



**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2009**

TOGETHER WITH AUDITOR'S REPORT

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

INDEPENDENT AUDITOR'S REPORT

To the Bank Board of Česká národní banka:

We have audited the accompanying financial statements of Česká národní banka, which comprise the balance sheet as at 31 December 2009, and the income statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. For details of Česká národní banka, see Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

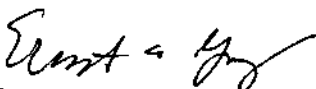
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require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

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


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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Česká národní banka as at 31 December 2009, and its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.



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





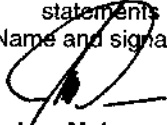
Magdalena Soucek
Auditor, License No. 1291

23 February 2010
Prague, Czech Republic

CZECH NATIONAL BANK

BALANCE SHEET

as at 31 December 2009
(CZK million)

Date of preparation: 23 February 2010	Governor's signature  doc. Ing. Z. Tůma, CSc.	Person responsible for accounting Name and signature  Ing. M. Mayer	Person responsible for financial statements Name and signature  Ing. M. Lorenc
----------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

CZECH NATIONAL BANK
BALANCE SHEET
AS AT 31 DECEMBER 2009

	Note	31 December 2009			31 December 2008	
		Gross CZK million	Provision CZK million	Net CZK million	CZK million	
ASSETS						
1.	Gold	3	782	0	782	796
2.	Receivables from the International Monetary Fund	4	47,665	0	47,665	24,707
3.	Receivables from abroad, including securities	5	733,233	0	733,233	707,739
3.1.	Deposits at foreign banks and financial institutions		15,784	0	15,784	2,478
3.2.	Loans provided to foreign banks		39,306	0	39,306	9,973
3.3.	Securities		678,035	0	678,035	695,132
3.4.	Other receivables from abroad		108	0	108	156
4.	Receivables from domestic banks	6	0	0	0	38,039
5.	Fixed assets	7	11,006	6,073	4,933	5,251
5.1.	Tangible fixed assets		10,001	5,109	4,892	5,223
5.2.	Intangible Assets		1,005	964	41	28
6.	Other assets	8	15,762	8,426	7,336	7,863
6.1.	Other financial assets		3,043	0	3,043	3,006
6.2.	Receivables from former banks		8,404	8,404	0	0
6.3.	Other		<u>4,315</u>	<u>22</u>	<u>4,293</u>	<u>4,857</u>
TOTAL ASSETS			<u>808,448</u>	<u>14,499</u>	<u>793,949</u>	<u>784,395</u>

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

CZECH NATIONAL BANK
BALANCE SHEET
AS AT 31 DECEMBER 2009

	<u>Note</u>	<u>31 December</u> <u>2009</u> CZK million	<u>31 December</u> <u>2008</u> CZK million
LIABILITIES AND EQUITY			
1. Currency in circulation	9	387,276	399,248
2. Liabilities to the International Monetary Fund	4	42,658	21,008
3. Liabilities abroad	10	2,413	2,838
3.1. Loans from foreign banks		0	1,582
3.2. Other liabilities abroad		2,413	1,256
4. Liabilities to domestic banks	11	380,964	307,883
4.1. Bank monetary reserves		37,367	31,741
4.2. Loans received		331,810	193,567
4.3. Other liabilities to banks		11,787	82,575
5. Liabilities to clients	13	107,836	178,592
5.1. Liabilities to the state		103,595	175,423
5.2. Other liabilities to clients		4,241	3,169
6. Provisions	14	211	222
7. Share capital	15	1,400	1,400
8. Funds	15	8,050	8,046
9. Revaluation reserve	15	6,633	26,925
10. Accumulated losses from previous periods	15	(170,555)	(199,640)
11. Net (loss) / profit for the period	15	18,454	29,128
12. Other liabilities	16	<u>8,609</u>	<u>8,745</u>
TOTAL LIABILITIES AND EQUITY		<u>793,949</u>	<u>784,395</u>

