.1. Deposits at foreign banks and financial institutions		163,100	83,361
3.2. Securities		1,359,241	1,053,385
3.3. Other receivables from abroad		34,598	60,686
4. Receivables from domestic banks	6	0	0
5. Fixed assets	7	3,609	3,776
5.1. Tangible fixed assets		3,578	3,753
5.2. Intangible assets		31	23
6. Other assets	8	5,917	5,300
6.1. Other financial assets		4,676	4,378
6.2. Other		<u>1,241</u>	<u>922</u>
TOTAL ASSETS		<u>1,628,066</u>	<u>1,267,135</u>

LIABILITIES AND EQUITY

	<u>Note</u>	<u>31 December 2015</u> CZK million	<u>31 December 2014</u> CZK million
1. Notes and coins in circulation	9	510,128	469,476
2. Liabilities to the International Monetary Fund	4	49,941	46,076
3. Liabilities abroad	10	40,070	22,724
3.1. Loans from foreign banks		3,823	5,084
3.2. Other liabilities abroad		36,247	17,640
4. Liabilities to domestic banks	11	882,528	690,435
4.1. Loans received		193,102	216,601
4.2. Bank monetary reserves		170,591	199,193
4.3. Other liabilities to banks		518,835	274,641
5. Liabilities to the state and other public institutions	13	112,126	3,798
6. Provisions	14	285	262
7. Share capital	15	1,400	1,400
8. Funds	15	14,161	8,050
9. Revaluation reserve	15	7,838	10,826
10. Accumulated losses from previous periods	15	0	(50,449)
11. Net profit or loss for the period	15	(549)	56,560
12. Other liabilities	16	<u>10,138</u>	<u>7,977</u>
TOTAL LIABILITIES AND EQUITY		<u>1,628,066</u>	<u>1,267,135</u>

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

	<u>Note</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
		CZK million	CZK million
1. Guarantees issued	25	157,953	157,954
2. Issued loan commitments	4	40,538	41,588
3. Receivables from spot, term and futures transactions	25	290,576	187,810
4. Liabilities from spot, term and futures transactions	25	291,825	187,783
5. Guarantees received	25	225,193	226,964
6. Collateral received	25	41,900	79,145

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

	<u>Note</u>	<u>2015</u> CZK million	<u>2014</u> CZK million
1. Interest income and similar income	17	7,212	6,676
1.1. Interest from fixed income securities		7,071	6,380
1.2. Other		141	296
2. Interest expense and similar expense	17	(1,710)	(390)
3. Income from shares and other interests		3,335	2,840
4. Fee and commission income		396	353
5. Fee and commission expense		(122)	(106)
6. Gains less losses from financial operations	18	(8,284)	48,874
6.1. Net foreign exchange gains / (losses) and foreign exchange spread		(16,340)	43,625
6.2. Other		8,056	5,249
7. Other operating income	19	624	732
7.1. Income from money issue		434	535
7.2. Other		190	197
8. Other operating expense	19	(382)	(553)
8.1. Expenses for production of notes and coins		(336)	(363)
8.2. Other		(46)	(190)
9. Administration expense	19	(1,640)	(1,609)
9.1. Personnel expenses		(1,318)	(1,302)
9.1.1. Wages and salaries		(930)	(921)
9.1.2. Social and health security		(310)	(299)
9.1.3. Training and employee benefits		(78)	(82)
9.2. Other administration expenses		(322)	(307)
10. Depreciation and amortisation of fixed assets	7	(252)	(257)
11. Reversal of provisions for receivables and guarantees, income from receivables already written off	14	501	7
12. Write offs, additions and utilisation of provisions for receivables and guarantees	14	(227)	(7)
13. Net profit or loss for the period		(549)	56,560

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 Bank also acts as a body resolving financial market crises. 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 the measures on the supervision of financial markets.

As at 31 December 2015, 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	Quantity	31 December 2015	31 December 2014
EUR	1	27.025	27.725
USD	1	24.824	22.834
JPY	100	20.619	19.090
GBP	1	36.822	35.591
CHF	1	24.930	23.058
CAD	1	17.884	19.710
AUD	1	18.142	18.692
SEK	1	2.940	2.954
Special drawing rights (SDR)	1	34.400	33.082

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 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.

NOTES TO THE BALANCE SHEET, OFF BALANCE SHEET AND INCOME STATEMENT**3 GOLD**

	<u>31 December 2015</u> CZK million	<u>31 December 2014</u> CZK million
Total gold	<u>616</u>	<u>648</u>
As at 31 December 2015, the Bank held gold bullion, minted gold coins and other unminted gold stock, with the exception of gold collections recorded in other assets, of 323 thousand oz of gold, i.e., 10.0 t (31 December 2014: 340 thousand oz of gold, i.e., 10.6 t).		
As at 31 December 2015, a foreign bank deposit denominated in gold amounted CZK 345 million (5.6 t). As at 31 December 2014: CZK 345 million (5.6 t).		
The total market value of gold as at 31 December 2015 was CZK 8,519 million (31 December 2014: CZK 9,319 million).		

