



BANKING SUPERVISION

IN THE CZECH
REPUBLIC

1996

CONTENTS

A. BANKING SUPERVISION IN 1996	1
1. Prudential rules	2
1.1 Changes in prudential rules in 1996	2
1.2 New prudential rules	3
2. Co-operation with professional organisations in banking	4
3. Co-operation in improving legislation	5
4. Solution to the subsector of small banks	7
4.1 Macroeconomic factors	7
4.2 Institutional and legislative factors	8
4.3 Internal factors	8
4.4 The effects of transformation on the banking sector	9
4.5 The consolidation program for the subsector of small banks	9
4.6 The stabilisation program for small banks	11
B. BASIC TRENDS IN THE BANKING SECTOR DEVELOPMENT	13
1. The banking sector structure in the Czech Republic	13
1.1 The number of banks in the banking sector	13
1.2 The banking sector structure with respect to ownership	14
1.3 The banking sector structure with respect to size	15
1.4 Activities of individual groups of banks	16
2. Bank assets	18
2.1 Credit transactions	19
2.2 Securities	21
3. Bank liabilities	22
3.1 Primary resources of banks	23
3.2 Bank own funds	24
4. The banking sector with respect to prudential rules	25
4.1 Capital adequacy	25
4.2 Classified credits	26
4.3 Liquidity	27
4.4 Profitability	27
4.5 Effectiveness	29
C. ANNEXES	31
Survey of prudential bank behaviour regulations effective in the Czech Republic	31
Survey of banks operating in the Czech Republic	34
Breakdown of banks into groups	36
Main indicators	38
Assets	39
Liabilities	40
Revenues and costs	41
Profitability and effectiveness	41
Credits	42
Deposits	42
Capital, risk weighted assets and capital adequacy	43
Reserve resources	43
Liquid assets	43
Assets and liabilities by residual maturity	44

A.

BANKING SUPERVISION IN 1996

For the Czech banking system 1996 meant one more step on the way to approximating the level of banking systems in advanced countries in connection with preparing for Czech Republic entry into the European Union as declared when ratifying the Europe Agreement on 1.2.1995.

Its main activities focused on the further development and improvement of existing banking supervision instruments that should create for banking subjects a regulatory basis comparable to other European countries. At the same time, 1996 was a year where a fundamental solution was found to the problems of part of the banking sector which had originated in the initial phase of creating a banking system under the conditions of economic transformation. The transformation effects were quite significant, mainly on the new banks, and their solution became a necessary prerequisite for further consolidated and stable banking sector development.

Banking supervision activity featured an increased emphasis on actively conducting banking supervision with respect to specific activities of individual banks. The increasing number of staff, together with better skills and experience of banking supervision employees, were reflected in improved work methods in off-site examination, and, primarily, on-site examination, which is gradually becoming the most important part of banking sector regulation. Knowledge about the quality of the risk management systems in banks also aids in the process of creating and improving prudential rules since it reveals weak points and makes it possible to effect relevant changes to the rules with respect to both content and time. The closer contact with banks, through either on-site examinations or informative visits and discussions with bank management, etc., is of great importance for a joint, effective solution of potential bank problems and for creating an environment of trust and co-operation between bank regulators and banks during the process of forming a stable banking sector in the Czech Republic.

CNB banking supervision also participates in creating legislative norms which should improve the conditions for prudential development of the banking sector. The knowledge acquired while interacting with banks and those professional institutions operating in banking (the Banking Association, the Chamber of Auditors) helps banking supervision to recognise and identify areas attracting unstable or risky elements into bank activities and to influence other CR authorities in order to eliminate such elements.

An important aspect of banking supervision activity is active international co-operation. The improved quality of work by CNB banking supervision led to an invitation by the Basle Committee on Banking Supervision to participate in an international working group whose task was to prepare the consultative paper 'Core Principles for Effective Banking Supervision'. This document should be applied world-wide and become part of a set of measures initiated by the G-7 and the International Monetary Fund to strengthen global financial stability.

CNB banking supervision is a member of the group of banking supervisions of Central and East European countries within which these countries share their experience obtained from solving problems ensuing from banking sector development in individual countries. The work of this group also includes organising various working seminars of experts from individual countries directed at methodological and practical issues of management and the regulation of individual areas of banking supervision. The Czech Republic, because of the degree of knowledge attained, assists, through the active participation of its representatives, the development of banking supervision in countries that started to build their banking sectors and banking supervisions later.

1. PRUDENTIAL RULES

The basis of banking supervision activity is the creation of a set of measures limiting the risks in banking operation, which would reduce the possibility of financial losses for creditors who entrusted their financial resources to banking institutions for their use.

In principal, CNB banking supervision builds its measures on the basis of international regulatory standards included in the recommendations of the Basle Committee on Banking Supervision or directly incorporated in EU directives. Although the Basle Committee recommendations are of a "recommending" nature, all advanced countries recognise them as international norms. In contrast, EU Directives are binding for all member countries without exception and, therefore, are also of great importance for countries intending to join the European Union.

The creation of prudential rules for banks in the CR is thus totally subordinated to ensuring their harmonisation with the above standards, using in various cases the possibility of stricter national norms which better correspond to the current situation in individual regulated areas of bank operation in our country.

1.1 Changes in prudential rules in 1996

The first set of prudential rules closely connected to international standards was created in 1992 and included regulations on capital adequacy, liquidity, large credit exposure and restrictions on, and terms of, the open foreign exchange positions of banks. Later, other regulations were added stipulating mandatory unified credit claim classification and creation of provisions and reserves for these claims, regulations limiting some kinds of credits and investments and regulations stipulating the requirements for the bank performance report which is reviewed by external auditors.

These regulations are continuously amended to correspond more closely to international standards at the EU level and to flexibly respond to the specific conditions of the Czech Republic. A list of all regulations currently in effect and a brief outline of their contents is provided in the annex.

An amendment passed in 1996 concentrated primarily on further specification in the area of off-balance sheet items and securities operation with regard to the ever increasing activity in these areas. The specification also reacted to practical and methodological experience following from banking supervision activity, the comments from commercial banks and the amendments to some laws and norms. This also included the preparation of a more detailed accounting procedures for these operations in interaction with the Ministry of Finance, responsible for legislation in the area of accounting, in order to increase the transparency and introduce a more logical system of the chart of accounts as required by the rapid development in these areas.

As regards capital adequacy, some changes consisted mostly in supplementing and more detailed specification of the breakdown of subjects with respect to risk weights for capital adequacy calculation: the group of banks was divided into standard regime banks and banks under conservatorship and in liquidation; the latter two were assigned 50% or 100% weight in contrast to the 20% assigned to standard banks. At the same time, a method of risk weighting was completed for state institutions established to promote some government programs (Exportní a garanční pojišťovna, Konsolidační banka etc.). Another amendment was passed in the area of off-balance sheet activities specification and setting the conversion factors for these items.

In the area of credit exposure, and based on experience gained from performing banking supervision, a new, more general definition is used for items included in total credit exposures towards individual types of clients in order to reduce ambiguity in the range and volume in which individual balance sheet and off-balance sheet items are included in credit exposure.

As regards the regulation of liquidity, the amendment focused primarily on monitoring the structure of the liability side of the balance sheet from the point of view of risk concentration on the side of deposits. This allowed the introduction of a new set of reports comprising requirements for reporting of deposits structured by volume and creditor which exceed the set limit. This created the preconditions for off-site examination to monitor the concentrations on the deposit side, information which was, up to then, absent from the wide range of required data, and which enabled a new look at monitoring the risks to which banks are exposed.

1.2 New prudential rules

The regulations currently in effect primarily cover credit and liquidity risks. However, within market risks, only the exchange rate risk under the regulation stipulating the restrictions and terms for open foreign exchange positions of banks and foreign bank branches is covered. In the CR, no provision existed regulating other types of market risk arising from operations effected by banks on their own account on capital markets. The rapid development of such activities by banks operating in the Czech banking market, experienced roughly since 1995, called for quick regulation in this area.

Because of the not fully developed capital market in the CR, securities trading represents a substantial risk for banks and the creation of reserves and provisions to cover potential risks in this area was at a very low level. Therefore, a regulation prepared during 1996 and adopted at the end of the year stipulated the Principles for Creating Securities Portfolios and Ownership Interests by Banks and for Covering the Risks of Depreciating Securities and Ownership Interests through Provisions.

This regulation is aimed, in keeping with international practice, at reducing the risk of loss arising from a depreciation of securities and ownership interests that a bank has purchased on its own account due to the decline of their market price. The setting of their market price, taking into account their tradability on the capital markets, is decisive for estimating potential losses. This regulation:

- divides the securities portfolio into trading and investment portfolios according to the purpose of their acquisition,
- defines the setting of market prices for individual types of securities, considering also the securities' liquidity on publicly organised markets,
- stipulates a bank's obligation to create provisions for individual securities issues and ownership interests which are equal to the difference between the purchase price and the market price, provided the market price is lower than the purchase price,
- stipulates the obligation to create daily provisions for securities placed into the trading portfolio which are equal to any negative differences between the book value and market value of individual securities; for the securities and ownership interests placed into the investment portfolio, annually as of the date of annual accounts compilation for the entire portfolio, i.e. after compensating for positive and negative differences against the price in the bank's accounting.

This regulation will have a major effect on the composition of the securities portfolios in a bank's balance and on the scope of reserve fund creation. This regulation came into effect on 1 January 1997 and banks were given a six month period to create sufficient provisions for any losses from securities and ownership interests. The banks' ability to meet this regulation's requirements will become clear during 1997, however, its impact on increasing the prudence of bank operation is evident.

By adopting this regulation on securities, coverage has been extended of risks to which banks are exposed and which must be regulated in the interest of bank creditor protection by a regulatory body as in all advanced countries. However, this regulation does not cover all market risks. For this reason, banking supervision, in compliance with the Basle Committee on Banking Supervision recommendations and EU directives, commenced formulation of a new regulation which will require banks to create a capital cushion which covers all market risks.

2. CO-OPERATION WITH PROFESSIONAL ORGANISATIONS IN BANKING

Co-operation with professional organisations operating in banking, i.e. **especially the Banking Association** which associates virtually all banks operating in the Czech banking market, helps to assure first of all the interconnection between banks and CNB banking supervision. The Banking Association's observations during the preparation of new regulations and amendments to the existing ones are of great importance mainly as regards the practical experience with their implementation.

In addition, in bank activities numerous risks exist following from the practical conducting of bank transactions which can hardly be centrally regulated by a banking supervision regulation. These include first of all trade and operational risks. The category of trade risk includes, as a rule, such sub-categories as legal risk, tax risk or reputation risk. Operational risk comprises e.g. risk of losses suffered due to errors in effecting operations, errors caused by incorrect bookkeeping or settlement of trades etc. Banks have to cope with such risks by themselves, through internal regulations, and by improving internal controlling mechanisms etc.

The Banking Association actively participates in this area and is preparing standards for individual banking activities which would meet the level of international standards common for individual banks in advanced countries, and reduce all the risks that can arise from using incorrect methods. Banking supervision co-operates closely with the Banking Association in this area. The first result of this co-operation is the standard which, in the form of a recommendation, establishes the organisation and carrying out of internal audit in commercial banks. The purpose of this standard is not only to explain the role and functions of internal audit to a board of directors and supervisory board, to executive officers at all levels of bank management, regulatory and other public authorities, external auditors and similar professional institutions, but also to create a basis for controlling and evaluating the performance of internal audit, at the same time unifying the practice of internal audit in Czech commercial banks. Similar recommendations for other areas, e.g. information disclosure, contents of annual reports etc. are under preparation.

The Banking Association plays an irreplaceable role in implementing moral aspects in bank business. This should help increase bank business prestige in society and reduce unfavourable trends in opinion towards the banking sector.

Co-operation with **bank auditors** is primarily based on the legal obligation of banks to inform the Czech National bank about the auditor selected for annual accounts and bank performance reviews for a particular year. At present, co-operation with bank auditors is based mainly on regular and operative meetings concerning the problems of auditing in individual banks. Within the framework of such meetings, all interested parties are informed about the assessment of individual audit outputs (audits of final accounts, of prudential rules, the bank performance report) and on the intentions, principles and philosophy of their future activities.

For its activities banking supervision in the CR to a large extent uses the findings of external auditors, particularly with regard to evaluating the system of risk management and examining the quality of bank assets. At present, the six years of co-operation with the Chamber of Auditors of the Czech Republic and individual auditing firms are having favourable effects. These primarily include the CNB regulation stipulating the requirements of the contents of the bank performance report and its review by an auditor and an auditor's standard establishing the relationships between banking supervision and auditors. The requirements of the bank performance report have been amended each year since their adoption in 1995 to maximally reflect the needs of banking supervision in effecting on-site examinations.

3. CO-OPERATION IN IMPROVING LEGISLATION

An analysis of the causes of the problems in part of the banking sector indicated certain shortcomings in the legislative and institutional environment, not only in the banking sector but also in the financial and economic area as a whole. The process of creating the legislative and systemic framework, forming financial market institutions and enforcement of the consistent observation of market economy rules lagged far behind the growth of the financial and economic sectors. The day-to-day experience revealed problem areas in individual laws and initiated their amendment. Although a legal framework for business activities has been established in principle, numerous areas still exist which must be further improved, connected also to the potential entry to the European Union, where one of the conditions is a legal order compatible with EU directives.

Banking supervision, as the supervisor of the prudential behaviour of individual banks, gets very close to all the bank problems affecting their stability, and participates actively in creating new legal regulations and improving existing ones. Although the CNB only submits proposals for regulations concerning the currency, money circulation, the money market, the payment system and legal norms concerning the operation and status of the central bank, and, with the Ministry of Finance, foreign exchange and banking systems, it can also, through amendment procedures, affect legal regulations in other fields of the economy.

A legal norm within the CNB responsibility is *the Act on Banks* whose amendment is currently under preparation and which is the basic legal norm establishing the rights and obligations of banks, their position and organisational structure. It also stipulates the prudential rules and rights and obligations of banking supervision. Due to the dynamic development in banking, this Act no longer meets current needs. The amendment being prepared should incorporate into the Act, or strengthen, some elements to help increase banking sector stability, improve bank creditor protection and further increase the powers of banking supervision in order to prevent the development of any bank problems. At the same time, such amendments should be made that would approximate banking's legal norms to EU directives.

The amendment to the Act on Banks should solve the current problems of everyday practice, improve the definitions of some terms, put into law some bank obligations until now stipulated by less forceful regulations. Emphasis will be laid particularly on the following: improving the transparency of bank activities by disclosing economic information on bank activities and on shareholder composition of a bank; the possibility of banking supervision intervention in the case of unfavourable shareholder influence on a bank's activity; bank participation in other legal entities; establishing a closer co-operation with the supervision of the capital market; stricter requirements for shareholder entries in banks; raising the banking supervision requirements toward a bank in the case of detecting shortcomings in its activity including a specific regulation on a bank liquidation etc.

An amendment to the Criminal Law is also being prepared in interaction with banking supervision. This amendment should be reflected in every relationship within the banking sector as a whole. In this context, most important is ensuring a balance in the rights and obligations of debtors and creditors where we are witnessing a certain deflection to the detriment of creditors. The experience of bank bankruptcies also pointed out the considerable scale of criminal activity in banks with the present legal regulations often being insufficient to prove and punish such crimes adequately. In this respect, the CNB submitted proposals for a change or adjustment in the definition of some acts constituting criminal offence and the level of their punishment.

In 1996, an amendment to *the Commercial Code* was adopted, which lays out the basic rights, obligations and relationships of subjects in the economy. This amendment helps increase transparency and is directed at the more precise definition of the basic attributes of individual types of business companies, at the mechanisms of establishing and eliminating such companies, at increases and decreases of initial capital and protection of minority owners etc.

In mid-1996 numerous steps were taken in the area of **capital market regulation** (for which the Ministry of Finance is responsible) through amendments to the relevant acts, which more extensively respect the relevant provisions of EU directives. These amendments were directed at wider financial market transparency by substantially broadening the scope and increasing the frequency of information disclosures by issuers and institutional investors. Various measures were also taken to protect investors and strengthen the powers of state supervision. These measures are gradually being implemented through the Securities Office, an organisational part of the Ministry of Finance. The amendments in both of these areas greatly affect banking sector activities since banks are currently some of the most important subjects of the capital market. At the same time, in 1996, work was started on the Act on the Securities Commission, an independent institution whose task will be to supervise all capital market participants.