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

CZECH NATIONAL BANK
OFF-BALANCE SHEET
AS AT 31 DECEMBER 2009


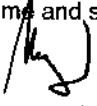
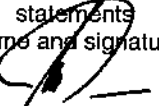
	<u>Note</u>	<u>31 December</u> <u>2009</u> CZK million	<u>31 December</u> <u>2008</u> CZK million
OFF-BALANCE SHEET			
1. Guarantees issued	25	161,359	161,432
2. Receivables from spot, term and option transactions	20	150,594	91,187
3. Liabilities from spot, term, option transactions	20	151,028	91,166
4. Guarantees received	25	156,952	156,954
5. Collateral received	25	82,697	62,238
6. Values taken into custody and values in own custody	25	684	925

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

CZECH NATIONAL BANK

INCOME STATEMENT

for the year ended 31 December 2009
(CZK million)

Date of preparation: 23 February 2010	Governor's signature  doc. Ing. Z. Tůma, CSc.	Person responsible for accounting Name and signature  Ing. M. Mayer	Person responsible for financial statements Name and signature  Ing. M. Lorenc
----------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

CZECH NATIONAL BANK

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009


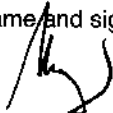
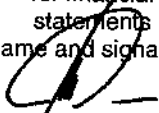
	<u>Note</u>	<u>2009</u> CZK million	<u>2008</u> CZK million
1. Interest income and similar income	17	18,303	26,109
1.1. Interest from fixed income securities		18,057	24,891
1.2. Other		246	1,218
2. Interest expense and similar expense	17	(6,630)	(16,836)
3. Income from shares and other interests		601	139
4. Fee and commission income		320	465
5. Fee and commission expense		(73)	(48)
6. Gains less losses from financial operations	18	8,037	21,445
6.1. Net foreign exchange gains / (losses) and foreign exchange spread		(17,001)	20,602
6.2. Other		25,038	843
7. Other operating income		694	299
7.1. Income from money issue		256	86
7.2. Other		438	213
8. Other operating expense		(893)	(432)
8.1. Expenses for production of notes and coins		(538)	(342)
8.2. Other		(355)	(90)
9. Administration expense	19	(1,628)	(1,582)
9.1. Personnel expenses		(1,215)	(1,159)
9.1.1. Wages and salaries		(871)	(822)
9.1.2. Social and health security		(285)	(276)
9.1.3. Training and other expenses		(59)	(61)
9.2. Other administration expenses		(413)	(423)
10. Depreciation and amortisation of fixed assets	7	(405)	(433)
11. Reversal of provisions for receivables and guarantees, income from receivables already written off	14	153	1,110
12. Write offs, additions and utilisation of provisions for receivables and guarantees	14	(25)	(1,108)
13. Net (loss) / profit for the period		<u>18,454</u>	<u>29,128</u>

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

CZECH NATIONAL BANK

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2009
(CZK million)

Date of preparation: 23 February 2010	Governor's signature  doc. Ing. Z. Tůma, CSc.	Person responsible for accounting Name and signature  Ing. M. Mayer	Person responsible for financial statements Name and signature  Ing. M. Lorenc
----------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

CZECH NATIONAL BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1 GENERAL INFORMATION

The Czech National Bank ("the Bank" or "the CNB") is the central bank of the Czech Republic ("the CR"). The Bank was established on 1 January 1993 following the dissolution of the State Bank of Czechoslovakia to form the Czech National Bank and the National Bank of Slovakia. The Bank was established on the basis of Act No. 6/1993 Col. as amended, The Czech National Bank Act ("the CNB Act"). The Bank is a legal entity governed by public law and is not registered in the Commercial Register. The Bank operates from its headquarters in Prague and from seven branches around the CR (Prague, České Budějovice, Plzeň, Ústí nad Labem, Hradec Králové, Brno and Ostrava). The registered office of the CNB is at Na Příkopě 28, Prague 1, Czech Republic, and its identification number is 48136450.

The primary objective of the Bank is to maintain price stability. Without prejudice to its primary objective, the Bank also aims to support the general economic policies of the Government which lead to sustainable economic growth and the general economic policies of the European Union. The Bank acts in accordance with the principle of an open market economy.

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

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

Based on the Treaty on the Functioning of the European Union and based on the Protocol about the Statute of the European System of Central Banks and the European Central Bank ("the Statute"), the Bank is a part of the European Central Banks System and is obligated to follow the regulations set by the Statute in the extension of requirements for those European Union member states which

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

have not yet accepted the euro as their national currency.