4 RECEIVABLES FROM AND PAYABLES TO THE INTERNATIONAL MONETARY FUND

	<u>31 December 2015</u> CZK million	<u>31 December 2014</u> CZK million
Membership deposit	23,100	20,263
Reserve position	<u>11,432</u>	<u>12,484</u>
Membership quota at IMF	<u>34,532</u>	<u>32,747</u>
Loan provided to IMF	195	187
Long-term loan provided to IMF	398	2,179
Deposits in IMF	25,860	24,866
Total receivables from IMF	<u>60,985</u>	<u>59,979</u>
Payable from the SDR allocation	26,841	25,813
Payable to IMF from the bill of exchange	19,639	18,468
Current account with IMF	<u>3,461</u>	<u>1,795</u>
Total payables to IMF	<u>49,941</u>	<u>46,076</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, an interest-free bill of exchange and SDR allocation.

Pursuant to 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 2015, i.e. CZK 40,538 million (EUR 1,500 million as at 31 December 2014, i.e. CZK 41,588 million). The loan collateral is disclosed in Note 25.

5 RECEIVABLES FROM ABROAD INCLUDING SECURITIES

	<u>31 December 2015</u> CZK million	<u>31 December 2014</u> CZK million
Current accounts with banks	141,906	45,892
Deposits	<u>21,194</u>	<u>37,469</u>
Total deposits at foreign banks and financial institutions	163,100	83,361
Zero-coupon bonds	237,511	167,885
Coupon bonds	993,675	764,517
Shares	<u>128,055</u>	<u>120,983</u>
Total securities	1,359,241	1,053,385
Funds from reverse repo transactions	34,424	60,566
Foreign currency	<u>174</u>	<u>120</u>
Total other receivables from abroad	34,598	60,686
Total receivables from abroad including securities	<u>1,556,939</u>	<u>1,197,432</u>

Foreign currency reserves are used to conduct the Bank's own independent currency policy and as a source of liquidity for performing transactions of the CNB's clients. Foreign currency reserves are invested in compliance with its policy regulating foreign currency reserves management. The bonds portfolio is managed actively. The shares portfolio represents approximately 10 % of the invested foreign currency reserves and is managed by two selected companies.

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 33,847 million as at 31 December 2015 (31 December 2014: CZK 59,912 million) (see Note 25).

Deposits also include provided collateral in the form of cash placed in foreign banks in the total amount of CZK 2,226 million (31 December 2014: CZK 1,987 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 2015</u> CZK million	Fair value at <u>31 December 2014</u> CZK million
Government zero-coupon bonds	234,806	160,838
Other zero-coupon bonds	<u>2,705</u>	<u>7,047</u>
Total zero-coupon bonds	<u>237,511</u>	<u>167,885</u>

COUPON BONDS

Coupon bonds can be classified as follows:

	Fair value at <u>31 December 2015</u> CZK million	Fair value at <u>31 December 2014</u> CZK million
Government bonds	757,924	591,176
Other foreign bonds	<u>235,751</u>	<u>173,341</u>
Total coupon bonds	<u>993,675</u>	<u>764,517</u>

Of the total portfolio of coupon and zero-coupon bonds with a fair value of CZK 1,231,186 million as at 31 December 2015 (CZK 932,402 million as at 31 December 2014) bonds in the total amount of CZK 3,817 million (CZK 5,085 million as at 31 December 2014) were granted as collateral in accordance with the agreements on repo transactions and to secure transactions with a counterparty totalling CZK 156 million (CZK 140 million as at 31 December 2014) (see Note 10).

Coupon and zero-coupon bonds with the fair value of CZK 109,873 million were lent out within the automatic lending scheme as at 31 December 2015 (CZK 52,277 million as at 31 December 2014).

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 2015</u> CZK million	Fair value at <u>31 December 2014</u> CZK million
MSCI euro (in EUR)	78,111	73,499
S&P 500 (in USD)	29,228	26,571
FTSE 100 (in GBP)	4,422	4,306
Nikkei 225 (in JPY)	5,837	4,931
S&P TSX (in CAD)	5,795	6,972
S&P ASX 200 (in AUD)	<u>4,662</u>	<u>4,704</u>
Total shares	<u>128,055</u>	<u>120,983</u>
of which financial institutions:		
MSCI euro (in EUR)	17,637	17,198
S&P 500 (in USD)	3,983	3,753
FTSE 100 (in GBP)	964	905
Nikkei 225 (in JPY)	196	166
S&P TSX (in CAD)	1,902	2,169
S&P ASX 200 (in AUD)	1,889	1,846

As at 31 December 2015, shares with a fair value of CZK 2,446 million (31 December 2014: CZK 2,447 million) were lent out within the automatic lending scheme. Collateral in the form of other assets at a total value of CZK 2,624 million (31 December 2014: CZK 2,585 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 2015 and 2014.