An important signal for the banking sector was the adoption of Act No. 61/1996 of the Collection of Laws, on some measures against the legalisation of proceeds from criminal activities (**Money Laundering Act**), which came into effect on 1 July 1996. Its content is completely comparable to laws valid in advanced European countries. 1996 was the year for implementing this Act in practice. In the Ministry of Finance, primarily responsible for this area, the Financial Analytical Section was established authorised by law to collect from all institutions including banks, and to analyse any reported suspicious transactions as specified by law. Banks are required to build up a system of internal principles, methods and measures to prevent the legalisation of proceeds from criminal activity and report any unusual transactions to the Financial Analytical Section. This section co-operates closely with the police in pursuing and detecting persons involved in such illegal transactions.

The Czech National Bank, though not directly responsible by law for the observing of the Money Laundering Act, offered its co-operation to the Ministry of Finance, specifically in the area connected to the conduct of banking supervision. Based on a prepared agreement between the Ministry of Finance and the CNB Governor, banking supervision should, during on-site inspections in banks, examine whether banks identify the participants of transactions above the set limit and whether they have worked out a system of internal principles and methods to prevent the legalisation of proceeds from criminal activities and implement this system in their activities. Another important field of co-operation between the Ministry of Finance and the CNB is the exchange of information with respect to suspicious (unusual) transactions in connection with which a complaint has already been filed, and information about suspicious transactions, persons or companies operating in the financial sector.

In connection with the implementation of Act No. 61/1996 of the Coll., in 1996 several seminars on money laundering were organised for a wide range of interested subjects and with foreign participation. Initiated by the CNB, various consultations took place with colleagues from the banking supervisions of advanced countries who have wide experience in this area (e.g. US FED). These consultations will continue in 1997 in the form of commercial bank training by FED experts and an exchange of experience on the application of mechanisms against money laundering and their functioning, organised under the auspices of the Banking Association.

Because financial criminality in general is a relatively new, unknown phenomenon in the CR, the CNB closely co-operates with **law enforcement authorities** in training their employees and acquainting them with the problems of financial operations. In 1996, training projects were started for state attorneys, judges and the police on the topics of banking, banking products and their risks, banking supervision and its functions, and types of unusual transactions in banks. This training continues in 1997 with banking supervision employees participating as lecturers.

4. SOLUTION TO THE SUBSECTOR OF SMALL BANKS

During 1995, problems came to a head in some small banks. i.e. banks with mostly Czech capital which had started to operate in the banking sector in the first years of the economic transformation. Although these banks accounted for only a small part of the banking sector (about 4% of entire banking sector's total assets), it was imperative that this situation be solved to ensure the consolidation and creditworthiness of the banking sector as a whole. An analysis of the problems, which revealed the influence of both external and internal factors, served as the basis for finding the solution implemented during 1996.

4.1 Macroeconomic factors

In the early '90s, a broad and comprehensive transformation of the centrally planned economy to a market one was started, impacting on all areas of society. The course of the transformation was greatly affected by economic problems originating in the pre-transformation period; at the same time, however, new economic subjects had to cope with quite new types of market risks.

The newly created macroeconomic environment was determined by two crucial reform steps: price liberalisation and currency devaluation, which had a major effect on changes in price levels and trading conditions. The initial transformation phase was characterised by a lack of capital, chain indebtedness of businesses, low competitiveness, low labour productivity, obsolete means of production etc. The remarkable liberalisation of the economy inevitably generated a restructuring in an enterprise sector with prevailing state ownership unable to guarantee effective decision-making and responsible management. The privatisation process, transferring responsibility and decision-making powers to private owners, was unprecedented as regards extent (property worth CZK 900 bn was privatised during a short period) and methods used.

The economic transformation has completely changed the position and role of the banking sector in the overall economic system. The centrally planned allocation of resources was replaced by market principles, commercial banks having a key function in securing and allocating funds for the economic transformation. At the same time, they had to fulfil this function in very risky conditions brought about by the rapid pace of transformation, political pressures and the overall unreadiness of both banks and the legislative environment.

The dynamic development of the private sector, fostered by the massive privatisation program, enabled a rapid transition from a centrally planned to a market economy. The sector of newly established entities, including small firms (the number of registered economic entities jumped from 18,800 to 1,118,600 between 1990 and 1993 end), is risky even in advanced countries; however, it was mostly this group of business subjects who needed urgent bank backing. Because the major banks, established by dividing the former State Bank of Czechoslovakia, had held onto their clients while the foreign banks at that time monitored the economic development and financed mostly businesses with the foreign participation of their home countries, these new subjects became the clients of the new private banks with prevalent Czech capital.

In this way, these banks greatly assisted the rapid transformation, but, at the same time, took on risks comparable with those usually assumed by so called "venture capital", and even the rather high bank margin did not cover the risk carried.

4.2 Institutional and legislative factors

The sudden economic development during the transformation period outpaced the creation of general legal norms for the business activities of individual economic subjects, which as a rule, were established concurrently with the development of individual types of businesses and inevitably had some shortcomings which later became apparent during their actual implementation.

Banking supervision as a regulatory body for the banking sector was established within the central bank in 1991 and, therefore, in the initial phase of its development, with no earlier experience, the regulatory and controlling activities lagged behind banking sector development. This lag was made up in 1995 when a more comprehensive system comparable to standard market economies was completed for the regulation of the Czech banking sector.

As well, the banking sector was unfavourably affected by legislative limits in related areas. This consisted of the following in particular: very poor efficiency in debt recovery with the balance between the rights and obligations of debtors and creditors for a long time in favour of debtors; limited effectiveness of the bankruptcy law resulting from the fact that court disputes relating to bankruptcy take a very long time and are extremely difficult; an inadequate lien and execution law restricting and postponing the possibilities for lien implementation; insufficient capital market oversight; and the inflexible and limited capacity of trade jurisdiction etc.

However, an alternative procedure that, from the very beginning of the transformation, wished to build its activities on institutions established in the market economy and thus minimise possible failures since privatised and new enterprises, including banks, would operate from its beginning within a new institutional framework, was not very realistic. In this situation, commercial banks not only collected their share of the favourable results of economic transformation, but also had to cover some of the temporarily negative effects of reforms in the real economy.

4.3 Internal factors

The development of individual banks and the banking sector as a whole was accompanied by the necessity to cope within a short time with phenomena that are generally associated with the emergence of a new economic subject and determination of its place in the market environment. The development of a market mechanism associated with extensive transfers of property, financial and capital market development and other factors connected to an overall economic transformation created a hotbed for banking crime. Because the banking sector developed so rapidly, focusing on creating its own new structure, it was unable to prevent the establishment of banks where shareholders pursued their own short-term goals, often violating valid laws and regulations or using loopholes in legislation.

A major problem for the establishment of a new bank was the lack of skilled staff, both operating officials and executive managers. The banking system was distorted during the period of planned economy and the education system did not train specialists for this field. Despite substantial foreign assistance promoted by government agencies and foundations or international financial institutions, for a long time the demand for banking personnel greatly exceeded supply. At the same time, the requirements for bank employees and management are very demanding at the time of a bank's foundation, and even more so in the transformation period by emphasising the need to rapidly secure the basic functions of a bank and gain an advantage in the emerging banking market.

When commencing activities, most new banks with Czech capital backing concentrated on the rapid development of client services and paid virtually no attention to the development of appropriate internal control and management systems or the laying out of long-term prospects. This, together with the above factors, resulted in these banks completely or partly missing those basic functions which ensured stable and prudent development.

4.4 The effects of transformation on the banking sector

The unfavourable factors accompanying the transformation process were particularly reflected in the activity of new small banks with Czech capital whose clients came from newly established small and medium firms within the privatisation process. By financing the privatisation these banks substantially helped create the economic environment in the Czech Republic, taking on, however, a huge risk which became fully apparent in 1994 and 1995 when most of the credits granted reached their maturity date.

The uncertain economic conditions, the inexperience of new bank management and, to a certain extent, the substantial speculative operations of new bank owners were mainly reflected in a high volume of poor-quality credits. At the same time, small banks had a limited access to primary resources because their own branch networks were just being formed and the depositors inclined towards well established large banks (Česká spořitelna in particular). For this reason, small banks were largely dependent on refinancing through the central bank and later, the interbank deposit market. The situation came to a head at the turn of 1995 and 1996, when the funds tied up in poor-quality assets and concurrent decline or stagnation of deposits following the first failures in the group of small banks generated heavy pressures on liquidity which these banks were unable to face.

4.5 The consolidation program for the subsector of small banks

The CNB banking supervision monitored the signals of unfavourable development in some banks already in 1993. Within the possibilities given by the current legislation, it tried to solve this situation through certain measures and partial consolidation programs for individual banks. These measures were based on the results of one-time on-site examinations carried out in virtually all small banks at the beginning of 1994. The more comprehensive steps by the CNB and its banking supervision, however, were not encouraged by the results of bank audits, which at that time did not indicate that these banks were entering a critical period.

During 1995, the banking supervision focused, through individual consolidation programs, on those banks where problems were most serious. These consolidation programs served as a basis for overcoming the unfavourable situation. Despite all the efforts of banking supervision, applying various remedial measures and bank revitalisation programs, in most cases the unfavourable development was not stopped. The efforts of CNB banking supervision often met with an unwillingness on the part of bank owners to radically solve their bank's problems, or a bank's problems originating from the commencement of its operation were larger than the possibilities of their solution.

In this situation, the CNB prepared at 1995 end and initiated at the beginning of 1996 the implementation of the comprehensive program of small bank consolidation to prevent the domino effect in the small bank subsector which could have resulted in threatening the public confidence in the banking sector as a whole, radical limiting their possibilities to obtain resources on the interbank market and shifting part of household deposits to large banks. In choosing a solution, the benefit to clients from the existence of this segment of the banking sector was taken into account. This consisted mainly in an individual and more flexible approach compared to the large banks.

The consolidation program was based on transferring potential risks from asset operations to the real loss of banks, according to the results of external audits of 1995 annual accounts which served as the legislative basis for banking supervision interventions pursuant to the Act on Banks. The results of external audits in 1995, when auditors, in compliance with a CNB provision, carried out an obligatory comprehensive control of bank portfolios with respect to their quality and set out the necessary volume of provisions and reserves, created conditions for a more radical action of the banking supervision aimed at solving the situation in banks whose reserves were insufficient and whose capital could not cover the losses identified. At the same time, the banking supervision's efforts were mostly directed at maximal participation of shareholders or new investors in an appropriate increase of bank capital and the subsequent recovery.

These more realistic potential risks led to a decrease in capital adequacy. Those banks where capital adequacy did not reach 8% were required to work out consolidation programs aimed at reaching the 8% target by 31.12.1996. At the same time, the CNB put emphasis on the increase of bank profitability, on improving the management system including staff, and improving the shareholder structure. The consolidation programs submitted were then evaluated with respect to their credibility and sufficiency to stop the unfavourable development and discussed with individual banks. The measures adopted strictly followed from individual evaluation of the situation in each bank, the extent of losses, the possibilities of further development and the willingness of shareholders and management to take part in the recovery process.

The measures can be divided into 4 basic groups:

I. Decrease of initial capital and conservatorship

This solution was applied in the cases of substantial losses from a bank's performance which had to be partially covered from the funds of existing shareholders by means of a decrease of equity and its transfer into reserves. Further negotiations and measures were based on an assessment of the possibility of a bank's recovery through increasing its equity via new investors or through a merger with some other bank. In some cases, the bank's activity was terminated by declaring bankruptcy or by liquidation.

II. The termination of bank activities

The termination of a bank's operation by revoking its banking license was employed in the cases of large losses, and of little chance for continued operations and when there was a minimal willingness of shareholders and new investors to participate in covering the losses resulting from the previous activities of the bank.

III. Sale of a bank with potential future merger

In the cases when losses were of lower extent and the detailed monitoring of the situation in the bank indicated a chance for its recovery under the conditions of a general improvement in the level of management and with capital strengthening, the CNB supported a sale to some other bank with potential inclusion of this acquisition in the structure of the buyer.

IV. Increase of initial capital by existing shareholders or a new investor

This method was used when the current shareholders or new investors expressed their willingness to implement a consolidation program and, at the same time, when the volume of losses was not very high.

Results of the Consolidation Program

Method of solution	Number of banks	Share in total assets of the banking sector in % as of 30. 6. 1996
Decrease of initial capital and conservatorship	5	1.64
The termination of bank activities	2	1.24
Sale of a bank with potential future merger	3	1.66
Increase of initial capital	6	3.96
No solution required	3	1.13
Total	18	8.84

Note: The total sum does not equal the total of individual methods because in one bank two methods (conservatorship with decreasing initial capital and sale of the bank) were combined

Of the overall number of 18 small banks, in 15 problems were solved within the consolidation program; however, radical solution, such as licence revocation, imposing conservatorship or take-over by some

other banks, was applied only in 9 banks. In other cases, initial capital was increased in co-operation with shareholders or new investors, covering potential losses from the bank performance and creating preconditions for future development of these banks.

To minimise the unfavourable effects on depositors in connection with the radical solution of the situation in small banks, the CNB paid off deposits up to CZK 4 mil., which was above the limit of the Deposit Insurance Fund (CZK 100,000 at maximum). The amount above the DIF limit was construed in such a way to satisfy a maximum number of clients, not only natural persons but also legal entities (smaller firms), which are excluded from the deposit insurance scheme. The compensations up to CZK 4 mil. satisfied more than 99% of the whole number of clients; with respect to the total value of deposits, the compensations covered about 66%.

4.6 The stabilisation program for small banks

The measures adopted within the consolidation program made it possible to clear and recover the CR banking sector. The above measures created fundamental conditions for the revitalisation of those banks which had the prerequisites for staying in the banking sector. The 1996 development, however, largely affected these banks' performance, because some clients left this subsector. At the same time, internal conditions in these banks, where still is the high concentration of poor quality assets, are reducing the possibilities of further development on a profit-making basis despite creating all substantial conditions as regards the strengthening of capital, exchange of management, improving shareholder structure etc.

For these reasons, it is obvious that further development of these banks which would lead to their stabilisation must also be supported from the economic point of view. This is why, through Czech Government Decree No. 539/1996 a program for strengthening banking sector stability was adopted, pursuant to which poor-quality assets will be replaced by liquidity - i.e., will be purchased by a special company (Česká finanční s.r.o.) with subsequent repurchase of the residual amount of such assets on the horizon of 5 - 7 years. These new funds should help a bank improve its performance thereby making room for sufficient creation of reserves and provisions to repurchase its assets.

The stabilisation program is determined only for small banks and participation in this program is conditioned by observing certain defined rules aimed at directing a bank's activities towards

- overall improvement of managing activities including potential replacement of persons in the top management of a bank,
- reducing higher-risk activities and increasing the level of prudential behaviour,
- securing the profitability and effectiveness of a bank's activity.

The main requirements include, in particular, the preparation of high-quality methodological regulations for all activities directed at increasing prudence and the gradual achievement of the required level of selected indicators for individual areas. The working out of a comprehensive program in the form of three-year commercial plan with prospects for the two following years serves as the basis for reaching the defined goals of the stabilisation program. The conditions for bank participation in the stabilisation program concern all areas of bank activities. The main parameters are:

- the achievement of 8% capital adequacy as of 31.12. 1996 and its further increase,
- gradual creation of reserves to guarantee the repurchase of assumed claims, including the limited possibility of profit distribution, i.e. payments of dividends and bonuses,
- working out of methodological regulations concerning credit extensions, trading in securities, secured trading, asset and liability management, internal controlling systems etc. and their submission to the CNB for approval
- limits on securities trading on own account,
- observing the set proportion of quick assets in the bank's portfolio,
- minimal operational and wage costs etc.

The stabilisation program makes it possible for a bank to distribute the creation of reserve resources to cover losses from previous activities into a longer time period; at the same time, such a bank is provided funds which it can use to a certain extent for its commercial activity, thereby creating room for an intensive creation of profit under the conditions of a strict prudence and effectiveness. By assuming this possibility, the bank is subject to stricter monitoring by the banking supervision, which, in the form of setting binding indicators of bank performance, on-site examinations and intensive co-operation with owners and management of banks included in the stabilisation program, supervises the meeting of conditions given in the programs.

The results of the stabilisation programs will be apparent later, as the first banks entered the program only at the beginning of 1997.

B.

BASIC TRENDS IN THE BANKING SECTOR DEVELOPMENT

In 1996, the banking sector development was marked by substantial differences. On one hand, a generally stable development continued in large banks confirmed by favourable economic results leading to positive ratings by international rating agencies and favourable possibilities to obtain advantageous syndicated loans on the international banking market; on the other hand, problems reached their head in a group of small banks which had to be radically solved. Through their activities, foreign banks and foreign bank branches encouraged the competition, with large banks in particular, leading to further extending the offer of high quality banking services. In general, all banks focused on more prudent behaviour fostered by an increasing pressure from the banking supervision and the effort to survive in the expanding competition both on the domestic market and internationally.