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

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

As at 31 December 2009, the members of the Bank Board were as follows:

doc. Ing. Zdeněk Tůma, CSc.	Governor	until 12 February 2011
Ing. Mojmír Hampf, MSc., Ph.D.	Vice-Governor	until 30 November 2012
Ing. Miroslav Singer, Ph.D.	Vice-Governor	until 12 February 2011
prof. Ing. Robert Holman, CSc.	Head Manager	until 12 February 2011
Ing. Pavel Řežábek, Ph.D.	Head Manager	until 12 February 2011
prof. PhDr. Ing. Vladimír Tomšík, Ph.D.	Head Manager	until 30 November 2012
Ing. Eva Zamrazilová, CSc.	Head Manager	until 28 February 2014

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

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

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

statutory objectives, can be taken should it be necessary.

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

Explanation Added for Translation into English

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

2 ACCOUNTING POLICIES

(a) Basis of preparation

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

(b) Foreign currencies and Special Drawing Rights

Transactions in foreign currencies are translated into CZK at the foreign exchange rate effective at the transaction date. Assets and liabilities denominated in foreign currencies are translated to CZK at the exchange rate effective as at the balance sheet date. All resulting realised and unrealised foreign exchange gains and losses are recognised in the income statement in the gains less losses from financial operations, except for foreign exchange gains and losses from capital instruments in available-for-sale portfolios which are recognised in equity (see Note 2(d)).

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(c) Gold and other precious metals

Gold and other precious metals are valued at historical cost. Deposits denominated and payable in gold are included in the gold balance and valued at historical cost. Interest income resulting from the deposits denominated in gold is accrued into the income statement.

(d) Securities

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

Foreign debt securities and shares recorded in receivables from abroad are purchased in relation to the foreign currency reserves administration, in accordance with predefined rules set by the Bank Board. They consist of money market and capital market securities. The shares are administered by external managers within the passive investment strategy consisting of almost 100% replication of selected share indexes of advanced economies.

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

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

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

CZECH NATIONAL BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

recognized in the income statement. The Bank measures the interests at cost.

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

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

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

(e) Repo transactions and securities lending

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

Foreign debt securities are deposited with foreign depositories and may be used in an automatic lending scheme ("securities lending") operated by a depository or an agent. As part of the lending scheme, securities are lent to third parties through repo transactions and cash received as securities collateral is reinvested through repo transactions or in deposits or short-term bonds. The agent guarantees that all securities lent will be secured by sufficient collateral and cash collateral will be invested in line with CNB rules ensuring risk mitigation. Securities lent as part of the lending scheme continue to be carried on the CNB balance sheet at the original carrying amount. Received collateral is recorded off balance sheet and measured at the current fair value of investment instruments. In the course of 2008, the Bank temporarily suspended its participation in the securities lending scheme. The same applied also for 2009.

(f) Currency in circulation

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

CZECH NATIONAL BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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

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

(h) Issued securities

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

(i) Derivative financial instruments

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

(j) Interest income and expense

Interest income and expense for all interest-bearing instruments are accrued, i.e. using a linear yield method for loans and deposits, interest income for available-for-sale securities is calculated using an effective interest rate method derived from purchase price. Accrued interest is recorded together with underlying assets and liabilities.

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

Interest income on non-performing loans is also accrued and included in the related loan balance. Such amounts are considered in estimating the specific provisions for non-performing loans. Interest income also includes interest earned on securities. Penalty interest income recognition is suspended in case of a debtor's default and excluded from interest income until received. Non-interest earning assets, such as long-term receivables, are not discounted.

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

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

(k) Fee and commission income

Fee and commission income from the maintenance of current accounts and other services are generally recognised on an accrual basis when the service has been provided, usually monthly. One-off fees are recognised immediately in the income statement when the service is provided.

(l) Receivables

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

(m) Liabilities to the state

The CNB serves the Czech state by maintaining a system of income and expense accounts and other current and deposit accounts for the state and its organization units and other entities pursuant to Section 33 of Act No. 218/2000 Coll., on budgetary rules. The Bank also provides regular banking services on these accounts. Most account balances are connected to the Single Treasury Account and accordingly, these liabilities represent state funds deposited with the CNB.