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 5,429 million as at 31 December 2015 (31 December 2014: CZK 16,520 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 2014	184	7,006	2,789	19	9,998
Additions to assets	0	14	58	57	129
Disposals / transfer of assets	0	0	(40)	(69)	(109)
31 December 2015	<u>184</u>	<u>7,020</u>	<u>2,807</u>	<u>7</u>	<u>10,018</u>
<u>Accumulated depreciation</u>					
31 December 2014	0	3,574	2,671	0	6,245
Additions to accumulated depreciation	0	175	56	0	231
Disposals of accumulated depreciation	0	0	(36)	0	(36)
31 December 2015	<u>0</u>	<u>3,749</u>	<u>2,691</u>	<u>0</u>	<u>6,440</u>
<u>Net book value</u>					
31 December 2014	184	3,432	118	19	3,753
31 December 2015	<u>184</u>	<u>3,271</u>	<u>116</u>	<u>7</u>	<u>3,578</u>

Intangible assets

	<u>Software</u> CZK million	Other intangible assets CZK million	Acquisition of intangible assets and prepayments made CZK million	<u>Total</u> CZK million
<u>Cost</u>				
31 December 2014	722	13	4	739
Additions to assets	31	1	31	63
Disposals / transfer of assets	(24)	0	(33)	(57)
31 December 2015	<u>729</u>	<u>14</u>	<u>2</u>	<u>745</u>
<u>Accumulated amortisation</u>				
31 December 2014	704	12	0	716
Additions to accumulated amortisation	21	1	0	22
Disposals of accumulated amortisation	(24)	0	0	(24)
31 December 2015	<u>701</u>	<u>13</u>	<u>0</u>	<u>714</u>
<u>Net book value</u>				
31 December 2014	18	1	4	23
31 December 2015	<u>28</u>	<u>1</u>	<u>2</u>	<u>31</u>

As at 31 December 2015, the depreciation of tangible fixed assets was CZK 230 million, amortisation of intangible assets was CZK 22 million (as at 31 December 2014 the amounts were CZK 236 million and CZK 21 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 11 million as at 31 December 2015 (CZK 10 million as at 31 December 2014) (see Note 19).

8 OTHER ASSETS

	<u>31 December 2015</u> CZK million	<u>31 December 2014</u> CZK million
Share in the ECB	176	181
BIS and SWIFT shares	<u>4,500</u>	<u>4,197</u>
Other financial assets	4,676	4,378
Loss loans of former banks	2,343	2,838
Specific provisions against loss loans of former banks (see Note 14)	<u>(2,343)</u>	<u>(2,838)</u>
Total receivables from former banks	0	0
Prepaid expenses	69	35
Advances in relation to the Indemnity Letter and Agreement (see Note 27)	221	221
Other precious metals	36	54
Positive fair value of interest rate swaps (see Note 25)	242	12
Positive fair value of currency forwards (see Note 25)	0	40
Margin account including profit/(loss) from change in fair value of futures (see Note 25)	204	273
Loans to employees	150	129
Other operating receivables	341	179
Specific provisions against other operating receivables (see Note 14)	<u>(22)</u>	<u>(21)</u>
Other	1,241	922
Total other assets	<u>5,917</u>	<u>5,300</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 2015 amounts to 1.6075 % totalling EUR 6.5 million (the same amounts as at 31 December 2014). The share was calculated in line with Article 29 of the Statute 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 2015</u> CZK million	<u>31 December 2014</u> CZK million
Notes in circulation	494,957	455,386
Coins in circulation	<u>15,171</u>	<u>14,090</u>
Total notes and coins in circulation	<u>510,128</u>	<u>469,476</u>

10 LIABILITIES ABROAD

	<u>31 December 2015</u> CZK million	<u>31 December 2014</u> CZK million
Funds from repo transactions	3,823	5,084
Other liabilities abroad	<u>36,247</u>	<u>17,640</u>
Total liabilities abroad	<u>40,070</u>	<u>22,724</u>

The funds received represent the repo transactions with foreign banks. As at 31 December 2015, collateral provided for repo transactions in the form of debt securities was CZK 3,973 million (as at 31 December 2014: CZK 5,225 million) (see Note 5).

In addition, foreign banks provided deposits of CZK 36,247 million (31 December 2014: CZK 16,627 million) and collateral in the form of cash deposits in the total amount of CZK 0 million (31 December 2014: CZK 1,014 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 2015</u> CZK million	<u>31 December 2014</u> CZK million
Loans received - repo transactions	193,102	216,601
Payment system accounts	164,488	189,024
Balances on cash withdrawal and deposit accounts	6,051	10,068
Special MMR accounts	<u>52</u>	<u>101</u>
Total domestic bank reserves	170,591	199,193
Short-term deposits received	518,808	274,582
Other liabilities	<u>27</u>	<u>59</u>
Total other liabilities to domestic banks	518,835	274,641
Total liabilities to domestic banks	<u>882,528</u>	<u>690,435</u>

In connection with the repo transactions with domestic banks, collateral of CZK 189,524 million was provided in the form of the Bank's treasury bills as at 31 December 2015 (31 December 2014: CZK 212,316 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 5,248 million was provided in the form of the Bank's treasury bills as at 31 December 2015 (31 December 2014: CZK 16,213 million) (see Note 12).

12 ISSUED DOMESTIC SECURITIES

	<u>31 December 2015</u> CZK million	<u>31 December 2014</u> CZK million
Treasury bills issued	(1,000,000)	(1,000,000)
Treasury bills in repo transactions (carrying amount)	189,524	212,316
Borrowed treasury bills (collateral switch)	5,248	16,213
Available treasury bills	<u>805,228</u>	<u>771,471</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 2015</u> CZK million	<u>31 December 2014</u> CZK million
Single Treasury Account and other state funds in CZK (see Note 2n)	93,479	1,708
Other deposits in CZK	<u>17,066</u>	<u>648</u>
of which Deposit Insurance Fund	16,570	0
Total CZK funds	110,545	2,356
Single Treasury Account in EUR	164	219
Other deposits in foreign currencies	<u>1,417</u>	<u>1,223</u>
Total foreign currency funds	1,581	1,442
Total state and public institution deposits	<u>112,126</u>	<u>3,798</u>

Pursuant to Section 3 (h) of Act No. 218/2000 Coll., on Budgetary Rules and Change to Certain Acts (budgetary rules), the Bank maintains a system of CZK, EUR and selected foreign-currency accounts for the purposes of Treasury and provides an agreed scope of banking services in respect of these accounts. The available CZK and EUR funds of the Treasury are invested by the Ministry of Finance on the money market in line with the Ministry's strategy.