1. THE BANKING SECTOR STRUCTURE IN THE CZECH REPUBLIC

The banking sector structure with respect to the number of subjects was principally influenced by terminating the roughly three year period, when no licences were granted because of completing the banking sector consolidation and clarifying the long-term policy with respect to an optimum structure of the banking sector as for the number of banks and their direction. At the same time, this structure was substantially affected by results of the consolidation program for small banks.

1.1 The number of banks in the banking sector

In the first half of 1996 two new licences were issued, to a West Deutsche Landesbank subsidiary and a Midland Bank branch. After acquiring the licence, both banks concentrated on preparations and by 1996 end did not commence operation. Within the small bank subsector, two licences were revoked during 1996, so that the number of banks operating in the CR was unchanged, 55 banks, with 53 actively operating.

*Number of Banks by Group
(banks which started client operation)*

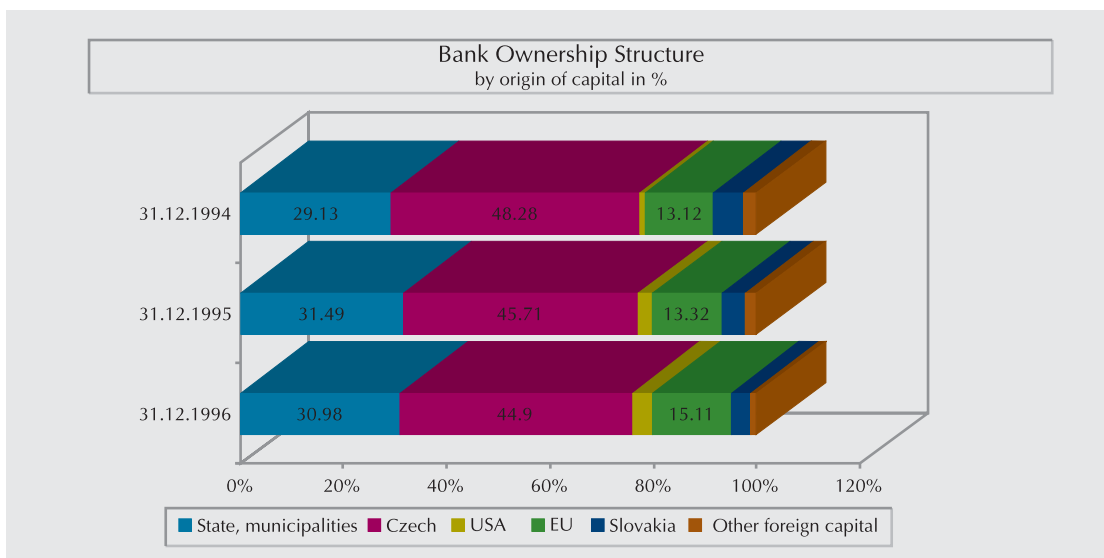
	1.1.1990	31.12.1990	31.12.1991	31.12.1992	31.12.1993	31.12.1994	31.12.1995	31.12.1996
Total banks	5	9	24	37	52	55	54	53
of which:								
large banks	5	5	6	6	6	6	6	5
small banks	x	4	14	19	22	21	18	12
foreign banks	x	x	4	8	11	12	12	13
branches of foreign banks	x	x	x	3	7	8	10	9
specialised banks	x	x	x	1	5	7	8	9
banks under conservatorship	x	x	x	x	1	1	0	5
Additionally, banks without licence	x	x	x	x	x	1	4	6

The number of new subjects grew most rapidly in 1991 - 1993, when most small and foreign banks were established. The above suspension of licensing activity in 1994 - 1996 meant that the absolute number of banks stopped to increase and changes occurred primarily in the banking sector structure.

The main factor influencing the banking sector structure, was the solution to problem small banks, leading to revoking licences of 6 banks and imposing conservatorship which in some cases resulted in terminating the banks activity. This is the main reason for a significant decline in the number of banks in this group. At present, 5 banks are under conservatorship, 4 small banks and 1 large bank (Agrobanka, where conservatorship was imposed to ensure its stability and replenish its liquidity). Other changes in the banking sector structure occurred gradually, connected to a certain specialisation of some banks on a limited circle of activities, e.g. a group of 6 building societies which were established in 1993 and 1994 and deal with construction savings of households and granting special credits for housing promotion. The housing support is also connected with mortgage banking development, permitted by law in 1995. In the CR, one bank is focused on mortgage banking (Českomoravská hypoteční banka). Five other banks have special licences, required by law to provide mortgage banking services, and organise this activity as part of activities of a universal bank. Moreover, two banks were established with state participation to support state programs for export promotion (Česká exportní banka) and to provide guarantees for small entrepreneurs (Českomoravská záruční a rozvojová banka). Changes in the number of foreign banks and foreign bank branches are due to transforming some branches into subsidiaries.

1.2 The banking sector structure with respect to ownership

The origin of capital in banks operating in the Czech banking market did not experience major changes, because the number of banks was the same. Initial capital increases were mostly effected in the form of equal participation of the existing shareholders in new share issues; new investor entries were apparent primarily in the group of small banks, where, within the consolidation program, initial capital was increased more intensively.

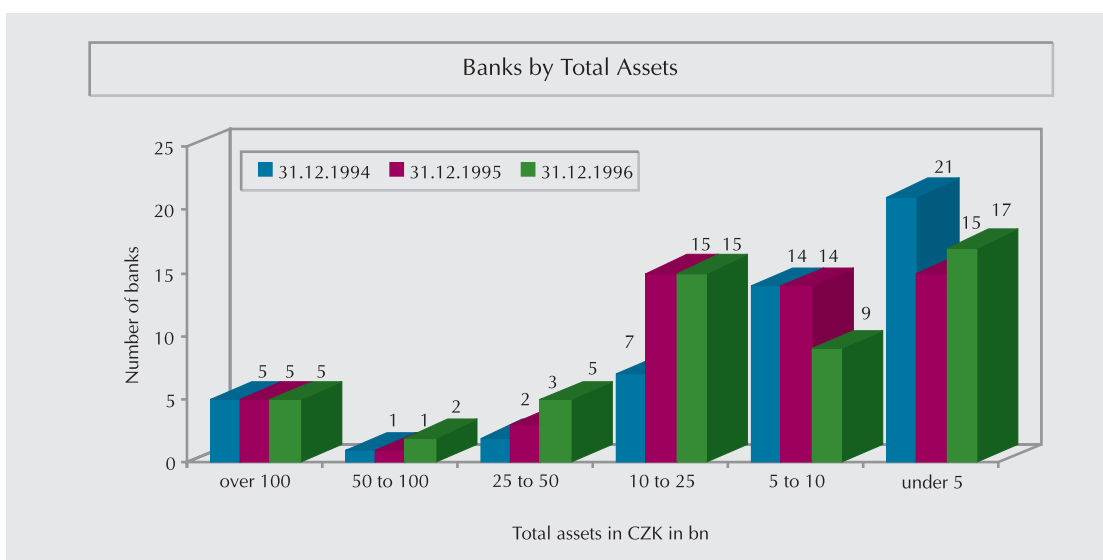


As regards foreign capital, the most important are 100% foreign owned subsidiaries of well-known foreign banks; foreign capital, however, participates in most other banks, though with a substantially lower volumes, below 50% of initial capital. As of 31.12.1996, only ten banks have 100% Czech capital.

The still high state share in the banks' initial capital results from incomplete privatisation of large banks, in which the state still holds substantial stakes (20 - 50%). Currently, however, preparations are being finished for completing the banking sector privatisation which should lead to substantial changes in the ownership structure. Foreign capital in Czech banks, whose proportion continues to increase primarily to the detriment of the Czech capital, originates mostly from EU countries, particularly Germany, Austria, France and the Netherlands, and also the USA. This increase is mostly due to increasing initial capital in the group of foreign banks. The share of the Slovak capital, in most cases originating from the split of the federation in 1993, is gradually decreasing, as is that of other countries because of minimal initial capital increases in these banks, leading to a decrease of their proportion in an ever rising initial capital of other banks in the sector.

1.3 The banking sector structure with respect to size

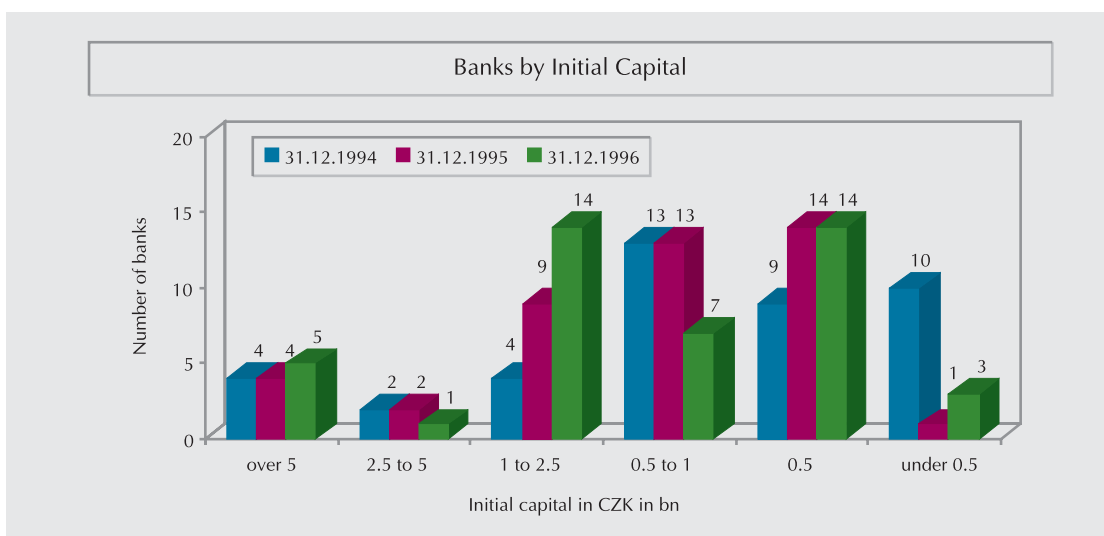
During last three years, the increasing banking activities with virtually unchanged number of banks led to a gradual growth in both total assets and capital. While in 1994 and partly also in 1995 the number of medium-sized banks Czech banking sector was insufficient, this group of banks is now being formed, particularly thanks to the development of activities of foreign banks and foreign bank branches.



As regards total assets, the groups with total assets amounting to CZK 25 - 50 bn and CZK 10 - 25 bn became stronger. A moderate increase in the number of banks with total assets under CZK 5 bn results first of all from a reduction of activities in banks under conservatorship and gradual mergers of some banks. Banks' enlargement by means of a take-over of some small banks will probably take place also in the future, being, together with increasing activities, a prerequisite for further concentration in the banking sector.

As for capital, the changes in the banks' structure are even more apparent, particularly reflected in the efforts to increase their capital strength to secure them against risks following from bank operation. This was reflected in a marked increase in the number of banks with initial capital above CZK 1 bn: in 1994 only 10 of 42 banks (excluding foreign bank branches which are not obliged to underwrite initial capital) exceeded this level, while in 1996, 20 of 44 banks.

The minimum limit of initial capital, set at CZK 500 mil. in the CR, is not met only in banks where initial capital was decreased in compliance with the consolidation program to cover losses from bank operation. These banks are currently under conservatorship.



1.4 Activities of individual groups^{1/} of banks

On the Czech banking market, universal banks and foreign bank branches are operating. They can be divided into several groups according to size, type of activities, prevailing domestic or foreign capital or clientele.

The most important is the group of **large banks**, i.e. banks whose total assets represent almost 70% of the banking sector with respect to overall total assets and almost 50% with respect to the amount of initial capital. These banks orientation, originating in the period before 1989, substantially differs: Česká spořitelna traditionally collects primary deposits from households, Československá obchodní banka concentrates on activities vis-a-vis foreign countries, Komerční banka and Investiční a Poštovní banka mostly on financing of large businesses. Their development, however, indicates a broadening of their activities and trends to convergence. The most important for their future development will be the completing of their privatisation (the state still has a majority stake in them), after which new owners will specify their future strategy and orientation. This is also reflected in the development of initial capital, which has been increased only minimally because of the expected privatisation. In contrast, the development of their activities was more markedly reflected mainly in the growth of average sum of total assets per bank within the group, which jumped by 23.8% since 1994. Konsolidační banka, which was established as a state financial institution, has a special position and is particularly engaged in the management of bad debts from the period before 1989.

Average Amounts of Total Assets and Initial Capital in particular groups of banks

	31. 12. 1994		31. 12. 1995		31. 12. 1996	
	Per bank, in CZK in mil.		Per bank, in CZK in mil.		Per bank, in CZK in mil.	
	assets	initial capital	assets	initial capital	assets	initial capital
Total banks	27 939	1 051	34 948	1 199	38 366	1 306
of which:						
large banks	223 701	5 111	260 341	5 248	276 954	5 578
small banks	7 889	732	10 421	866	10 654	1 070
foreign banks	9 327	558	15 908	702	19 046	873
branches of foreign banks	5 327	x	10 215	x	14 535	x
specialised banks	2 368	1 018	4 259	1 298	6 838	1 342
banks under conservatorship	15 413	985	17 683	1 224	16 164	1 010
Additionally, banks without licence	9 459	943	10 366	810	8 189	539

^{1/} Individual groups of banks are given in the Annex

The second most important group of banks are **foreign banks** including primarily subsidiaries of leading foreign banks. These banks are mostly oriented on wholesale banking, their clients being large industrial businesses with foreign participation from their home countries. As regards financing their activities, they mostly rely on funds from the interbank market, with only a minor share of collecting primary deposits from the population. Usually they organise their trades from the head office, or build a limited number of branches in large cities. They are of great significance first of all with respect to the competition in the banking sector, because they are bringing new products, quality and prudence in the banking business, and other banks have to adjust their activities accordingly. Although the first foreign banks started operation in the Czech Republic already in 1991, their operation became more active only in 1995, due to favourable evaluation of the transformation process in the CR, stable economic conditions, improved CR rating, the CR membership of the OECD. This led to a substantial growth in total assets in this group, up by 104.2% to CZK 19 bn. Recently, foreign banks have increased their initial capital, which is a prerequisite of further expansion of activities, primarily in the area of credits. Since 1994, average bank capital grew by 56.5%, to CZK 873 mil.

Small banks represent a specific group in the Czech banking sector. These banks with predominant Czech capital were established in 1990 - 1993. At that time, they substantially assisted in starting the privatisation process and providing banking services for newly established economic subjects. Their unclear strategy, rapid unregulated expansion of activities, forced changes in bank financing, together with minimal experience of the top management and efforts to make up with other banks in the extent of services provided, resulted in these banks becoming the most problematic part of the banking sector. This generated the above consolidation program, which helped clear this group of non-prospective banks and created preconditions for their future development. Their future operation on the banking market will, however, be conditioned by mergers, i.e. creating larger units, by meeting regional needs of banking services or specialising in a particular kinds of activities. The consolidation program mainly led to a stagnation of activities in this group and only a minimal growth in average total assets in the group against 1995. In contrast, capital increased up to an average amount of CZK 1.1 bn, i.e. 46.2% more than 1994 end. They finance their activities predominantly from collected primary deposits, while their access to the interbank market is limited in some cases. The favourable feature of their operation is a closer approach to clients allowing to individually meet their needs.

Share of Basic Indicators in Total Assets in %

	Credits			Tradable securities		
	1994	1995	1996	1994	1995	1996
Total banks	54.52	48.58	49.03	6.19	8.04	8.66
of which:						
large banks	55.35	51.01	52.97	6.33	9.16	10.15
small banks	66.29	57.43	48.89	8.88	6.92	7.60
foreign banks	36.99	34.39	37.06	4.47	3.30	3.82
branches of foreign banks	53.78	40.27	40.47	1.68	1.50	0.76
specialised banks	18.71	9.07	11.65	14.70	21.11	17.94
banks under conservatorship	65.84	56.73	57.24	4.04	5.32	5.25
	Clients' deposits			Deposits from banks		
	1994	1995	1996	1994	1995	1996
Total banks	56.92	52.05	50.80	18.74	20.84	23.11
of which:						
large banks	59.29	55.82	57.02	14.62	15.37	14.82
small banks	55.32	60.06	54.14	19.50	17.80	12.43
foreign banks	40.78	31.16	29.91	42.97	39.91	48.30
branches of foreign banks	36.13	16.49	12.13	55.46	71.07	79.80
specialised banks	57.59	58.31	61.98	5.42	7.54	14.77
banks under conservatorship	62.65	68.33	56.97	20.30	14.73	19.53

The activity of **foreign bank branches** was permitted by the Act on Banks of 1992. The development in part of this group is similar to that of foreign banks, but their orientation on large businesses with foreign participation from their home country is even more marked. Besides branches of leading foreign banks, several branches of regional German and Austrian banks are operating in border regions, but their activities are still minimal and their role in the CR banking sector insignificant. The average total assets in the group as of 31.12.1996 amounted to CZK 14.5 bn, by 172.9% more than 1994 end.