Information comparability

In connection with the transfer of government branch agencies funds to the Single Treasury Account, other off-budget funds of government branch agencies have been classified in Liabilities, line 5.1 Liabilities to the State in 2009. In the previous financial statements as at 31 December 2008, other off-budget funds of government branch agencies and government branch agencies funds amounting CZK 18,814 million were classified in Liabilities, line 5.2 Other Liabilities to Clients. For this reason, other off-budget funds of government branch agencies and government branch agencies funds as at 31 December 2008 were reclassified to conform the current year presentation.

(n) Provisions

Provisions are created when the Bank has a present obligation as a result of past events. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Additions to provisions are recognised in the income statement, their utilisation is

CZECH NATIONAL BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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

(o) Specific provisions for impairment

Specific provisions are deducted from the nominal value of each receivable originated by the Bank. The amount of specific provisions for classified receivables and assets at risk is based on appraisals of these assets at the balance sheet date after taking into consideration the present forced sale value of collateral.

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

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

(p) Tangible and intangible fixed assets

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

If usage of intangible fixed assets is limited by contract, the intangible fixed assets are amortised over the contractual period. Low-value, tangible fixed assets with a unit cost not exceeding CZK 40,000, as well as low-value, intangible fixed assets with a unit cost not exceeding CZK 60,000, are treated as fixed assets and are fully depreciated / amortised upon the inception of use. Land, art and art collections are not depreciated.

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Estimated useful lives of the tangible and intangible fixed assets are as follows:

Buildings	30 years
Machinery and equipment:	
- Motor vehicles	4 years
- Office equipment and computers	3 - 4 years
Furniture and fittings	5 - 6 years
Other	
- Software	3 - 4 years
Other intangible assets	6 years

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

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

(q) Value added tax

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

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

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

(s) Staff costs, pensions and social fund

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

The Bank does not administer its own pension fund but operates defined contribution schemes for its employees, administered by commercial pension

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

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

funds. Contributions paid by the Bank are accounted for directly as an expense.

The CNB creates a social fund to finance the social needs of its employees and the employees' programme. The allocation to the social fund is not recognised in the income statement, but as a transfer between funds or as the appropriation of profit and loss in approval process. Similarly, the usage of the social fund is recognised as a decrease of the fund.

(t) Cash flow statement

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

(u) Date of accounting transaction

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

(v) Other off-balance sheet assets and liabilities

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

(w) Subsequent events

The effects of events which occurred between the balance sheet date and the date of compilation of the financial statements are reflected in the financial statements. This happens in the case that these events provide further evidence of conditions which existed at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the compilation of the financial statements which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are disclosed, but are not themselves reflected in the financial statements.

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

3 GOLD

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK million	CZK million
Gold at cost	<u>782</u>	<u>796</u>

As at 31 December 2009, the Bank held gold bullion, minted gold coins and other unminted gold stock, including gold deposits, of 415 thousand oz of gold, i.e., 12.9 t (31 December 2008: 422 thousand oz of gold, i.e., 13.1 t).

Gold as at 31 December 2009 included a foreign bank deposit of CZK 341 million (5.6 t) denominated in gold (31 December 2008: 341 million oz of gold, i.e., 5.6 t).

The total market value of gold as at 31 December 2009 was CZK 8,347 million (31 December 2008: CZK 6,934 million).

4 RECEIVABLES FROM AND PAYABLES TO IMF

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK million	CZK million
Membership deposit	20,192	21,008
Reserve position	4,434	3,128
Membership quota at IMF	<u>24,626</u>	<u>24,136</u>
Loan provided to IMF	163	169
Deposits in IMF	22,876	402
Total receivables from IMF	<u>47,665</u>	<u>24,707</u>
Liability from the SDR allocation	22,466	0
Liability to IMF	13,121	14,185
Current account with IMF	<u>7,071</u>	<u>6,823</u>
Total payables to IMF	<u>42,658</u>	<u>21,008</u>

Receivables from IMF result from the membership of the Czech Republic in this organization. They include membership deposit, reserve position, bank funds

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

at SDR and an interest-free loan provided within the IMF programme for the support of less developed countries. The reserve position represents the difference between the membership quota and the sum of CZK held by IMF.