The reason for a more active management of EUR funds liquidity by the Ministry of Finance also related to 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.

Following the adoption of Act No. 374/2015 Coll., on Remedial Procedures and Financial Market Crisis Resolution, and Act No. 375/2015 Coll. amending certain acts with respect to the adoption of the Act on Remedial Procedures and Financial Market Crisis Resolution, and in connection with the adjustment to the deposit insurance system effective from 1 January 2016, the Deposit Insurance Fund was transformed into a public institution, the Financial Market Guarantee System, which comprises the funds of the existing Deposit Insurance Fund. A portion of the funds in the Deposit Insurance Fund were transferred to an account with the Bank during 2015.

14 PROVISIONS, SPECIFIC PROVISIONS AND WRITE-OFFS OF ASSETS

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

	<u>31 December 2015</u> CZK million	<u>31 December 2014</u> CZK million
Specific provisions		
Classified loans of former banks (see Note 8)	2,343	2,838
Other operating receivables (see Note 8)	<u>22</u>	<u>21</u>
Total specific provisions	<u>2,365</u>	<u>2,859</u>
Provisions		
Guarantees for clients (see Note 25)	<u>285</u>	<u>262</u>
Total provisions	<u>285</u>	<u>262</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 2014	2,839	22	2,861
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>
Addition	0	2	2
Write-off	-220	-1	-221
Release	<u>-275</u>	<u>0</u>	<u>-275</u>
At 31 December 2015	<u>2,343</u>	<u>22</u>	<u>2,365</u>

Provisions

The movements in provisions can be analysed as follows:

	<u>Guarantees in favour of clients</u> CZK million	<u>Total</u> CZK million
At 1 January 2014	228	228
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	6	6
Usage	(6)	(6)
FX differences	<u>23</u>	<u>23</u>
At 31 December 2015	<u>285</u>	<u>285</u>

Write-offs, additions, usage and release of specific provisions and provisions can be analysed as follows:

	<u>2015</u> CZK million	<u>2014</u> CZK million
Write-off and additions to specific provisions	(221)	(2)
Additions to provisions	(6)	(5)
	<u>(227)</u>	<u>(7)</u>
	<u>2015</u> CZK million	<u>2014</u> CZK million
Release and usage of specific provisions	495	2
Usage of provisions	6	5
Total	<u>501</u>	<u>7</u>

15 EQUITY

Changes in equity during 2015 and 2014 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 2014	1,400	8,050	(123,565)	2,382	73,116	(38,617)
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 as 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>
Settlement of accumulated loss	0	0	50,449	0	(50,449)	0
General reserve fund subsidy	0	6,111	0	0	(6,111)	0
Revaluation reserve not included in profit	0	0	0	(2,988)	0	(2,988)
Loss for 2015	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(549)</u>	<u>(549)</u>
Balance at 31 December 2015	<u>1,400</u>	<u>14,161</u>	<u>0</u>	<u>7,838</u>	<u>(549)</u>	<u>22,850</u>

In accordance with the approved budget and the financial management principles for 2014, the Bank's profit for 2014 in the amount of CZK 50,449 million was used to fully settle accumulated losses from previous periods. The remaining portion of the profit in the amount of CZK 6,111 million was used to subsidise the general reserve fund.

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 2015, the general reserve fund's balance is CZK 14,161 million (2014: CZK 8,050 million).

16 OTHER LIABILITIES

	<u>31 December 2015</u>	<u>31 December 2014</u>
	CZK million	CZK million
Negative fair value of foreign currency forwards (see Note 25)	1,332	17
Negative fair value of interest rate swaps (see Note 25)	856	1,060
Advances received in relation to the State Guarantee (see Note 27)	221	221
Payables to the European Commission	5,094	4,035
Employee accounts	1,145	1,129
Other liabilities	<u>1,490</u>	<u>1,515</u>
Total other liabilities	<u>10,138</u>	<u>7,977</u>

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

Other liabilities totalling CZK 1,490 million include liabilities of CZK 50 million owing to social security and health insurance premiums as at 31 December 2015 (2014: CZK 47 million). The Bank has no liabilities related to social security and health insurance that would be overdue.