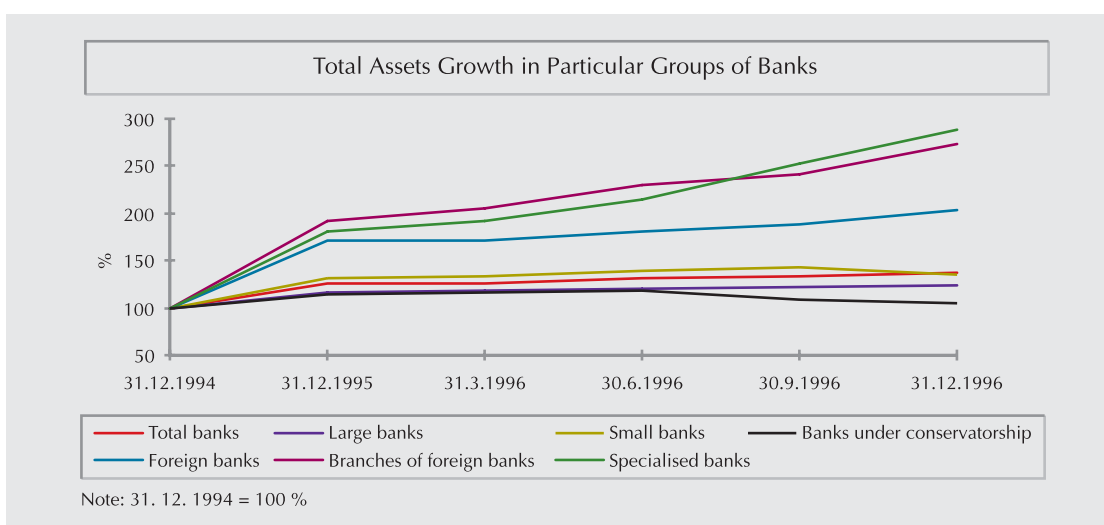
The group of **specialised banks** started to form later, after 1994, when the first building societies were formed. In addition, this group includes banks established with the state participation to support specific activities (export, guarantees for small entrepreneurs) and a bank specialised in mortgage loans. The composition of this group indicates that most activities are directed at housing support. Building societies mostly concentrate on collecting primary deposits within construction savings; they can provide first loans after at minimum two years of operation. This predetermines the composition of their assets and liabilities, i.e. mainly deposits on the liability side and interbank deposits and high-quality securities on the asset side, as the type of securities in which these banks are allowed to invest is set out by law.

The activities of individual groups, except for specialised banks, are interconnected. This creates a strongly competitive environment, favourably affecting particularly client services, interest rates etc.

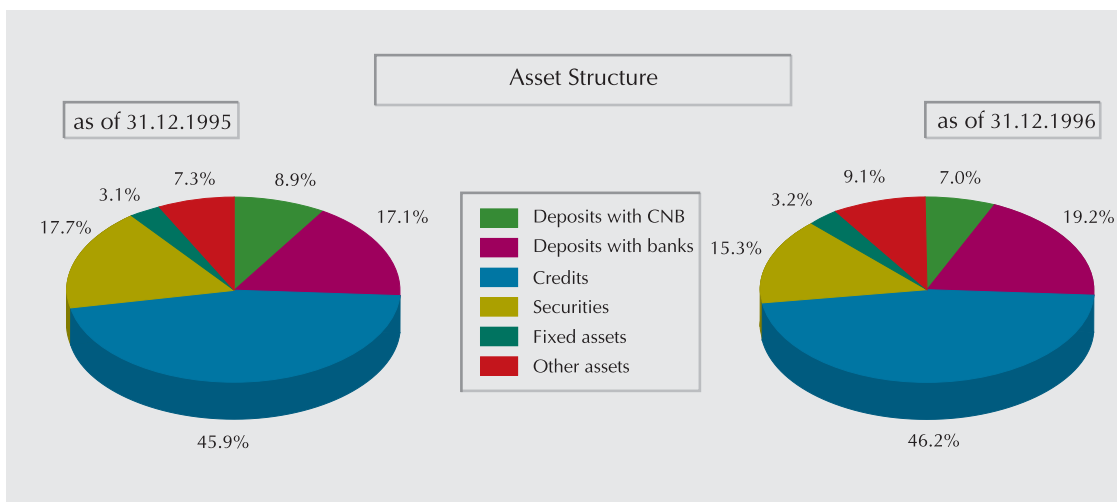
2. BANK ASSETS

Banks operating in the Czech Republic are universal banks, engaged in both commercial and investment banking. Credit transactions account for major part of asset operations, because most businesses are still financed through banking credits. The still insufficiently developed capital market did not allow to create an adequate flexible environment for substantial increase in the business sector financing through this market.

The ongoing economic growth was reflected in further increase of the banking sector's total assets; however, its intensity is gradually decreasing compared to the initial period of transition to a market economy. This was particularly apparent in 1996, when the overall increase of assets volume was about half of 1995 increase. Total assets managed by banks operating in the Czech banking market amounted to CZK 2,033.4 bn as of 31.12.1996, 9.8% more than 1995 end and 37.3% more than 1994 end.



The development of specialised banks is the most dynamic, but these banks started to operate only in 1994 when the first building societies were established. The activity of foreign banks and foreign bank branches started to develop more substantially in 1995, reflecting the favourable CR rating, OECD entry etc. Despite a certain slowdown, the growth in activities of these banks in 1996 was still higher than in other groups of banks. The weakest growth was registered in small banks and banks under conservatorship as a result of the consolidation program, according to which banks had to focus their activities on solving their internal problems and not on further business expansion.

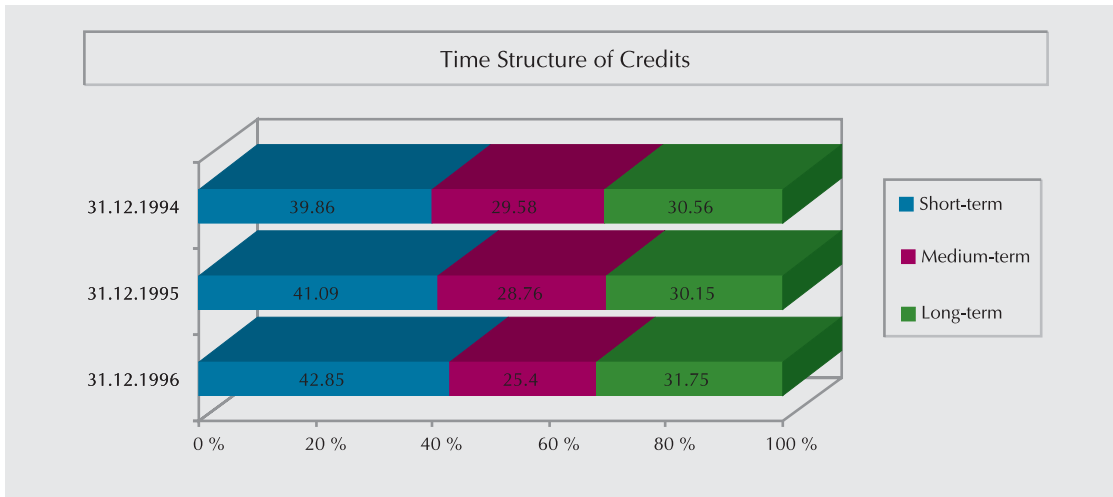


In 1996, prudential behaviour was accentuated as a reaction to a high proportion of classified loans and possible losses from capital market transactions. For this reason, 1996 did not see any substantial changes in total assets structure compared to 1995. The share of net credit in total assets slightly increased, from 45.9% as of 31.12.1995 to 46.2% as of 31.12.1996. The share of securities dropped from 17.7% to 15.3% connected mainly to a decline in volume of CNB bills issued to control the monetary development.

2.1 Credit transactions

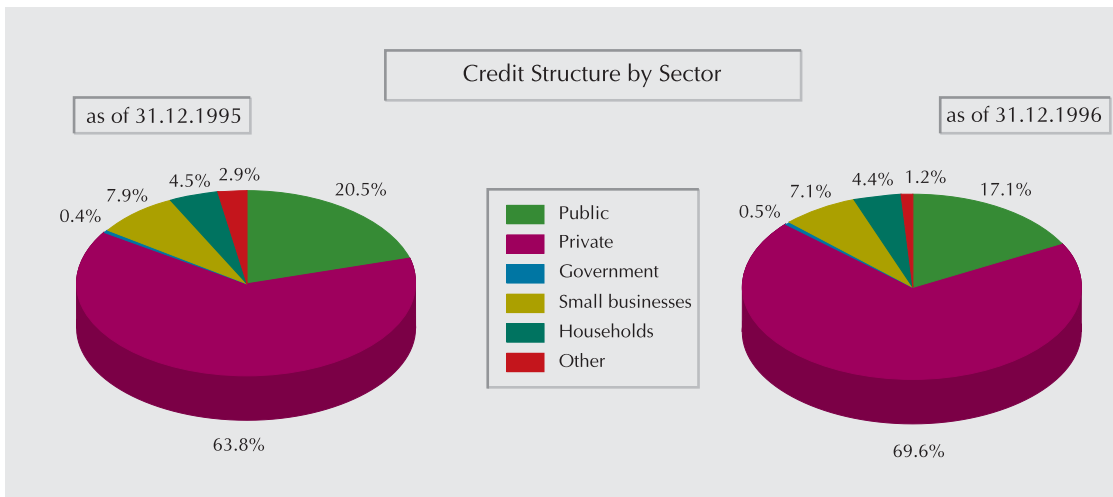
For a long time, credit extensions have been the most important activities of the banking sector. Despite a certain shift to some other activities, the demand for credits is still high and credits remain the most significant resource of financing for the business sector. The share of crown credits in GDP in current prices stood at 63.3% as of 1996 end.

The volume of gross credits (not adjusted for provisions) as of 31.12.1996 was CZK 1,026.8 bn, i.e. 11.4% more than 1995 end. In contrast to previous years, credit growth rate in 1996 outpaced total assets. This means that banks used for credit transactions not only new resources, but also concentrated on more effective allocation of the existing funds, particularly on a certain reduction of the volume of quick assets, quite significant in some banks.

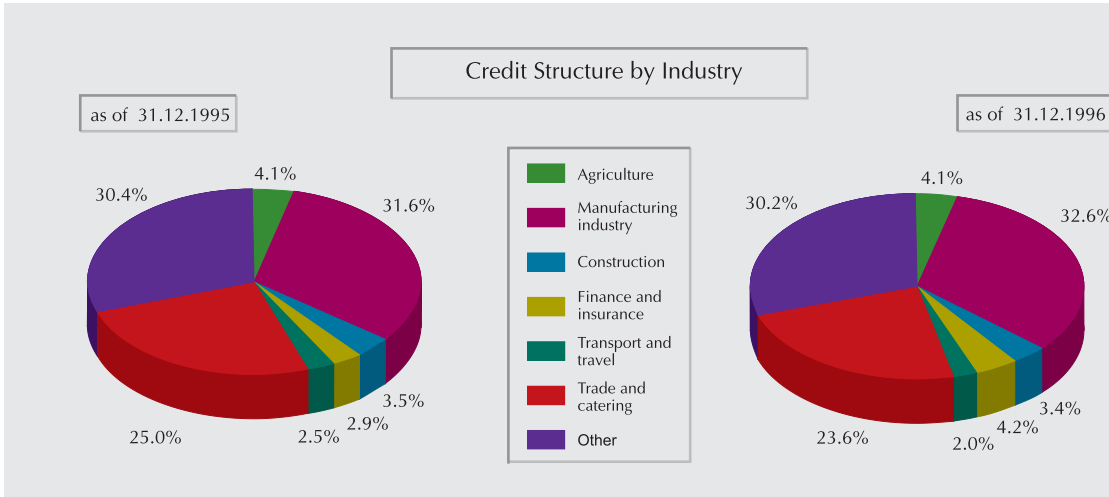


As for time structure, banks mostly grant short-term credits whose proportion grew by 1.8 points against 1995 end. Long-term credits show a slightly upward trend, while medium-term credits share is constantly dropping, by 3.4 points against 1995 end.

The private sector development generated by continuing privatisation is visible in a changing makeup of credits with respect to recipients. In 1996, the major part of credits (69.6%, i.e. CZK 596.8 bn) was extended to private sector, 5.8 points more compared to 1995 end. In contrast, credits allocated to the public sector are declining, from 20.5% as of 31.12.1995 to 17.1% as of 31.12.1996. In other sectors of the economy, no principal changes occurred with respect to recipients.



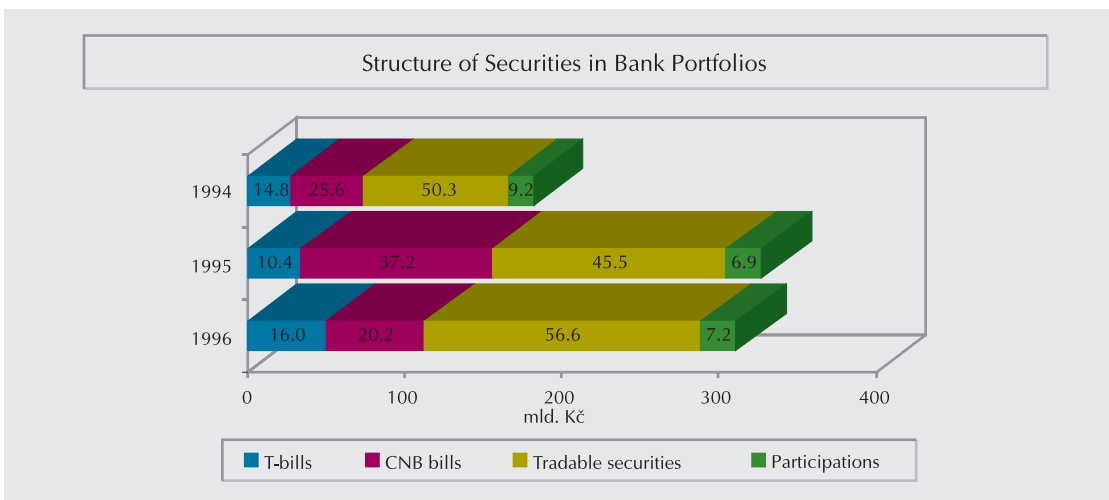
The industrial structure of credit extensions, corresponding to the significance of individual industries, does not change much. Most credits are provided to the manufacturing industry (32.6% of all credits granted as of 31.12.1996, up by 1 point against 1995 end), followed by trade and catering with 23.6% (down, however, by 1.6 points). A certain growth was registered in finance and insurance, by 1.3 points.



2.2 Securities

The volume of securities held in bank portfolios as of 31.12.1996 amounted to CZK 311.2 bn, i.e. 15.3% of total assets of the banking sector. As for their structure, securities for trading prevailed, currently accounting for more than 50% of the overall volume of securities. The most marked movements occurred in 1996 in treasury and other bills, whose share in total securities volume was quite significant, mainly in 1995. A lower need to withdraw excessive liquidity from the banking sector was reflected in the declining volume of CNB bills, allowing banks to allocate these funds into credits. The volume of treasury and other bills thereby dropped against 1995 end by 27.6%, to CZK 112.8 bn.

Banks operating in the CR can, under certain conditions set in the Act on Banks (previous consent in the case of larger volumes of shares or ownership interests in non-bank companies), also invest in business sector shares in order to exercise their influence and participate in its activities. In view of high risks, some limitations are being prepared within the amendment to the Act on Banks. The volume of these strategic investments as of 31.12.1996 was CZK 22.4 bn, down by 1.7% against last year.