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

Pursuant to the addendum No. 4 to the "IMF Articles of Agreement" dated 20 September 1997, the SDR allocation was increased in the course of 2009. The total amount of the long-term loan received is SDR was 780.2 million as at 31 December 2009 (amount equivalent to CZK 22,466).

5 RECEIVABLES FROM ABROAD, INCLUDING SECURITIES

	<u>31 December 2009</u> CZK million	<u>31 December 2008</u> CZK million
Current accounts with banks	176	106
Deposits	<u>15,608</u>	<u>2,372</u>
Total deposits at foreign banks and financial institutions	15,784	2,478
Loans provided to foreign banks	39,306	9,973
Treasury bills and other discounted securities	260,960	155,354
Bonds and other coupon securities	381,743	529,987
Shares	<u>35,332</u>	<u>9,791</u>
Total securities	678,035	695,132
Other receivables from abroad	108	156
Total receivables from abroad including securities	<u>733,233</u>	<u>707,739</u>

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

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Receivables from loans provided to foreign banks are represented by reverse repo transactions for which collateral was received in the amount of CZK 38,721 million as at 31 December 2009 (31 December 2008: CZK 9,537 million) (see Note 25).

Deposits include also provided collateral in form of cash placed in foreign banks in total amount of CZK 1,659 million provided based on the agreement on derivatives transactions.

Treasury bills and other discounted securities

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

	Fair value <u>31 December 2009</u> CZK million	Fair value <u>31 December 2008</u> CZK million
Treasury bills	245,392	93,719
Other discounted securities	<u>15,568</u>	<u>61,635</u>
Total treasury bills and other discounted securities	<u>260,960</u>	<u>155,354</u>

Bonds and other coupon securities

Bonds and other coupon securities can be analysed as follows:

	Fair value <u>31 December 2009</u> CZK million	Fair value <u>31 December 2008</u> CZK million
State bonds	212,847	320,649
Other foreign bonds	<u>168,896</u>	<u>209,338</u>
Total bonds and other coupon securities	<u>381,743</u>	<u>529,987</u>

Of the total portfolio of bonds and other coupon securities and treasury bills and other discounted securities with a fair value of CZK 642,703 million, no securities were granted as collateral in standard repo transactions as at 31 December 2009. Debt securities in total amount of CZK 259 million were granted as collateral in accordance with the agreement on derivatives transactions.

Of the total portfolio of bonds and other coupon securities and treasury bills and other discounted securities with a fair value of CZK 685,341 million, an amount

CZECH NATIONAL BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

of CZK 1,651 million was granted as collateral in repo transactions as at 31 December 2008 (see Note 10).

In the course of 2008, the Bank temporarily suspended its participation in the securities lending scheme. The same applied also for 2009 and, therefore, no bonds, securities or bills were lent under the scheme in 2009.

Shares

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

- MSCI Euro MSCI EMU Large Cap index comprises the shares of 132 companies having their registered office in a country included in the European Monetary Union
- S&P 500 Index comprising 500 most traded US companies on the NYSE and NASDAQ
- FTSE 100 A British index comprising 100 best companies (blue chips) by reference to market capitalization on the London Stock Exchange
- Nikkei 225 A Japanese index comprising 225 share titles of 400 most liquid Japanese companies traded on the Tokyo Stock Exchange.

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

Share indexes selected by the Bank for investing the part of foreign currency reserves portfolio:	Fair value <u>31 December 2009</u> CZK million	Fair value <u>31 December 2008</u> CZK million
MSCI Euro (EUR)	24,187	6,627
S&P 500 (USD)	7,304	2,056
FTSE 100 (GBP)	1,674	404
Nikkei 225 (JPY)	<u>2,167</u>	<u>704</u>
Total shares	<u>35,332</u>	<u>9,791</u>
Of which: financial institutions		
MSCI Euro (EUR)	6,464	1,560
S&P 500 (USD)	976	252
FTSE 100 (GBP)	333	68
Nikkei 225 (JPY)	82	37

The accompanying income statement, balance sheet and off-balance sheet are an integral part of the financial statements (14)

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

6 RECEIVABLES FROM DOMESTIC BANKS

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK million	CZK million
Non-performing loans	0	14
Receivables from loans provided	<u>0</u>	<u>38,039</u>
	0	38,053
Specific provisions against receivables from domestic banks (Note 14)	<u>0</u>	<u>(14)</u>
Total net receivables from domestic banks	<u><u>0</u></u>	<u><u>38,039</u></u>

Receivables from loans provided to domestic banks are represented by reverse repo transactions. As at 31 December 2009, no such transactions were performed with domestic banks (as at 31 December 2008 collateral received for reverse repo transactions was CZK 39,296 million) (see Note 25).