17 NET INTEREST INCOME

	<u>2015</u> CZK million	<u>2014</u> CZK million
Interest income and similar income	7,212	6,676
Interest expense and similar expense	<u>(1,710)</u>	<u>(390)</u>
Net interest income	<u>5,502</u>	<u>6,286</u>
Interest income and similar income		
	<u>2015</u> CZK million	<u>2014</u> CZK million
Interest on zero-coupon bonds	303	495
Interest on coupon bonds	<u>6,768</u>	<u>5,885</u>
Total interest on securities	<u>7,071</u>	<u>6,380</u>
Interest on inter-bank deposits	138	292
Interest on employees loans	<u>3</u>	<u>4</u>
Total other interest income	<u>141</u>	<u>296</u>
Total interest income and similar income	<u>7,212</u>	<u>6,676</u>
Interest expense and similar expense		
	<u>2015</u> CZK million	<u>2014</u> CZK million
Interest on liabilities to banks	1,707	386
Interest on liabilities to employees and other clients	<u>3</u>	<u>4</u>
Total interest expense and similar expense	<u>1,710</u>	<u>390</u>

18 GAINS LESS LOSSES FROM FINANCIAL OPERATIONS

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

	<u>2015</u> CZK million	<u>2014</u> CZK million
Foreign exchange gains / (losses)	(17,480)	42,815
Foreign exchange spread	<u>1,140</u>	<u>810</u>
Net foreign exchange gains / (losses) and foreign exchange spread	<u>(16,340)</u>	<u>43,625</u>
Gains from sales of bonds	3,798	2,019
Losses from sales of bonds	(220)	(177)
Profit / (loss) from revaluation and sale of shares	3,992	4,612
Net gains / (losses) from currency forwards	768	42
Net gains / (losses) from interest futures	(5)	25
Net gains / (losses) from interest rate swaps	(289)	(1,381)
Net gains / (losses) from share futures	<u>12</u>	<u>109</u>
Other	<u>8 056</u>	<u>5,249</u>
Gains less losses from financial operations	<u>(8,284)</u>	<u>48,874</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>2015</u> CZK million	<u>2014</u> CZK million
Wages and salaries	930	921
Social and health security	310	299
Other social costs and employee benefits	52	56
Costs of personnel training	<u>26</u>	<u>26</u>
Total personnel costs	<u>1,318</u>	<u>1,302</u>
Rental	3	3
Other	<u>319</u>	<u>304</u>
Total other administration expense	<u>322</u>	<u>307</u>
Total administration expenses	<u>1,640</u>	<u>1,609</u>

Of the total wages and salaries of CZK 930 million as at 31 December 2015 the wages, compensations and bonuses of the Bank's Board members totalled CZK 27 million (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).

Staff statistics

	<u>2015</u>	<u>2014</u>
Average recalculated number of employees	1,313	1,314
of which members of the Bank Board	7	7

Other expenses:

During the year ended 31 December 2015, the Bank paid no performance under the Contract and Indemnity Letter not covered by the state guarantee (CZK 130 million in 2014) (see Notes 8, 25 and 27) as part of other operating expenses.

Other income:

During the year ended 31 December 2015, the Czech National Bank completed the gradual process of including collection objects made of precious metals previously recorded off-balance sheet of CZK 1 million (CZK 4 million in 2014) in other tangible assets under extraordinary operating income (see Notes 2w and 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 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, repricing or maturity dates. Assets and liabilities bearing no interest are presented in the column Not sensitive to the interest rate to make the analysis complete.

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 2015	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>	Un- <u>specified</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	616	616
Receivables from IMF	0	0	0	0	0	60,985	60,985
Zero-coupon bonds	41,309	46,895	104,421	44,886	0	0	237,511
Coupon bonds	6,229	68,919	186,654	614,293	117,580	0	993,675
Shares	0	0	0	0	0	128,055	128,055
Deposits, loans and other receivables from abroad	197,698	0	0	0	0	0	197,698
Receivables from domestic banks	0	0	0	0	0	0	0
Tangible and intangible assets	0	0	0	0	0	3,609	3,609
Other assets	<u>802</u>	<u>0</u>	<u>69</u>	<u>1</u>	<u>148</u>	<u>4,897</u>	<u>5,917</u>
Total assets	<u>246,038</u>	<u>115,814</u>	<u>291,144</u>	<u>659,180</u>	<u>117,728</u>	<u>198,162</u>	<u>1,628,066</u>
Liabilities							
Notes and coins in circulation	0	0	0	0	0	510,128	510,128
Liabilities to IMF	0	0	0	0	0	49,941	49,941
Liabilities abroad	39,994	0	76	0	0	0	40,070
Liabilities to domestic banks	882,528	0	0	0	0	0	882,528
Liabilities to the state	112,126	0	0	0	0	0	112,126
Provisions	0	0	0	0	0	285	285
Equity	0	0	0	0	0	22,850	22,850
Other liabilities	<u>9,336</u>	<u>0</u>	<u>386</u>	<u>195</u>	<u>0</u>	<u>221</u>	<u>10,138</u>
Total liabilities	<u>1,043,984</u>	<u>0</u>	<u>462</u>	<u>195</u>	<u>0</u>	<u>583,425</u>	<u>1,628,066</u>
Net liquidity gap	<u>(797,946)</u>	<u>115,814</u>	<u>290,682</u>	<u>658,985</u>	<u>117,728</u>	<u>(385,263)</u>	<u>0</u>