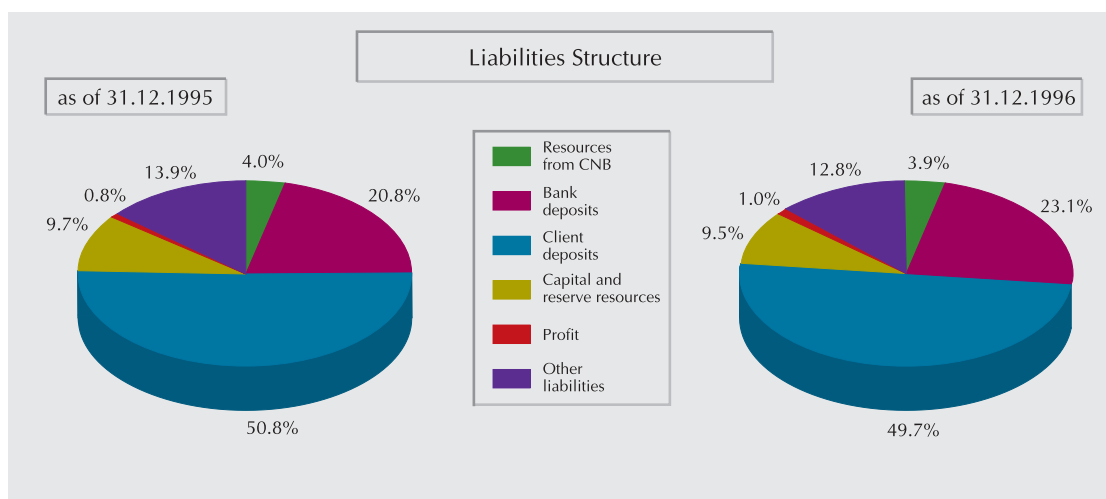


Bank activity on the capital market slowed in 1996, but still remained high in view of the growth rate of the securities volume. As of 31.12.1996, banks held in their trading portfolios securities of the overall purchase value of CZK 176.1 bn, 18.2% more than 1995 end; in 1995, the volume of these securities jumped by 62.5%. In terms of structure, fixed-yield securities accounted for the major share, with which the risk of depreciation is substantially less than with variable-yield securities. Bonds accounted for 75.4% of the trading portfolio as of 31.12.1996, roughly by 7 points less than 1995 end.

The market price of the securities portfolio, monitored in 1996 - so far as an experiment - moves about 85% of the purchase price, this ratio being decreased mainly in connection to the high price volatility on the capital market. A new CNB regulation on reducing the risks following from securities trading on a bank's own account due to movements in market evaluation, stipulating the rules for market evaluation of individual securities not only in connection to prices achieved on the capital market, but also relative to their quick marketability, and requiring banks to daily re-evaluate their trading portfolio and create the necessary volume of provisions, will be reflected in future in decreasing potential risks, following from this activity for banks under the conditions of a still problematic Czech capital market development.

3. BANK LIABILITIES

External resources account for a major share in the banking sector liabilities (89.6% as of 31.12.1996). Own bank resources amounted to CZK 212.4 bn as of 31.12.1996, 9.8% more than 1995; in relative terms, however, they remained at the same level as in 1995 (their proportion in total liabilities was 10.4% in both years).

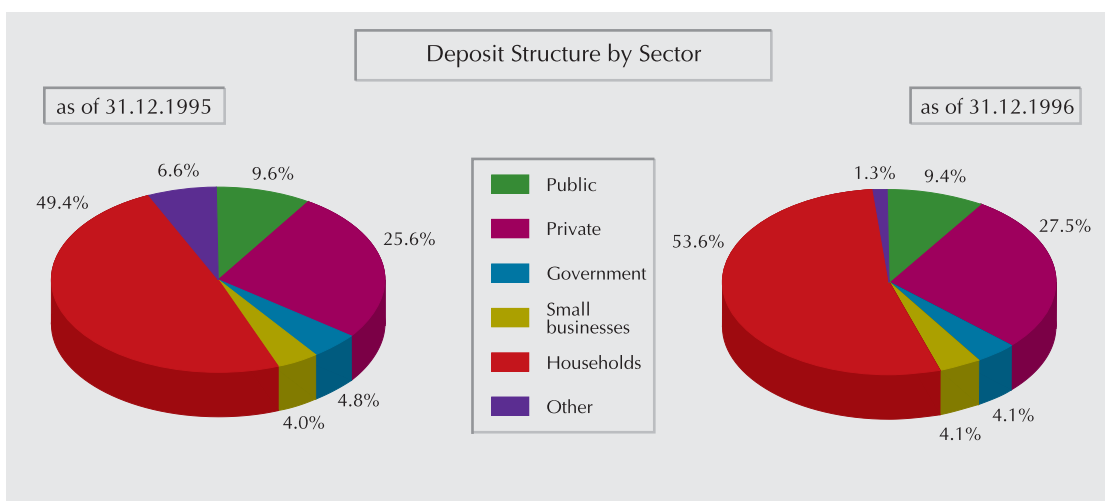


In the liabilities structure, the primary resources were slightly decreasing in favour of interbank market resources, whose share in the overall volume of liabilities grew from 20.8% as of 31.12.1995 to 23.1% as of 31.12.1996. Changes in other groups of liabilities in 1996 were not so significant. With respect to financing their activities, the interbank market resources still prevail in foreign banks and foreign bank branches (48.3% and 79.8% respectively in total liabilities), while primary deposits in other banks, particularly specialised banks (62.0% as of 31.12.1996) and large banks (57.0%).

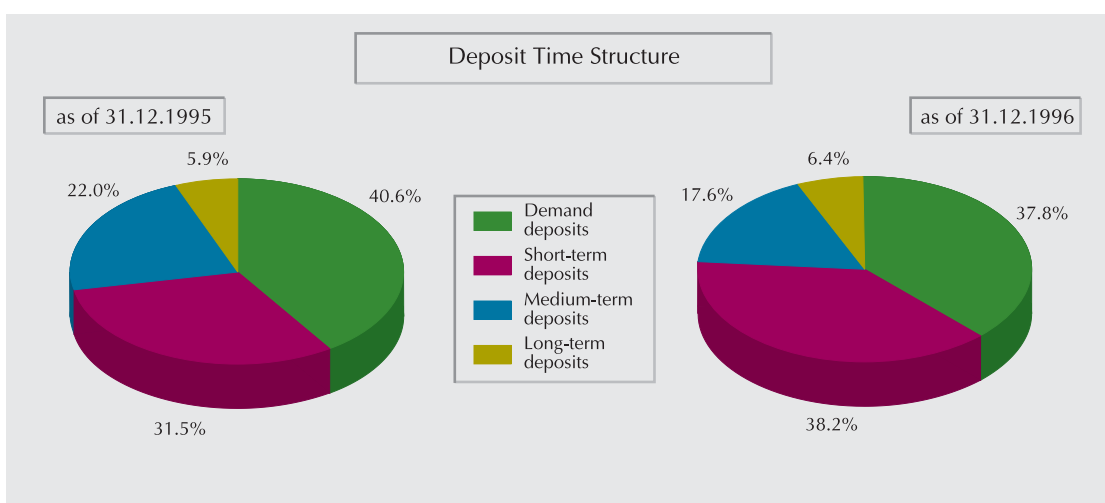
3.1 Primary resources of banks

The overall volume of client deposits as of 31.12.1996 amounted to CZK 1,010.7 bn, 7.4% more than 1995 end. However, primary deposit growth in 1996 was only about half of that in 1995. This was generated by higher orientation on consumption on one hand and by wider possibilities of appreciation of household savings through the capital market, pension funds, life insurance etc. on the other. Also banks themselves are seeking new possibilities of acquiring necessary resources for expanding their activities within more favourable conditions of traditional deposit products with respect to the time structure, deposit management etc. but also by offering their own bonds, totalling CZK 62.9 bn as of 31.12.1996, 28.8% more than 1995.

As regards depositor structure, the most important are households whose share continues to grow (49.4% of client deposits as of 31.12.1995 and 53.6% as of 31.12.1996). The share also grows of the private sector (from 25.6% to 27.5%), which is the second most important source of funds for the banking sector. The growth in these groups was offset by a decline in public and government sectors.



As for time structure, the proportion of time deposits is increasing. The reason is, among others, higher interest on time deposits and wider possibilities in the areas of maturity, notices, transformation between individual accounts etc. The share of demand deposits in overall deposits dropped by 2.8 points compared to 1995 end, to 37.8%.



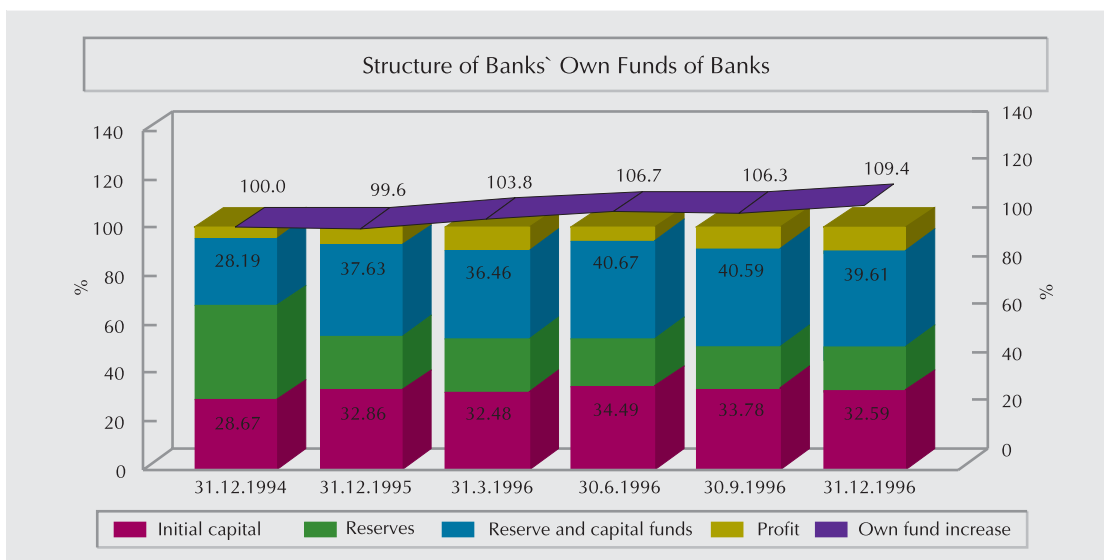
In the structure of time deposits, the share of short-term deposits is increasing (38.2% as of 31.12.1996 against 31.5% as of 31.12.1995), to the detriment of demand deposits and medium-term deposits. A positive feature is the growth in long-term deposits (more than 4 years), whose proportion rose from 5.9% at 1995 end to 6.4% as of 31.12.1996.

As regards individual industries, most deposits (not taking into account household deposits) come from subjects operating in the manufacturing industry (10.5% of total volume of deposits as of 31.12.1996, by 2.7 points more than at 1995 end) and in trade and catering (7.7%, by 0.2 point less than 1995).

3.2 Bank own funds

As of 31.12.1996, banks' own funds totalled CZK 212.4 bn, 9.8% more than 1995 end. The most important components were initial capital and reserve and capital funds. A substantial fall in reserves earmarked to cover losses from risky bank transactions is affected by their gradual transformation into provisions for individual asset items in connection with the change in the act on creation of tax deductible reserves. Until 1994, banks were allowed to create tax deductible reserves in a limited amount; an amendment to this act allowed to create also tax deductible provisions for assets and transfer reserves already created into provisions. The volume of provisions is thereby five times higher, amounting to CZK 91.7 bn.

Initial capital of banks jumped by 8.9% in 1996, to CZK 69.2 bn. The actual initial capital increase was even higher, because, within the consolidation program for small banks, initial capital was decreased in an administrative way to cover losses from bank operations in 5 banks, amounting to CZK 2.9 bn. The increase of initial capital is mostly concentrated in the group of small and foreign banks; for large banks, further growth of capital depends on completing the privatisation and intentions of their future owners.

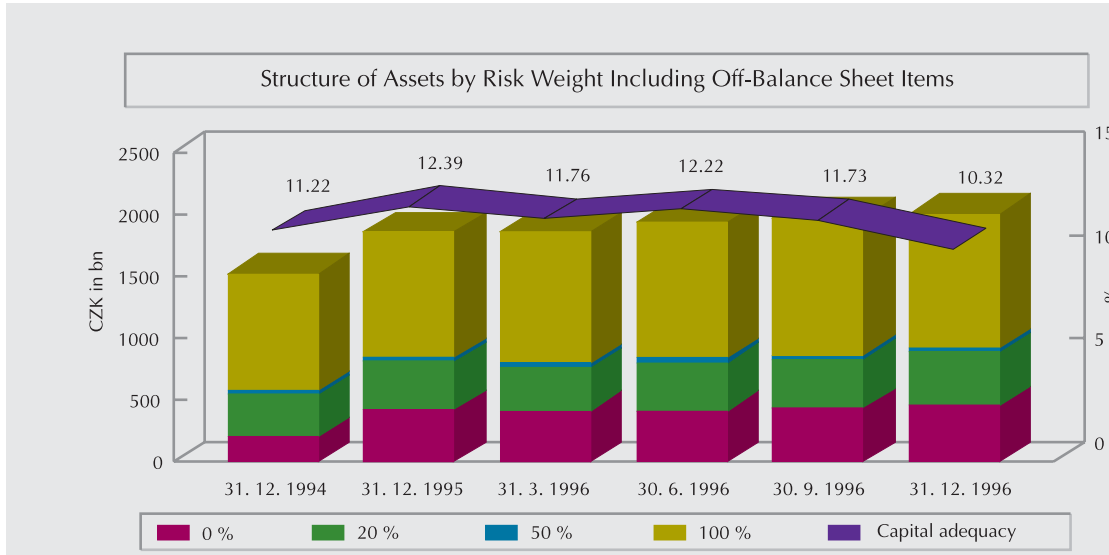


This substantial increase in reserve and capital funds is connected to banks' efforts to raise their reserve funds to cover potential losses. Also important is the fact, that most banks in the Czech banking sector are operating for a short time and have not had enough time to reach the necessary level of reserve funds from profit. This is also reflected in the fact that most profit created is primarily allocated to reserve funds and only small part is used to pay dividends. The increase of capital funds, with agio funds accounting for the largest proportion, is influenced by the fact that most banks demand a high agio when issuing new shares to strengthen their reserve funds.

4. THE BANKING SECTOR WITH RESPECT TO PRUDENTIAL RULES

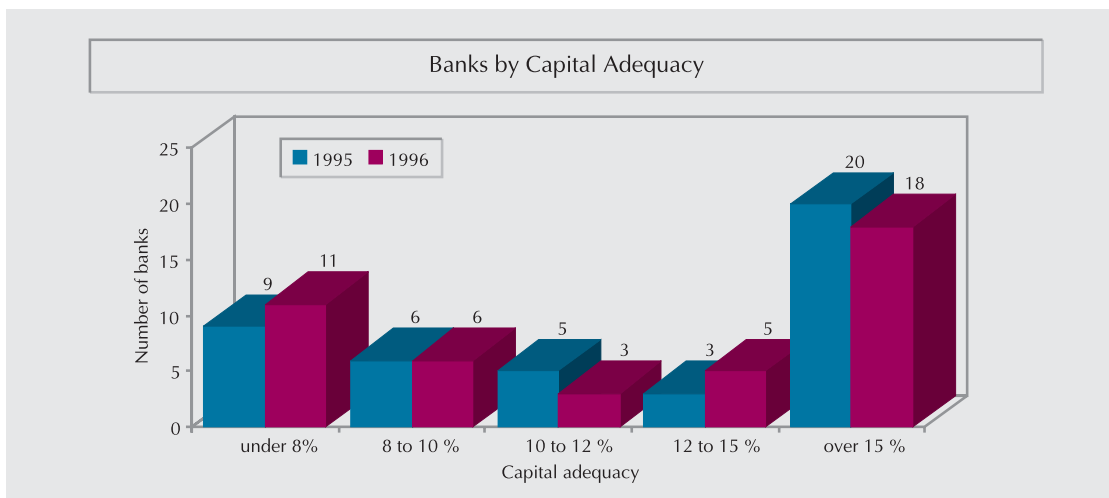
4.1 Capital adequacy

Capital adequacy is one of the main indicators characterising the banking sector quality. The CNB regulation on capital adequacy of banks created conditions for a real presentation of the banking sector activities in compliance with the Basle standard and placed duty on banks to achieve the minimum standard of 8% by 1996 end. At the same time, meeting this level was allowed by the practice consistently required from 1995 of creating the necessary volume of provisions to cover losses from asset operations of a bank even at the cost of an accounting loss.



Assets with 100% risk weight are prevalent in the structure of weighted assets; however, the proportion of assets with lower risk weight is gradually increasing. This is reflected in a relatively stable share of risk weighted assets in overall assets, which was 59.3% as of 31.12.1996, roughly the same as 1995 end and 8 points less than 1994 end.