In addition, reverse repo transactions in form of securities (collateral) switch are concluded with domestic banks. As a result of these transactions, collateral received from this type of transactions was CZK 43,976 million as at 31 December 2009 (as at 31 December 2008: CZK 13,405 million) (see Note 25).

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

7 TANGIBLE AND INTANGIBLE ASSETS

Tangible fixed assets

<u>Cost</u>	<u>31 December</u> <u>2008</u> CZK million	<u>Additions</u> CZK million	<u>Disposals</u> CZK million	<u>31 December</u> <u>2009</u> CZK million
Land	188	0	0	188
Buildings	6,981	4	0	6,985
Technical equipment	2,352	27	(346)	2,033
Furniture and fittings	325	9	(13)	321
Other	460	5	(4)	461
Tangible assets in the course of construction	9	48	(44)	13
Advance payments for tangible assets	<u>0</u>	<u>4</u>	<u>(4)</u>	<u>0</u>
Total cost	<u>10,315</u>	<u>97</u>	<u>(411)</u>	<u>10,001</u>
<u>Accumulated depreciation</u>				
Buildings	(2,390)	(238)	0	(2,628)
Technical equipment	(1,981)	(124)	346	(1,759)
Furniture and fittings	(295)	(13)	13	(295)
Other	<u>(426)</u>	<u>(5)</u>	<u>4</u>	<u>(427)</u>
Total accumulated depreciation	<u>(5,092)</u>	<u>(380)</u>	<u>363</u>	<u>(5,109)</u>
Net book value	<u>5,223</u>			<u>4,892</u>

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Intangible Assets

<u>Cost</u>	<u>31 December</u> <u>2008</u> CZK million	<u>Additions</u> CZK million	<u>Disposals</u> CZK million	<u>31 December</u> <u>2009</u> CZK million
Software	966	43	(15)	994
Other intangible assets	11	0	0	11
Intangible assets not yet put into use	<u>0</u>	<u>43</u>	<u>(43)</u>	<u>0</u>
Total cost	<u>977</u>	<u>86</u>	<u>(58)</u>	<u>1,005</u>
<u>Accumulated depreciation</u>				
Software	(941)	(28)	15	(954)
Other intangible assets	<u>(8)</u>	<u>(2)</u>	<u>0</u>	<u>(10)</u>
Total accumulated depreciation	<u>(949)</u>	<u>(30)</u>	<u>15</u>	<u>(964)</u>
Net book value	<u>28</u>			<u>41</u>

The Bank did not provide any fixed tangible or intangible assets as collateral and does not hold any fixed assets under finance lease contracts.

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

8 OTHER ASSETS

	<u>31 December</u> <u>2009</u> CZK million	<u>31 December</u> <u>2008</u> CZK million
Share in the ECB	155	151
BIS and SWIFT shares	<u>2,888</u>	<u>2,855</u>
Other financial assets	3,043	3,006
Loss loans of former banks	8,404	8,543
Specific provisions against loss loans of former banks (Note 14)	<u>(8,404)</u>	<u>(8,543)</u>
Total receivables from former banks	0	0
Prepaid expenses	56	21
Advances in relation to the Indemnity letter (see Note 27)	2,629	2,945
Other precious metals	22	19
Positive fair value of foreign currency forwards (Note 20)	665	1,655
Positive fair value of interest rate swaps (Note 20)	536	12
Margin account including fair value of futures (Note 20)	151	39
Standard loans to employees	116	103
Other operating receivables	140	85
Specific provisions against other operating receivables (see Note 14)	<u>(22)</u>	<u>(22)</u>
Other	4,293	4,857
Total other assets	<u>7,336</u>	<u>7,863</u>

Other financial assets include CNB's share in the European Central Bank ("ECB"), the Bank for International Settlement ("BIS") and SWIFT. In line with Article 29 of the Statute, the membership share in the ECB of 1.4472% (totalling EUR 5.8 million) was calculated as at 31 December 2009 based on the population and gross domestic product.