Balance at 31 December 2014	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Un- specified	<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	22,998	37,439	150,931	450,135	103,014	0	764,517
Shares	0	0	0	0	0	120,983	120,983
Deposits, loans and other receivables from abroad	144,047	0	0	0	0	0	144,047
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>126</u>	<u>4,598</u>	<u>5,300</u>
Total assets	<u>202,585</u>	<u>87,133</u>	<u>199,899</u>	<u>484,394</u>	<u>103,140</u>	<u>189,984</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	17,564	0	5,160	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>0</u>	<u>390</u>	<u>198</u>	<u>0</u>	<u>221</u>	<u>7,977</u>
Total liabilities	<u>718,965</u>	<u>0</u>	<u>5,550</u>	<u>198</u>	<u>0</u>	<u>542,422</u>	<u>1,267,135</u>
Net liquidity gap	<u>(516,380)</u>	<u>87,133</u>	<u>194,349</u>	<u>484,196</u>	<u>103,140</u>	<u>(352,438)</u>	<u>0</u>

22 INTEREST RATE RISK

Balance at 31 December 2015	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 rate	<u>Total</u>
	CZK million	CZK million	CZK million	CZK million	CZK million	CZK million	CZK million
Assets							
Gold	0	0	0	0	0	616	616
Receivables from IMF	0	0	0	0	0	60,985	60,985
Zero-coupon bonds	41,309	46,895	104,421	44,886	0	0	237,511
Coupon bonds	116,575	309,220	567,880	0	0	0	993,675
Shares	0	0	0	0	0	128,055	128,055
Deposits, loans and other receivables from abroad	197,698	0	0	0	0	0	197,698
Receivables from domestic banks	0	0	0	0	0	0	0
Tangible and intangible assets	0	0	0	0	0	3,609	3,609
Other assets	<u>871</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>148</u>	<u>4,897</u>	<u>5,917</u>
Total assets	<u>356,453</u>	<u>356,115</u>	<u>672,301</u>	<u>44,887</u>	<u>148</u>	<u>198,162</u>	<u>1,628,066</u>
Liabilities							
Notes and coins in circulation	0	0	0	0	0	510,128	510,128
Liabilities to IMF	0	0	0	0	0	49,941	49,941
Liabilities abroad	40,070	0	0	0	0	0	40,070
Liabilities to domestic banks	882,528	0	0	0	0	0	882,528
Liabilities to the state	112,126	0	0	0	0	0	112,126
Provisions	0	0	0	0	0	285	285
Equity	0	0	0	0	0	22,850	22,850
Other liabilities	<u>9,336</u>	<u>581</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>221</u>	<u>10,138</u>
Total liabilities	<u>1,044,060</u>	<u>581</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>583,425</u>	<u>1,628,066</u>
Net interest sensitivity gap	<u>(687,607)</u>	<u>355,534</u>	<u>672,301</u>	<u>44,887</u>	<u>148</u>	<u>(385,263)</u>	<u>0</u>

Balance at 31 December 2014	Up to 1	1 – 3	3 - 12	1 – 5	Over 5	Not	Total
	month	months	months	years	years	sensitive to the interest rate	
	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
Shares	0	0	0	0	0	120,983	120,983
Deposits, loans and other receivables from abroad	144,047	0	0	0	0	0	144,047
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>283,997</u>	<u>285,475</u>	<u>473,294</u>	<u>34,259</u>	<u>126</u>	<u>189,984</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>(440,128)</u>	<u>284,887</u>	<u>473,294</u>	<u>34,259</u>	<u>126</u>	<u>(352,438)</u>	<u>0</u>

23 CURRENCY RISK

Balance at 31 December 2015

	<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	616	616
Receivables from IMF	23,100	0	0	0	0	0	0	0	37,885	60,985
Zero-coupon bonds	0	156,865	2,479	32,306	0	45,861	0	0	0	237,511
Coupon bonds	0	511,929	199,944	0	0	153,966	109,320	18,516	0	993,675
Shares	0	78,111	29,228	5,837	4,422	5,795	4,662	0	0	128,055
Deposits, loans and other receivables from abroad	0	51,168	3,011	6,430	73	2,137	89	26,312	108,478	197,698
Receivables from domestic banks	0	0	0	0	0	0	0	0	0	0
Tangible and intangible assets	3,598	0	0	0	0	0	0	0	11	3,609
Other assets	<u>562</u>	<u>420</u>	<u>316</u>	<u>28</u>	<u>19</u>	<u>20</u>	<u>18</u>	<u>0</u>	<u>4,534</u>	<u>5,917</u>
Total assets	<u>27,260</u>	<u>798,493</u>	<u>234,978</u>	<u>44,601</u>	<u>4,514</u>	<u>207,779</u>	<u>114,089</u>	<u>44,828</u>	<u>151,524</u>	<u>1,628,066</u>
Liabilities										
Notes and coins in circulation	510,128	0	0	0	0	0	0	0	0	510,128
Liabilities to IMF	23,100	0	0	0	0	0	0	0	26,841	49,941
Liabilities abroad	36,247	718	0	0	0	0	0	3,105	0	40,070
Liabilities to domestic banks	882,528	0	0	0	0	0	0	0	0	882,528
Liabilities to the state	110,545	164	1,362	0	0	0	0	0	55	112,126
Provisions	0	0	285	0	0	0	0	0	0	285
Equity	14,980	2,391	(841)	0	0	665	1,118	434	4,103	22,850
Other liabilities	<u>7,815</u>	<u>1,994</u>	<u>322</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>2</u>	<u>1</u>	<u>3</u>	<u>10,138</u>
Total liabilities	<u>1,585,343</u>	<u>5,267</u>	<u>1,128</u>	<u>0</u>	<u>0</u>	<u>666</u>	<u>1,120</u>	<u>3,540</u>	<u>31,002</u>	<u>1,628,066</u>
Net assets/(liabilities)	(1,558,083)	793,226	233,850	44,601	4,514	207,113	112,969	41,288	120,522	0
Net off-balance sheet assets	4,900	146,980	10,743	18,660	19,258	1	3	14,885	14,960	230,390
Net off-balance sheet liabilities	<u>(3,188)</u>	<u>(7,610)</u>	<u>(43,924)</u>	<u>(38,644)</u>	<u>(47)</u>	<u>0</u>	<u>0</u>	<u>(14,888)</u>	<u>(123,338)</u>	<u>(231,639)</u>
Net foreign exchange position	<u>(1,556,371)</u>	<u>932,596</u>	<u>200,669</u>	<u>24,617</u>	<u>23,725</u>	<u>207,114</u>	<u>112,972</u>	<u>41,285</u>	<u>12,144</u>	<u>(1,249)</u>