The volume of capital declined by 10.5% against 1995 to CZK 122.7 bn. This was brought about by a change in the methodology of capital calculation, according to which, effective 1.1.1995, capital investments in non-bank subjects were subtracted on one hand, and by increasing banking sector losses in connection with the required creation of reserves and provisions for risky business operations of banks on the other. This was reflected also in the overall development of capital adequacy, which dropped by 2.1 point against 1995 end and stood at 10.32% as of 31.12.1996.

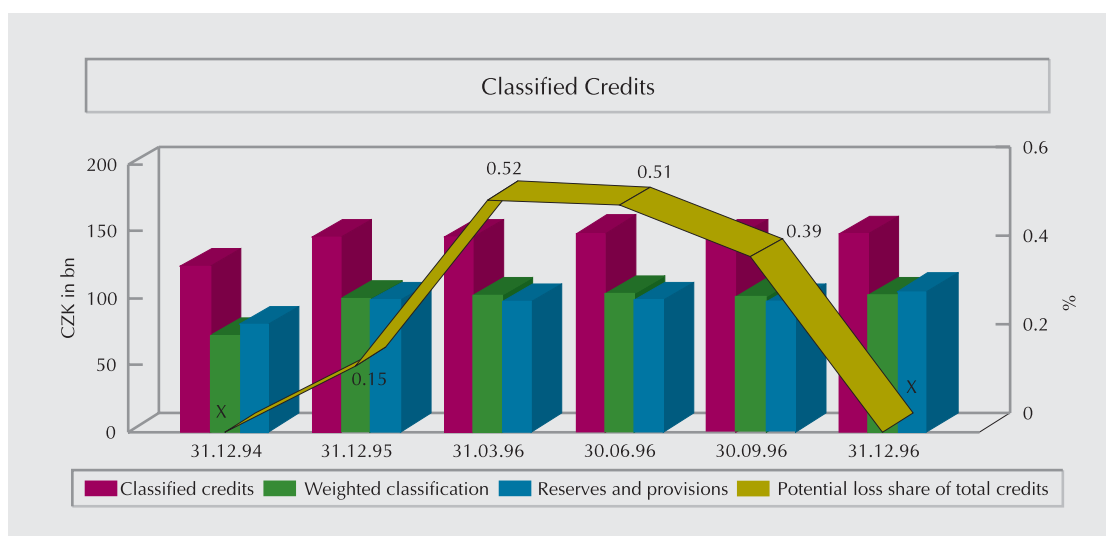


The bank structure by capital adequacy did not change much compared to 1995. Banks that do not meet the 8% limit are mostly those under conservatorship (5 banks) and banks whose existence in the banking sector is only temporary because they are merging with a stronger bank (3 banks); the remaining banks are participating in the stabilisation program, which should, together with a rapid increase of the initial capital of banks, create prerequisites for a quick achievement of the required limit. The influence of these banks, and particularly banks under conservatorship and merging banks, on capital adequacy is of great significance; if these banks are excluded, capital adequacy as of 31.12.1996 was 12.4%.

4.2 Classified credits^{2/}

The quality of the credit portfolio is regularly monitored from 1994 in compliance with a CNB regulation stipulating the rules for classification of claims and creation of reserves and provisions covering potential losses from credit portfolios. The quite strict classification based on the evaluation of individual debtors and their classification according to the worst claim which a bank has towards him, together with pressures on high level of prudence in credit transactions in view of not yet fully standard conditions for the economic development of individual new entrepreneurial subjects, is reflected in a relatively high volume of nominal classified credits, which banks have in their credit portfolios.

1996 was a certain turnaround, leading to a substantial slowdown in classified credit volume growth compared to previous years (up by only 2.8% in 1996 against 9.5% in 1995). Together with a higher increase in standard credits, this generated a decrease in the share of classified credits in the overall credit portfolio from 33.6% at 1995 end to 30.7% as of 31.12.1996. The still high proportion of classified credits is to a certain extent affected by low write-offs of loss credits against created provisions and reserves and low effectiveness of recovering collateral by which classified credits are secured.



The CNB pressure for a sufficient creation of provisions and reserves to cover losses from credit portfolios led at the end of 1996 to covering all potential risks in this area. The solution of the problem of classified credits, which emerged mostly in the initial period of their operation, and a substantial improvement of the quality of credit transactions in banks in the future, which is already apparent in the current development of classified credits, together with non-standard solutions within the CNB stabilisation program, should result in greater effectiveness and stability of the banking sector. The credit

^{2/} This part was prepared excluding the data for Konsolidační banka which is a special institution established to manage bad loans and which substantially deforms the data for the banking sector as a whole; such institutions usually have not got a banking license.

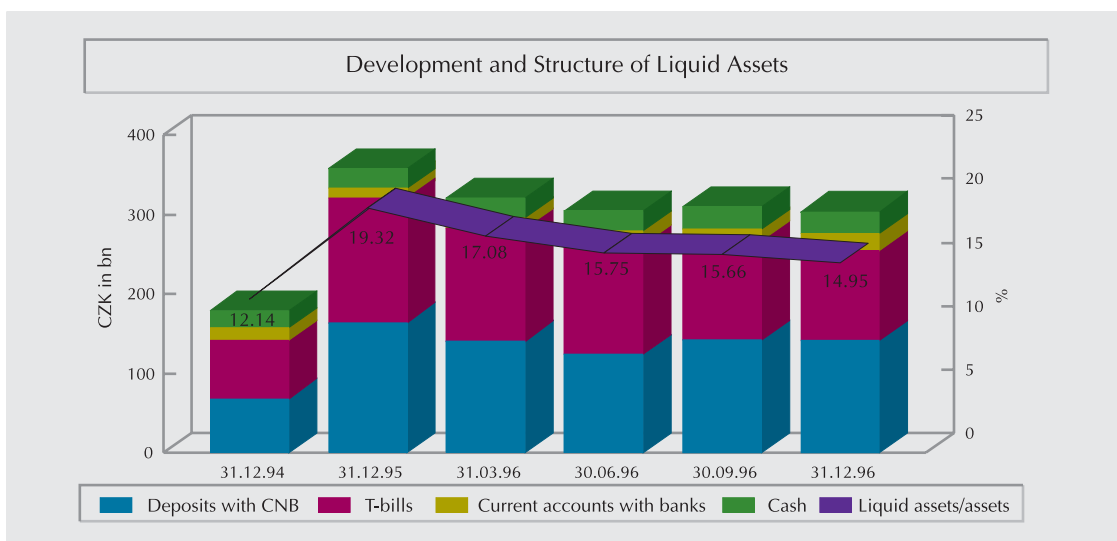
portfolio quality influences bank operation virtually in all areas, particularly profitability, where an excessive provision and reserve creation reduces the net profit, or even leads to a loss. At the same time, it affects the amount of bank capital, necessary to cover risky operations.

4.3 Liquidity

The decline in quick assets by 15.1% compared to 1995 was brought about by their substantial volume that year and led to their more effective use as resources for credit operations, particularly in large and foreign banks. At the same time, due to the consolidation program, many small banks had problems with maintaining the liquidity in the periods, when the public confidence in this type of financial institutions was falling as a result of closing some banks and imposing conservatorship.

Relative to the overall volume of total assets, quick assets accounted for 14,6% as of 31.12.1996, i.e. 4.4 points less than as of 31.12.1995 (quick assets include only cash values, deposits and credits with the CNB, current accounts with banks and treasury and other bills).

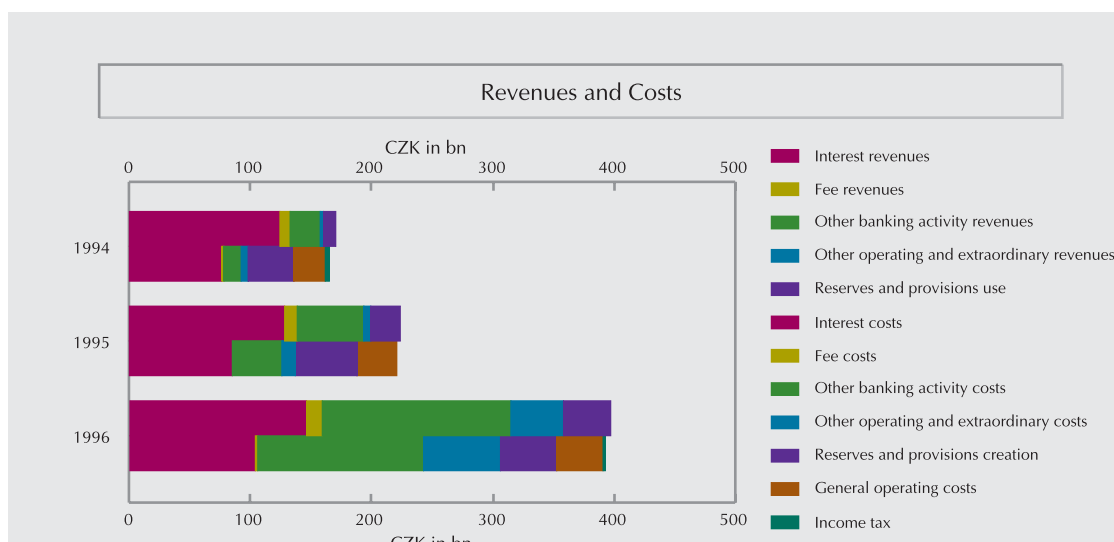
A certain source of bank liquidity is also the stock of securities, largely dependent, however, on the structure of this portfolio with respect to the securities marketability on the capital market. The functioning interbank market represents for many banks a direct possibility to replenish their liquid funds.



4.4 Profitability

The banking sector profitability in 1996, similarly as in 1995, was largely affected by the consolidation program in compliance with which banks were forced to create high volume of provisions and reserves, recording a substantial loss as a rule, leading to a decrease of initial capital, imposing conservatorship or other measures. For this reason, the profitability of individual banks is different. Part of them (mostly large and foreign banks) created profit of CZK 18.3 bn in 1996, while the remaining part suffered a loss of about CZK 25 bn.

The most substantial portion of this loss originated in banks under conservatorship; when these banks are excluded, the banking sector in 1996 netted CZK 5.1 bn, i.e. 0.27 of an average volume of assets.



With respect to bank revenues, the most important is the income from interest on credits, which still prevail in individual banks' activities. The amount of fees collected and commissions for services provided is gradually increasing, their volume jumping by 27.1% against 1995. However, Czech banks have large reserves in this area, which could increase the effectiveness of their business activities accompanied by decreasing interest margins. Banks are increasingly engaged in other banking activities, mainly trading in securities and foreign exchange values.

Profits from banking activities reached CZK 72.1 bn in 1996, i.e. 6.0% more than 1995. Interest profit accounted for 57.5%, fees and commissions for 15.7% and other banking activities for 26.8%. Compared to 1995, the share of interest profit in total profit dropped (by 7.4 points) due to its absolute decline of 6.0%; in contrast, the share of profit from fees and commissions increased by 2.4 points and of other banking activities by 4.9 points.

*Banking Sector Profitability
(banks under conservatorship excluded)*

	1994	1995	1996
Profit from banking activities/assets in %	5.14	4.46	3.90
Net profit/assets in %	0.48	0.09	0.27
Net profit/initial capital in %	14.02	2.49	8.15
Total interest revenues/interest earning assets	11.914	10.888	10.290
Total interest cost/interest bearing liabilities	8.240	7.698	7.793
Spread	3.674	3.189	2.497
Net interest margin	4.478	3.708	2.920

The decreasing interest profit is caused by a permanent decline of credit profitability and increasing costs on funds obtained. While interest costs jumped by 22.5% against 1995, interest revenues only by 12.8%. This development is then reflected in decreasing interest spread and net interest margin.

The lower volume of profit created from banking activities, together with constantly high growth rate of operating costs, which exceeded CZK 39.7 bn in 1996, 21.1% more than the previous year, and necessary reserve creation which was CZK 7.3 bn (net), are the main reasons for low net profitability of the banking sector. The net profit to assets was only 0.27% in 1996, capital gains 8.15%, which is only slightly above the level of costs of external resources.

4.5 Effectiveness

In view of decreasing interest margins, the question of more effective banking operation comes to the forefront, leading to a reduction in operating costs, which currently absorb about 55% of profit created from banking activities. Their rate of growth is faster (21.1% against 1995) than that of the profit from banking activities (6.2%) and total assets (9.8%).

The relative “youth” of the Czech banking sector and the rapidly growing number of clients generated by market economy development were reflected in an intensive expansion of the branch network and the number of bank employees particularly in the early 90s. The effort to quickly fill the hole in banking services availability and attracting new clients, however, led in some cases to ineffective dislocation of branches, which, to a certain extent, helped increase the regional competition, but at the same time encumbered the operating costs of banks. During the last two years, a tendency is evident of reducing the branch network and the number of employees, mainly in large banks. This resulted in an absolute decline of the number of banking units compared to 1995 end by 137 to 3,190 banking units and in substantially lower growth of the number of employees, up by 1.0%, to 60,137 employees.

Banking Sector Effectiveness

	31.12.94	31.12.95	1996			
			31. 3.	30. 6.	30. 9.	31. 12.
Per employee, in thousands of CZK						
total assets	25 944	31 104	31 249	32 139	32 663	33 813
profit from banking activities	1 140	1 143	1 105	1 130	1 179	1 200
net profit	107	22	271	243	264	84
operating costs	452	550	522	580	602	660

In connection with this development, the indicators characterising the banking sector effectiveness are increasing, particularly with respect to total assets administered by one person and partly also to profit from banking activities. At the same time, operating costs of banks, despite a certain reduction of branch network and minimal growth in the number of employees, are constantly growing much more rapidly than other indicators characterising the banking sector development. Employee costs account for the major part of general operating costs, up by 22.2% compared to 1995.

C.

ANNEXES

SURVEY OF PRUDENTIAL BANK BEHAVIOUR REGULATIONS EFFECTIVE IN THE CZECH REPUBLIC

Regulation of 05.10.1995 on Capital Adequacy of Banks

The purpose of this regulation is to ensure a bank's sufficient capital with respect to riskiness of its trades. In this respect, the regulation in particular

- defines a bank's capital make-up and division of assets and off-balance sheet items according to individual risk weights,
- sets minimum binding limits on capital adequacy at the amount of 8% from 31.12.1996,
- specifies the necessity to deduct from the capital value, capital investments in banks if they exceed the set limits, and capital investments in non-banking institutions under a bank's control,
- stipulates the possibility of deducting the total value of credit exposure vis-a-vis persons with a special relationship to a bank, if they exceed the set limits and the surplus of the value of anticipated losses above established provisions and reserves from the capital amount.

Regulation of 20.12.1996 on Liquidity Rules

The purpose of this regulation is to ensure a bank's ability to fully meet its contractual commitments within the maturity term. In this regulation the CNB focuses on two basic areas: the method (technique) of liquidity management, and its organisational aspect. This is done through the following:

- it imposes on banks the establishment of such an information system which would provide information about inflow and outflow of financial resources into, and out of a bank on the basis of residual assets and liabilities maturity, deposit structure by size, availability of liquid resources etc.
- it sets general terms for the method of financing, e.g. priority financing from stable resources in compliance with terms agreed, division of financing resources with respect to their maturity, banking instruments and clientele, etc.
- it requires a balanced trade policy with respect to financing, and establishment of organisational measures leading to effective liquidity management (assigning personal responsibility, liquid position examination, internal audit).

Regulation of 05.10.1995 on Credit Exposure of Banks

The purpose of this regulation is to limit the risk of losses ensuing from a debtor's insolvency or unwillingness to meet commitments vis-a-vis a bank and to limit excessive asset concentration to several clients. This regulation stipulates the range of assets and off-balance sheet items included in credit exposure of a bank, and the limits which a bank is obliged to observe vis-a-vis its debtors (except for the Czech government, central governments of OECD countries, the CNB, central banks of OECD countries):

- the net credit exposure vis-a-vis a debtor or a group of connected debtors must not exceed 25% of a bank's capital (before the end of 1995, 40% of a bank's capital),
- the net credit exposure vis-a-vis a bank in the CR, a bank seated in an OECD country or a group of connected debtors made up solely of these banks must not exceed 125% of the bank's capital,
- the net credit exposure vis-a-vis a person with a special relationship towards a bank and towards legal persons in which the bank has ownership participation amounting to 10% and more of initial capital

- or which it has under its control (except for cases under the previous item), must not exceed 20% of the bank's capital,
- the total amount of net credit exposures vis-a-vis the ten largest debtors or groups of connected debtors must not exceed 230% of the bank's capital.

Regulation of 08.12.1995 which stipulates the restrictions and terms for unsecured foreign exchange positions of banks and foreign bank branch offices

The purpose of this regulation is to limit possible losses ensuing from open foreign exchange positions in individual foreign currencies, the crown position and total open foreign exchange position. After completion of daily foreign exchange trading, banks are obliged to observe the set limits referring to bank capital;

- the open foreign exchange position of any convertible currency will not exceed 15% of a bank's capital,
- the open foreign exchange position of any other currency shall not exceed 2% of a bank's capital and, in a group of other currencies, 4% of a bank's capital,
- the total open foreign exchange position of a bank shall not exceed 20% of a bank's capital,
- the open crown position shall not exceed 15% of a bank's capital.

Regulation of 04.07.1994 which stipulates the principles of credit claim classification and creation of reserves and provisions for these claims

This regulation is aimed at the uniform assessment of credit trade riskiness in relation to the specification of the required amount of a bank's provisions and reserves. Claim classification is based on the following principles:

- the quality of claims is assessed according to the delay in payments of interest or principals, the debtor's financial situation and his previous payment record,
- the bank's claims are divided into 5 categories with determining a coefficient of their riskiness in the following way: standard (coefficient 0), watch (0.05), substandard (0.2), doubtful (0.5) and loss (1),
- to ascertain the value of risk weighted claims, their nominal value is multiplied by the above coefficients,
- a bank shall cover the calculated reduction of the value of claims with the total amount of reserves and provisions, with a view to good-quality collateral of claims.

Regulation of 26.07.1994 which stipulates for banks restrictions and terms for some kind of credits and investments in ownership participations

This regulation stipulates restrictions and terms for legal persons with a close relationship toward a bank that would prevent their close interconnection - of both property and credit, thereby weakening the bank's capital strength. The regulation stipulates that a bank must not carry out the following transactions vis-a-vis the bank's shareholders who are in control of the bank, legal persons under the bank's control and share funds established by legal persons under the control of the above subjects:

- to extend credits secured by shares issued by the bank and by the above subjects,
- to grant credits for the purchase of shares issued by the bank or the above subjects,
- to extend credits for the purchase of shares issued by the above share funds, if these credits are not secured by subjects or instruments with a risk weight lower than 100%, pursuant to the Regulation on Capital Adequacy of Banks,
- to acquire participations forming a part of the initial capital of the above subjects (except for persons under the bank's control),
- when administering a client's shares on his behalf, to purchase without his explicit authorisation shares issued by the above subjects.

Regulation of 30.12. 1995 which stipulates requirements for the bank performance report

Pursuant to the Act on Banks, banks are obliged to ensure through auditors the verification of annual accounts, the bank performance report for a respective year, and the elaboration of a report on verification of these documents. The purpose of this regulation is to stipulate individual requirements as to the report on bank performance submitted by banks to the CNB. The report includes the following in particular:

- assessment of the accounting procedures, the management system and internal control system, particularly in banking risk areas (e.g. credit, liquidity, foreign exchange, interest rate, country, securities trading risks, etc.), and of the information system and automated data processing,
- assessment of risk on the asset side and setting of necessary levels of reserves and provisions in relation to credits, securities and off-balance sheet items,
- description of the financial situation and important elements affecting final performance results (development of receipts, profit creation, costs and yields breakdown),
- data on shareholders, range of banking activities with respect to particular permits, changes in initial capital, range of banking activities performed by branch offices abroad, interconnection of head office and branch information systems, etc.

Regulation of 30.12.1996 on the Principles of Creating Securities Portfolios and Ownership Interests by Banks and Covering the Risks of Depreciating Securities and Ownership Interests through Provisions

The purpose of this regulation is to limit, in accordance with international practice, the risk of loss from depreciated securities and ownership interests, which a bank purchased on its own account, due to a fall in their market value on the capital market. Decisive for determining potential losses is the market evaluation of such securities, particularly in connection to their tradability on capital markets. This regulation:

- differs between trading and investment portfolios of securities according to the purpose of their acquisition; at the same time, any sale or transfer from the investment portfolio must be reported to the Czech National Bank,
- defines market evaluation of individual types of securities, taking into account the liquidity of securities on publicly organised markets,
- stipulates an obligation for banks to create provisions for respective securities or ownership interests, equal to the difference between the market price and the purchase price of this security or ownership interest, provided the market price is lower than the purchase price,
- stipulates an obligation to create provisions for securities placed into the trading portfolio on a daily basis, equalling the amount of negative differences between the book value and the market price of particular securities; for the securities and ownership interests placed into the investment portfolio, a bank shall create provisions annually for the entire investment portfolio of securities and ownership interests, i.e. after compensating for positive and negative differences against the price in the bank's accounting, as of the day of annual accounts compilation.

Survey of Banks operating in the Czech Republic

I. Banks

Bank	Beginning of operation	Initial capital CZK in mil.	Number of branches		Number of lower organisational units		Number of employees
			in CR	Abroad (country)	in CR	Abroad (country)	
Komerční banka, a. s.	1.1.1990	9.502,5	101	0	269	0	15.840
Česká spořitelna, a. s.	1.1.1969	7.600,0	1.067	0	669	0	19.319
Konsolidační banka, s. p. ú.	25.2.1991	5.950,0	0	0	0	0	385
Investiční a Poštovní banka, a.s.	1.1.1990	5.681,5	113	0	67	0	5.326
Československá obchodní banka, a. s.	1.1.1965	5.105,0	39	8 (Slovakia)	9	1 (Slovakia)	5.121
Pragobanka, a. s.	1.10.1990	1.860,1	16	0	26	0	717
Banka Haná, a. s.	11.1.1991	1.801,2	20	1 (Slovakia)	91	8	1.241
Universal banka, a. s.	15.2.1993	1.600,0	10	0	1	0	287
Česká exportní banka, a. s.	1.7.1995	1.500,0	0	0	0	0	78
Vereinsbank (CZ), a. s.	1.7.1992	1.500,0	3	0	3	0	173
Citibank, a. s.	20.6.1991	1.475,0	0	0	0	0	185
Živnostenská banka, a. s.	r.1868	1.360,4	4	1 (UK)	0	0	647
Union banka, a. s.	15.11.1991	1.340,0	23	0	62	0	1.301
Evrobanka, a. s.	1.10.1991	1.250,0	0	0	18	0	353
Creditanstalt, a.s.	1.4.1991	1.246,9	9	0	0	0	350
Českomoravská hypoteční banka, a. s.	10.1.1991	1.128,4	13	0	8	0	529
Foresbank, a. s.	7.9.1993	1.010,0	23	0	30	0	397
Plzeňská banka, a. s.	1.10.1993	1.000,0	1	0	0	0	55
BNP- Dresdner Bank (ČR), a. s.	12.5.1992	1.000,0	0	0	0	0	133
Moravia Banka, a. s.	2.7.1992	800,0	8	1 (Slovakia)	6	1 (Slovakia)	568
Société Générale Banka, a. s.	15.4.1991	774,0	2	0	0	0	147
Bank Austria (ČR), a. s.	1.1.1992	750,0	6	0	0	0	203
HYPO-BANK CZ, a. s.	26.2.1992	740,0	0	0	14	0	285
První městská banka, a. s.	1.9.1993	612,0	0	0	8	0	194
Bankovní dům SKALA, a. s.	13.12.1990	570,5	0	0	0	0	5
Ékoagrobanka, a. s.	1.11.1990	501,2	0	0	0	0	19
Raiffeisenbank, a.s.	1.7.1993	500,0	3	0	0	0	200
HYPO stavební spořitelna, a. s.	1.10.1994	500,0	0	0	0	0	33
GiroCredit-Sparkassen Banka Praha, a. s.	1.2.1993	500,0	2	0	0	0	105
ČS-stavební spořitelna, a. s.	1.7.1994	500,0	0	0	0	0	131
IC Banka, a. s.	12.4.1994	500,0	0	0	0	0	39
Zemská banka, a. s.	1.1.1991	500,0	0	0	0	0	37
Českomoravská záruční a rozvojová banka, a. s.	1.3.1992	500,0	4	0	0	0	191
Českomoravská stavební spořitelna, a. s.	8.9.1993	500,0	0	0	0	0	222
Všeobecná stavební spořitelna Komerční banky, a. s.	16.12.1993	500,0	0	0	0	0	164
Interbanka, a. s.	1.2.1991	500,0	0	0	0	0	80
Wüstenrot - stavební spořitelna, a. s.	11.11.1993	500,0	5	0	0	0	79
Credit Lyonnais Bank Praha, a. s.	12.11.1992	500,0	0	0	0	0	90
AR stavební spořitelna, a. s.	7.9.1993	500,0	0	0	0	0	240

II. Branches of Foreign Banks

Bank	Beginning of operation	Country of headquarters	Number of branches		Number of lower organisational units		Number of employees
			in CR	Abroad (country)	in CR	Abroad (country)	
ABN AMRO BANK N.V.	6.5.1993	Netherlands	0	0	1	0	90
COMMERZBANK AG	1.12.1992	Germany	0	0	0	0	131
Deutsche Bank Aktiengesellschaft Filiale Prag	1.12.1993	Germany	0	0	0	0	75
Internationale Nederlanden Bank N.V.	1.9.1993	Netherlands	0	0	2	0	101
Raiffeisenbank im Stiftland Waldsassen eG, odštěpný závod Cheb	1.1.1995	Germany	0	0	0	0	16
Sparkasse Mühlviertel - West banka a.s., pobočka České Budějovice	20.3.1995	Austria	0	0	2	0	35
Všeobecná úverová banka, a. s., pobočka Praha	14.1.1993	Slovakia	0	0	2	0	104
Waldviertler Sparkasse von 1842	1.5.1994	Austria	0	0	1	0	13
Österreichische Volksbanken AG, pobočka Brno	1.1.1994	Austria	0	0	0	0	63

III. Banks under Conservatorship

Bank	Beginning of operation	Conservatorship imposed	Number of branches		Number of lower organisational units		Number of employees
			in CR	Abroad (country)	in CR	Abroad (country)	
Agrobanka Praha, a.s.	1. 7. 1990	17.9. 1996	12	0	342	1	3384
COOP BANKA, a. s.	24. 2. 1992	23.4. 1996	7	0	10	0	249
Podnikatelská banka, a.s.	18.12. 1992	6.6. 1996	6	0	5	0	171
Realitní banka, a. s.	1.11. 1991	10.7. 1996	0	0	0	0	5
Velkomoravská banka, a.s.	3.11. 1992	10.7. 1996	12	0	7	0	217

IV. Banks in Liquidation

Bank	Beginning of operation	Licence revocation
AB Banka, a.s. - in liquidation	1. 4. 1991	15.12. 1995
Banka Bohemia, a.s. - in liquidation	1. 2. 1991	not removed
První slezská banka, a.s., in liquidation	12. 1. 1993	13. 5. 1996
Kreditní banka Plzeň, a.s. - in liquidation	1. 1. 1991	1.10. 1996

V. Banks in Bankruptcy Proceedings

Bank	Beginning of operation	Licence revocation	Beginning of bankruptcy proceedings
Česká banka, akciová společnost Praha	18.2.1992	15.12.1995	28.6.1996
Kreditní a průmyslová banka, a.s.	1.4.1991	31. 8.1995	2.10.1995

BREAKDOWN OF BANKS INTO GROUPS

I. Large banks

1. Česká spořitelna, a. s.
2. Československá obchodní banka, a. s.
3. Investiční a poštovní banka, a. s.
4. Komerční banka, a. s.
5. Konsolidační banka, s. p. ú.

II. Small banks

1. Banka Haná, a. s.
2. Bankovní dům Skala, a. s.
3. Ekoagrobanka, a. s.
4. Evrobanka, a. s.
5. Foresbank, a. s.
6. Moravia banka, a. s.
7. Plzeňská banka, a. s.
8. Pragobanka, a. s.
9. První městská banka, a. s.
10. Union banka, a. s.
11. Universal banka, a. s.
12. Zemská banka, a. s.

III. Foreign banks

1. Bank Austria (ČR), a. s.
2. BNP-Dresdner Bank (ČR), a. s.
3. Citibank, a. s.
4. Creditanstalt, a. s.
5. Credit Lyonnais Bank Praha, a. s.
6. GiroCredit-Sparkassen Banka Praha, a. s.
7. HYPO-BANK CZ, a. s.
8. IC Banka, a. s.
9. Interbanka, a. s.
10. Societé Générale Banka, a. s.
11. Raiffeisenbank, a. s.
12. Vereinsbank (CZ), a. s.
13. Živnostenská banka, a. s.

IV. Foreign bank branches

1. ABN AMRO BANK N.V.
2. Commerzbank AG.
3. Deutsche Bank Aktiengesellschaft Filiale Prag
4. Internationale Nederlanden Bank N. V.
5. Raiffeisenbank im Stiftland Waldsassen eG
6. Sparkasse Muehlviertel - West bank, a. s.
7. Všeobecná úvěrová banka, a. s. pobočka Praha
9. Waldviertler Sparkasse von 1842
10. Oesterreichische Volksbanken AG, pobočka Brno

V. Specialised banks

1. Česká exportní banka, a. s.
2. Českomoravská hypoteční banka, a. s.
3. Českomoravská záruční a rozvojová banka, a. s.
4. AR stavební spořitelna, a. s.
5. Českomoravská stavební spořitelna, a. s.
6. ČS-stavební spořitelna, a. s.
7. Všeobecná stavební spořitelna, Komerční banky
8. HYPO stavební spořitelna, a. s.
9. Wüstenrot - stavební spořitelna, a. s.

VI. Banks under conservatorship

1. Agrobanka Praha, a. s.
2. COOP banka, a. s.
3. Podnikatelská banka, a. s.
4. Realitbanka, a. s.
5. Velkomoravská banka, a. s.

Main Indicators of Monetary and Economic Developments in the Czech Republic

		1993	1994	1995	1996
Gross domestic product	Value (CZK in bn) 1)	400,7	411,2	431,1	1.186,6
	Increase (%)	-0,9	2,6	4,8	4,4
Output - increase in %	Industry	-5,3	2,1	8,7	6,8
	Construction	-7,5	7,5	8,5	4,8
Prices	Inflation rate (%) 2) 3)	20,8	10,0	9,1	8,8
Unemployment 4)	Unemployment rate (%) 5)	3,5	3,2	2,9	3,5
Foreign trade 4)	Exports (USD in mil.)	13.077	14.295	17.054	21.918
	Imports (USD in mil.)	12.734	14.731	20.877	27.824
	Balance (USD in mil.)	343,0	-436,0	-3.823,0	-5.906,0
Average wage 2)	Nominal (%)	25,3	18,5	17,5	18,0
	Real (%)	3,7	7,7	7,7	8,5
Balance of payments 4)	Current account (USD in mil.)	114,6	-49,7	-1.362,3	-4.475,8
	Capital account (USD in mil.)	3.024,8	3.371,1	8.225,9	4.071,7
Exchange rate 6)	CZK/USD	29,15	28,78	26,55	27,14
	CZK/DM	17,64	17,75	18,52	18,06
Average interbank deposit interest rate (PRIBOR) (%)	7 day	10,74	8,46	10,87	12,05
	3 month	13,15	9,14	10,95	12,02
	6 month	13,95	9,26	10,96	11,96
Discount rate (%)		8,00	8,50	9,50	10,50
Lombard rate (%)		11,50	11,50	12,50	14,00

1) Up to 1995, constant prices of 1984, in 1996, constant prices of 1994

2) Increase in % to the same period of previous year

3) Moving average

4) End of period balance

5) Percentage of labour force

6) Exchange rate midpoint, yearly average

Assets

(CZK in mil., %, branches abroad included)