**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>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	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
Shares	0	73,499	26,571	4,931	4,306	6,972	4,704	0	0	120,983
Deposits, loans and other receivables from abroad	0	78,859	1,519	59	82	463	738	17,113	45,214	144,047
Receivables from domestic banks	0	0	0	0	0	0	0	0	0	0
Tangible and intangible assets	3,766	0	0	0	0	0	0	0	10	3,776
Other assets	<u>474</u>	<u>370</u>	<u>112</u>	<u>17</u>	<u>32</u>	<u>33</u>	<u>12</u>	<u>0</u>	<u>4,250</u>	<u>5,300</u>
Total assets	<u>24,503</u>	<u>628,808</u>	<u>213,841</u>	<u>32,320</u>	<u>4,420</u>	<u>145,790</u>	<u>80,624</u>	<u>46,991</u>	<u>89,838</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	0	0	0	0	1	3,798
Provisions	0	0	262	0	0	0	0	0	0	262
Equity	15,519	2,598	329	0	0	527	2,713	884	3,817	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>1,220,036</u>	<u>6,294</u>	<u>1,966</u>	<u>0</u>	<u>0</u>	<u>527</u>	<u>2,713</u>	<u>5,968</u>	<u>29,631</u>	<u>1,267,135</u>
Net assets/(liabilities)	(1,195,533)	622,514	211,875	32,320	4,420	145,263	77,911	41,023	60,207	0
Net off-balance sheet assets	0	70,373	6,480	15,258	17,543	0	0	0	1,383	111,037
Net off-balance sheet liabilities	0	(1,383)	(35,095)	(27,547)	(399)	0	0	0	(46,586)	(111,010)
Net foreign exchange position	<u>(1,195,533)</u>	<u>691,504</u>	<u>183,260</u>	<u>20,031</u>	<u>21,564</u>	<u>145,263</u>	<u>77,911</u>	<u>41,023</u>	<u>15,004</u>	<u>27</u>

24 CREDIT RISK AND CONCENTRATION OF LIABILITIES

Geographical concentration of assets

	<u>31 December 2015</u>	<u>31 December 2014</u>
	CZK million	CZK million
Czech Republic	4,917	5,001
Germany	561,915	386,437
France	132,583	126,273
Netherlands	42,587	55,286
Austria	21,452	10,135
Slovakia	19,501	34,770
Luxembourg	18,050	17,231
Spain	8,267	8,592
Other Eurozone countries	21,504	13,689
Switzerland	113,827	50,367
Sweden	43,371	35,429
Denmark	19,337	25,094
United Kingdom	11,451	21,819
Norway	11,121	9,956
Other European countries	0	1
USA	259,508	229,337
Canada	201,741	138,984
Australia	92,341	66,367
Japan	44,451	32,242
Other countries	<u>142</u>	<u>125</u>
	<u>1,628,066</u>	<u>1,267,135</u>
Of which deposits and bonds:		
Central governments and central banks	1,144,300	834,157
Government agencies	238,455	179,332
Commercial banks	29,336	53,789
BIS	7,540	0
Securities hedged by other assets (Covered bonds, Pfandbriefs)	<u>0</u>	<u>711</u>
	<u>1,419,631</u>	<u>1,067,989</u>

Geographical concentration of liabilities

	<u>31 December 2015</u>	<u>31 December 2014</u>
	CZK million	CZK million
Czech Republic	1,532,961	1,194,299
USA	50,017	46,152
Eurozone countries	38,105	20,579
Other European countries	<u>6,983</u>	<u>6,105</u>
	<u>1,628,066</u>	<u>1,267,135</u>

25 OTHER OFF-BALANCE SHEET ITEMS

Guarantees issued	<u>31 December 2015</u>	<u>31 December 2014</u>
	CZK million	CZK million
To clients (see Note 14)	285	262
In relation to the Indemnity Letter and Agreement (see Note 27)	156,820	156,820
For deposits held by IPB (see Note 27)	48	72
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>157,953</u>	<u>157,954</u>

The identified need for provisions for expected losses on the guarantees issued to clients was CZK 285 million as at 31 December 2015 (31 December 2014: CZK 262 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 2015</u>	<u>31 December 2014</u>
	CZK million	CZK million
From the Ministry of Finance of the CR received in relation to the State Guarantee (see Note 27)	156,820	156,820
State guarantee to secure the loan to the IMF	<u>68,373</u>	<u>70,144</u>
Total guarantees received	<u>225,193</u>	<u>226,964</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 2015 was CZK 41,900 million (31 December 2014: CZK 79,145 million).

As at 31 December 2015, the Bank received collateral of CZK 33,847 million (31 December 2014: CZK 59,912 million) within repo transactions and CZK 2,624 million within the securities automatic lending programme in foreign currencies with respect to foreign banks (31 December 2014: CZK 2,585 million) and CZK 0 million to secure transactions with counterparties (31 December 2014: CZK 128 million). The Bank also received collateral of CZK 5,429 million (31 December 2014: CZK 16,520 million) as part of "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:

<u>Off-balance sheet receivables</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
	CZK million	CZK million
- from currency forward transactions	207,336	110,392
- from interest rate swap transactions	42,700	29,479
- from share futures transactions	912	931
- from unsettled interest rate spot transactions	16,574	45,625
- from unsettled currency spot transactions	<u>23,054</u>	<u>1,383</u>
	<u>290,576</u>	<u>187,810</u>

<u>Off-balance sheet payables</u>		
- from currency forward transactions	208,656	110,365
- from interest rate swap transactions	42,700	29,479
- from share futures transactions	912	931
- from unsettled interest rate spot transactions	16,574	45,625
- from unsettled currency spot transactions	<u>22,983</u>	<u>1,383</u>
	<u>291,825</u>	<u>187,783</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 2015</u>	<u>31 December 2014</u>
	CZK million	CZK million
Off-balance sheet receivables from forward transactions	207,336	110,392
Off-balance sheet payables from forward transactions	208,656	110,365
Positive fair value (see Note 8)	0	40
Negative fair value (see Note 16)	1,332	17

All currency forwards will mature in 2016.

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 (see Note 18).

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
	CZK million	CZK million
Off-balance sheet receivables from interest rate swap transactions	42,700	29,479
Off-balance sheet payables from interest rate swap transactions	42,700	19,479
Positive fair value (see Note 8)	242	12
Negative fair value (see Note 16)	856	1,060

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 (see Note 18).

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
	CZK million	CZK million
Off-balance sheet receivables from interest rate futures transactions	0	0
Off-balance sheet payables from interest rate futures transactions	0	0
Net gain/(loss) from change in fair values of interest rate futures transactions for the reporting period (see Note 18)	(5)	25

	<u>31 December 2015</u>	<u>31 December 2014</u>
	CZK million	CZK million
Off-balance sheet receivables from share futures transactions	912	931
Off-balance sheet payables from share futures transactions	912	931
Net gain/(loss) from change in fair values of futures transactions for the reporting period (see Note 18)	12	109

	<u>31 December 2015</u>	<u>31 December 2014</u>
	CZK million	CZK million
Net gain/(loss) from change in fair values of futures transactions for the reporting period	7	134
Cash on margin account	<u>197</u>	<u>139</u>
Margin account including settled change in fair value of interest rate futures transactions (see Note 8)	<u>204</u>	<u>273</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 2015 and 2014. 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 2015 these costs were CZK 0.1 million (2014: 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 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 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 2015 was CZK 48 million (31 December 2014: CZK 72 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 2015</u>	<u>31 December 2014</u>
	CZK million	CZK million
Total potential claims under the Indemnity Letter	160,000	160,000
Advances provided to CSOB (see Note 8)	(221)	(221)
Foreign exchange differences	(17)	(17)
Settlement to CSOB	<u>(2,942)</u>	<u>(2,942)</u>
Total potential future claims under the Indemnity Letter (see Note 25)	<u>156,820</u>	<u>156,820</u>

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

	<u>31 December 2015</u>	<u>31 December 2014</u>
	CZK million	CZK million
Total State Guarantee received	160,000	160,000
Advances received from the State Guarantee (see 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>(130)</u>
Unused amount of State Guarantee (see Note 25)	<u>156,820</u>	<u>156,820</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

On 23 February 2016, the Czech Republic's quota with the IMF was increased by SDR 1,178 million to SDR 2,180 million following the ratification and subsequent notification of the 14th IMF membership quota reform by the US Congress, which means that the quota grew by CZK 40,076 million as of the date of the increase.

The CNB's management is not aware of any other subsequent events that would have a material impact on the financial statements for the year ended 31 December 2015.

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 prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as of 31 December 2015, 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 assets and liabilities of the Czech National Bank as of 31 December 2015, and of its expenses and income and its profit or loss for the year then ended in accordance with accounting regulations applicable in the Czech Republic.

Other Information

The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Management of the Czech National Bank is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of opinion thereon. However, in connection with our audit of the financial statements, our responsibility is to read the other information and consider whether the other information in the annual report is not materially inconsistent with the financial statements or our knowledge obtained in the audit, the annual report has been prepared in accordance with the applicable legal requirements, or the other information does not otherwise appear to be materially misstated. If, based on the work we have performed, we conclude that the above is not true, we are required to report such facts.

Based on the work we have performed, we have nothing to report in this regard.

In Prague on 24 March 2016

Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

Diana Rádl Rogerová
registration no. 2045