	31.12.94	31.12.95	1996			
			31.03.	30.06.	30.09.	31.12.
	CZK in mil.					
Cash	21.961	24.605	24.605	25.369	27.082	28.160
Deposits and credits with CNB	68.874	164.277	141.265	124.048	142.453	142.061
of which minimum reserves requirement	51.496	75.890	78.592	79.742	117.013	113.713
Deposits and credits with banks	300.675	316.426	323.390	333.660	360.048	391.310
of which: current accounts	15.167	13.106	12.183	16.611	14.751	20.976
time deposits	159.562	173.532	186.862	204.047	240.154	278.341
granted credits	125.946	129.788	124.344	113.002	105.142	91.993
T-bills	27.051	33.976	38.614	53.252	42.246	49.935
CNB bills	46.709	121.863	103.517	85.491	83.019	62.830
Granted credits	786.203	850.242	880.995	905.500	920.915	938.868
of which: to clients	782.362	845.364	877.430	902.035	916.629	933.915
to state and municipal authorities	3.841	4.879	3.565	3.466	4.286	4.953
Tradable securities	91.684	148.947	158.126	177.988	186.100	176.053
of which: bonds	73.815	122.848	127.831	136.452	139.730	132.774
shares	16.042	23.881	27.343	37.615	41.884	38.011
Bank participations (investments)	16.717	22.747	23.392	20.826	22.913	22.371
Tangible and intangible assets	47.795	58.109	58.811	58.741	61.621	65.517
Other assets	73.085	111.044	121.960	149.702	130.035	156.294
Total assets	1.480.753	1.852.236	1.874.675	1.934.578	1.976.432	2.033.399
	in % of total assets					
Cash	1,48	1,33	1,31	1,31	1,37	1,38
Deposits and credits with CNB	4,65	8,87	7,54	6,41	7,21	6,99
of which minimum reserves requirement	3,48	4,10	4,19	4,12	5,92	5,59
Deposits and credits with banks	20,31	17,08	17,25	17,25	18,22	19,24
of which: current accounts	1,02	0,71	0,65	0,86	0,75	1,03
time deposits	10,78	9,37	9,97	10,55	12,15	13,69
granted credits	8,51	7,01	6,63	5,84	5,32	4,52
T-bills	1,83	1,83	2,06	2,75	2,14	2,46
CNB bills	3,15	6,58	5,52	4,42	4,20	3,09
Granted credits	53,09	45,90	46,99	46,81	46,59	46,17
of which: to clients	52,84	45,64	46,80	46,63	46,38	45,93
to state and municipal authorities	0,26	0,26	0,19	0,18	0,22	0,24
Tradable securities	6,19	8,04	8,43	9,20	9,42	8,66
of which: bonds	4,98	6,63	6,82	7,05	7,07	6,53
shares	1,08	1,29	1,46	1,94	2,12	1,87
Bank participations (investments)	1,13	1,23	1,25	1,08	1,16	1,10
Tangible and intangible assets	3,23	3,14	3,14	3,04	3,12	3,22
Other assets	4,94	6,00	6,51	7,74	6,58	7,69
Total assets	100,00	100,00	100,00	100,00	100,00	100,00

Liabilities

(CZK in mil., %, branches abroad included)

	31.12.94	31.12.95	1996			
			31.03.	30.06.	30.09.	31.12.
	CZK in mil.					
Resources from CNB	77.192	74.371	77.163	79.159	85.958	79.934
Deposits and credits from banks	277.478	386.064	389.654	382.278	437.966	469.910
of which: current accounts	11.901	14.968	13.050	12.180	12.889	16.776
time deposits	165.406	244.346	258.293	253.264	295.589	333.514
credits received	100.172	126.750	118.311	116.833	129.487	119.619
Deposits received	820.923	941.010	937.679	970.975	970.203	1.010.673
of which: from clients	739.125	875.444	883.989	917.253	918.466	965.233
from state and municipal authorities	56.951	44.797	41.049	41.031	45.234	39.941
deposit certificates	24.847	20.770	12.642	12.691	6.503	5.499
Bond issue	27.133	48.850	53.857	65.777	66.827	62.940
Reserves	75.660	43.094	44.146	40.660	35.874	38.960
Reserve funds	41.065	57.457	57.445	64.337	64.056	64.010
Capital funds	13.673	15.332	16.057	19.913	19.717	20.106
Initial capital	55.679	63.561	65.484	71.459	69.715	69.207
Retained profit	860	1.851	13.966	2.372	1.896	1.854
Current year profit	7.239	12.135	4.485	8.419	15.144	18.217
Other liabilities	83.851	208.510	214.738	229.228	209.076	197.587
Total liabilities	1.480.753	1.852.236	1.874.675	1.934.578	1.976.432	2.033.399
	in % of total assets					
Resources from CNB	5,21	4,02	4,12	4,09	4,35	3,93
Deposits and credits from banks	18,74	20,84	20,79	19,76	22,16	23,11
of which: current accounts	0,80	0,81	0,70	0,63	0,65	0,83
time deposits	11,17	13,19	13,78	13,09	14,96	16,40
credits received	6,76	6,84	6,31	6,04	6,55	5,88
Deposits received	55,44	50,80	50,02	50,19	49,09	49,70
of which: from clients	49,92	47,26	47,15	47,41	46,47	47,47
from state and municipal authorities	3,85	2,42	2,19	2,12	2,29	1,96
deposit certificates	1,68	1,12	0,67	0,66	0,33	0,27
Bond issue	1,83	2,64	2,87	3,40	3,38	3,10
Reserves	5,11	2,33	2,35	2,10	1,82	1,92
Reserve funds	2,77	3,10	3,06	3,33	3,24	3,15
Capital funds	0,92	0,83	0,86	1,03	1,00	0,99
Initial capital	3,76	3,43	3,49	3,69	3,53	3,40
Retained profit	0,06	0,10	0,74	0,12	0,10	0,09
Current year profit	0,49	0,66	0,24	0,44	0,77	0,90
Other liabilities	5,66	11,26	11,45	11,85	10,58	9,72
Total liabilities	100,00	100,00	100,00	100,00	100,00	100,00

Revenues and Costs

(CZK in mil., including bank branches abroad, banks under conservatorship excluded)

	31.12.94	31.12.95	1996			
			31.03.	30.06.	30.09.	31.12.
Interest earned	123.843	129.528	34.129	68.870	106.459	146.105
Interest paid	77.298	85.418	24.288	48.920	75.699	104.648
Interest yield	46.545	44.111	9.842	19.951	30.760	41.457
Fees and commissions earned	9.284	10.124	2.598	5.614	8.851	12.868
Fees and commissions paid	772	1.071	298	644	956	1.511
Fees and commissions profit	8.512	9.053	2.300	4.970	7.895	11.357
Interest yield including fee and commission profit	55.057	53.163	12.141	24.921	38.655	52.814
Securities revenue	4.256	6.176	2.575	5.290	9.001	11.296
Foreign exchange operations revenues	5.355	7.159	1.590	3.370	4.921	6.680
Other banking operations revenues	375	1.548	265	440	936	1.354
Banking activity profit	65.042	68.046	16.572	34.020	53.513	72.144
General operating costs	25.792	32.751	7.829	17.462	27.298	39.662
Reserve and provision creation (net)	26.729	25.597	3.484	-255	-922	7.294
Other operating revenues (costs)	-3.415	-6.997	-969	-9.124	-14.615	-19.605
Gross operating profit	9.106	2.701	4.289	7.689	12.523	5.583
Extraordinary revenues (costs)	395	323	-42	65	273	-85
Pre-tax gross profit	9.502	3.024	4.246	7.754	12.796	5.498
Taxes	3.388	1.697	182	436	805	439
Net profit	6.113	1.328	4.064	7.318	11.991	5.059

Profitability and Effectiveness

(Including bank branches abroad, banks under conservatorship excluded)

	31.12.94	31.12.95	1996			
			31.03.	30.06.	30.09.	31.12.
Banking activity profit/assets in %	5,14	4,46	3,74	3,79	3,89	3,90
Gross profit/assets in %	0,75	0,20	0,96	0,86	0,93	0,30
Net profit/assets in %	0,48	0,09	0,92	0,82	0,87	0,27
Net profit/core capital in %	14,02	2,49	27,54	24,31	25,66	8,15
Total interest revenues/interest earning assets	11,91	10,89	9,97	9,96	10,06	10,29
Total interest cost/interest bearing liabilities	8,24	7,70	7,53	7,54	9,77	7,79
Interest rate spread in %	3,674	3,189	2,439	2,414	0,292	2,497
Net interest margin in %	4,48	3,71	2,88	2,88	3,74	2,92
Number of employees in banking sector	57.075	59.550	59.991	60.194	60.510	60.137
Per employee CZK in thousands:						
total assets	25.944	31.104	31.249	32.139	32.663	33.813
profit from banking activity	1.140	1.143	1.105	1.130	1.179	1.200
net profit	107	22	271	243	264	84
operating costs	452	550	522	580	602	660

Credits

(crown credits granted in the Czech Republic, CZK in mil.)

	31.12.94	31.12.95	1996			
			31.03.	30.06.	30.09.	31.12.
Total credits	733.389	785.289	807.610	836.205	842.545	857.337
of which: short-term	292.348	322.690	339.871	355.477	362.006	367.399
medium-term	216.907	225.834	224.631	225.514	214.099	217.729
long-term	224.134	236.766	243.109	255.214	266.439	272.209
Credits granted in CZK:	733.389	785.289	807.610	836.205	842.545	857.337
of which: to public sector	204.897	160.980	155.728	128.179	124.034	146.912
to private sector	399.913	500.958	529.362	574.972	592.433	596.783
to governmental sector	1.882	3.512	2.182	2.553	3.396	3.986
to small businesses	56.996	61.890	61.996	68.310	65.782	61.186
to households	46.286	35.296	34.703	34.813	35.508	37.872
other	23.415	22.655	23.639	27.377	21.391	10.595
of which: agriculture and forestry	26.324	31.834	34.172	34.252	34.856	34.800
manufacturing industry	233.511	248.003	254.895	264.313	271.097	279.494
construction	24.277	27.618	30.488	31.599	31.971	29.292
finance and insurance	15.381	22.862	23.651	29.037	30.925	36.159
transport and travel	21.245	19.838	20.408	21.050	16.896	16.979
trade and catering	182.557	196.020	200.754	200.765	205.416	202.043
other activities	230.095	239.114	243.242	255.189	251.383	258.570

Deposits

(crown deposits received in the Czech Republic, CZK in mil.)

	31.12.94	31.12.95	1996			
			31.03.	30.06.	30.09.	31.12.
Total deposits	736.720	844.376	849.713	870.918	876.009	910.520
of which: demand	334.807	342.696	317.473	327.121	331.294	344.020
time	401.913	501.680	532.240	543.797	544.715	566.500
of which: short-term	198.681	265.758	292.902	315.490	327.127	347.752
medium-term	161.839	186.035	187.525	177.945	165.643	160.024
long-term	41.392	49.886	51.813	50.362	51.945	58.724
Total deposits	736.720	844.376	849.713	870.917	876.009	910.520
of which: public sector	83.856	80.849	26.663	42.370	78.336	85.273
private sector	179.698	216.362	268.234	265.273	220.430	250.159
governmental sector	54.246	40.737	38.211	38.841	42.729	37.563
small businesses	32.874	33.962	35.578	39.714	40.022	37.348
households	340.129	417.143	433.813	446.380	456.471	488.447
others	45.917	55.323	47.215	38.339	38.020	11.731
of which: agriculture and forestry	11.552	13.347	13.977	17.135	19.168	18.978
manufacturing industry	57.492	61.785	64.226	71.274	84.240	95.954
construction	18.003	20.640	19.550	22.002	24.000	25.851
finance and insurance	55.514	61.978	63.345	49.024	43.873	45.191
transport and travel	17.066	23.318	20.266	26.660	16.206	15.820
trade and catering	57.782	67.082	62.304	64.708	65.045	70.122
other activities	519.311	596.227	606.045	620.115	623.476	638.605

Capital, Risk Weighted Assets and Capital Adequacy

(including bank branches abroad)

	31.12.94	31.12.95	1996			
			31.03.	30.06.	30.09.	31.12.
Core capital in CZK in mil.	102.710	123.928	126.165	133.879	131.420	114.141
Total capital in CZK in mil.	114.994	137.052	134.844	145.291	140.842	122.705
Total assets in CZK in mil.	1.521.546	1.856.016	1.881.465	1.933.943	1.971.864	2.004.895
of which by risk weight:						
0 %	209.433	427.095	413.602	417.156	438.353	454.605
20 %	337.790	385.535	350.028	388.487	394.385	431.287
50 %	33.644	29.358	33.605	34.027	34.344	32.251
100 %	940.679	1.014.028	1.052.266	1.094.273	1.104.781	1.086.752
Risk weighted assets in CZK in mil.	1.025.059	1.105.814	1.146.461	1.188.984	1.200.830	1.189.135
Risk wighted assets share in total assets in %	67,37	59,58	60,93	61,48	60,90	59,31
Core capital/risk weighted assets in %	10,02	11,21	11,00	11,26	10,94	9,60
Capital/risk weighted assets in %	11,22	12,39	11,76	12,22	11,73	10,32

Reserve Resources

(CZK in mil., branches abroad included)

	31.12.94	31.12.95	1996			
			31.03.	30.06.	30.09.	31.12.
Provisions	18.841	76.951	73.945	77.843	81.577	91.670
Reserves	75.660	43.094	44.146	40.660	35.874	38.960
Reserve funds	41.065	57.457	57.445	64.337	64.056	64.010
Capital funds	13.673	15.332	16.057	19.913	19.717	20.106
Total reserve resources	149.239	192.834	191.592	202.754	201.223	214.746

Liquid Assets

(CZK in mil., branches abroad included)

	31.12.94	31.12.95	1996			
			31.03.	30.06.	30.09.	31.12.
Cash	21.961	24.605	24.605	25.369	27.082	28.160
Deposits and credits with CNB	68.874	164.277	141.265	124.048	142.453	142.061
of which minimum reserves requirement	51.496	75.890	78.592	79.742	117.013	113.713
Current accounts with banks	15.167	13.106	12.183	16.611	14.751	20.976
T-bills	27.051	33.976	38.614	53.252	42.246	49.935
CNB bills	46.709	121.863	103.517	85.491	83.019	62.830
Total liquid assets	179.761	357.827	320.184	304.772	309.551	303.962
Tradable securities	91.684	148.947	158.126	177.988	186.100	176.053
of which: bonds	73.815	122.848	127.831	136.452	139.730	132.774
shares	16.042	23.881	27.343	37.615	41.884	38.011
Total liquid assets	271.445	506.773	478.310	482.759	495.651	480.015
Share to total assets in %						
quick assets	12,14	19,32	17,08	15,75	15,66	14,95
liquid assets	18,33	27,36	25,51	24,95	25,08	23,61

Assets and Liabilities by Residual Maturity

as of December 31, 1995

(CZK in mil., branches abroad included)

	Total	v tom								
		under 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years	more than 5 years	non- specified
Total assets	1.861.039	169.249	183.864	185.539	174.680	198.477	127.045	205.573	94.062	522.550
Total liabilities	1.861.039	556.897	136.136	159.604	119.266	182.462	168.688	198.514	12.373	327.099
Net balance sheet position	x	-387.648	47.728	25.935	55.415	16.015	-41.643	7.058	81.690	195.451
Cumulative net balance	x	-387.648	-339.920	-313.985	-258.570	-242.556	-284.198	-277.140	-195.451	0
in % of total assets	x	-20,83	-18,27	-16,87	-13,89	-13,03	-15,27	-14,89	-10,50	0,00
Liabilities with respect to demand deposit liquidity	1.861.039	235.052	196.482	219.950	159.496	222.693	208.918	238.745	52.603	327.099
Net balance sheet position	x	-65.803	-12.618	-34.411	15.184	-24.216	-81.873	-33.172	41.459	195.451
Cumulative net balance sheet position	x	-65.803	-78.421	-112.832	-97.648	-121.864	-203.737	-236.909	-195.451	0
in % of total assets	x	-3,54	-4,21	-6,06	-5,25	-6,55	-10,95	-12,73	-10,50	0,00

Assets and Liabilities by Residual Maturity

as of December 31, 1995

(CZK in mil., branches abroad included)

	Total	v tom								
		under 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 months to 1 year	1 to 2 years	2 to 5 years	more than 5 years	non- specified
Total assets	2.041.199	267.043	129.931	187.478	193.307	212.520	139.160	215.687	104.882	591.191
Total liabilities	2.041.199	659.497	182.134	142.488	134.799	181.742	188.865	184.723	40.756	326.195
Net balance sheet position	x	-392.453	-52.203	44.989	58.507	30.778	-49.705	30.964	64.126	264.997
Cumulative net balance	x	-392.453	-444.656	-399.667	-341.160	-310.382	-360.087	-329.123	-264.997	0
in % of total assets	x	-19,23	-21,78	-19,58	-16,71	-15,21	-17,64	-16,12	-12,98	0,00
Liabilities with respect to demand deposit liquidity	2.041.199	329.682	243.975	204.329	176.026	222.969	230.091	225.950	81.983	326.195
Net balance sheet position	x	-62.639	-114.043	-16.851	17.281	-10.449	-90.932	-10.263	22.899	264.997
Cumulative net balance sheet position	x	-62.639	-176.682	-193.533	-176.252	-186.702	-277.633	-287.896	-264.997	0
in % of total assets	x	-3,07	-8,66	-9,48	-8,63	-9,15	-13,60	-14,10	-12,98	0,00

Editor:
CZECH NATIONAL BANK
NA PŘÍKOPĚ 28
115 03 PRAHA 1
CZECH REPUBLIC

Contact:
PUBLIC RELATIONS DEPARTMENT
tel.: 02/2441 2061
fax: 02/2441 2179