The BIS and SWIFT shares are non-tradeable and their holding results from the participation of the CNB in these institutions. The ECB and SWIFT shares are measured at cost. The BIS shares are measured at CNB's share on the paid-up

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

portion of BIS net assets (or equity) reduced by 30%, which reflects the valuation of shares used by the BIS.

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

9 CURRENCY IN CIRCULATION

	<u>31 December 2009</u> CZK million	<u>31 December 2008</u> CZK million
Notes in circulation	377,346	389,891
Coins in circulation	<u>9,930</u>	<u>9,357</u>
Total currency in circulation	<u>387,276</u>	<u>399,248</u>

10 LIABILITIES ABROAD

	<u>31 December 2009</u> CZK million	<u>31 December 2008</u> CZK million
Loans received - repo transactions	0	1,582
Other liabilities abroad	<u>2,413</u>	<u>1,256</u>
Total liabilities abroad	<u>2,413</u>	<u>2,838</u>

Loans from foreign banks represent the repo transactions with foreign banks. As at 31 December 2009, no such transactions were concluded with foreign banks (as at 31 December 2008 collateral provided for repo transactions in the form of debt securities was CZK 1,651 million) (see Note 5).

In addition, foreign banks provided deposits of CZK 1,541 million and further collateral in form of cash deposit in total amount of CZK 872 million was provided by foreign banks in accordance with the agreement on derivatives transactions.

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

11 LIABILITIES TO DOMESTIC BANKS

	<u>31 December 2009</u> CZK million	<u>31 December 2008</u> CZK million
Bank monetary reserves	37,367	31,741
Loans received - repo transactions	331,810	193,567
Short-term deposits received	5,850	76,196
Collateral received	40	0
Other liabilities to banks	<u>5,897</u>	<u>6,379</u>
Total liabilities to domestic banks	<u>380,964</u>	<u>307,883</u>

In connection with the repo transactions with domestic banks, collateral of CZK 326,560 million was provided in form of the Bank's treasury bills as at 31 December 2009 (31 December 2008: CZK 192,492 million) (see Note 12).

In addition, repo transactions in form of securities (collateral) switch are entered into with domestic banks. In connection with these transactions, collateral of CZK 43,528 million was provided in form of the Bank's treasury bills as at 31 December 2009 (31 December 2008: CZK 13,220 million) (see Note 12).

Bank monetary reserves

Obligatory minimum reserves represent deposits of the banks in the CR held at the CNB which banks cannot dispose of. The CNB pays interest equal to the CZK two-week repo interest rate on these deposits, which was 1% p.a. as at 31 December 2009 (2008: 2.25% p.a.). Obligatory minimum reserves are defined as 2% of received deposits and loans from non-banking clients or selected issued securities with maturity of less than 2 years.

12 ISSUED DOMESTIC SECURITIES

	<u>31 December 2009</u> CZK million	<u>31 December 2008</u> CZK million
Treasury bills issued by the Bank	<u>700,000</u>	<u>700,000</u>
Of which:		
- held by the Bank	329,912	494,288
- used in repo transactions (carrying amount)	370,088	205,712
Total issued domestic securities	<u>0</u>	<u>0</u>

The accompanying income statement, balance sheet and off-balance sheet are an integral part of the financial statements (20)

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

13 LIABILITIES TO CLIENTS

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK million	CZK million
State funds' accounts	20,423	12,074
State assets denominated in CZK	2,860	105,002
State assets denominated in foreign currency	62,139	42,534
Off-budget funds deposits	<u>18,173</u>	<u>15,813</u>
Total liabilities to the state	103,595	175,423
Other deposits	<u>4,241</u>	<u>3,169</u>
Total other liabilities to clients	4,241	3,169
Total liabilities to clients	<u>107,836</u>	<u>178,592</u>

At the end of 2009, the MF changed its strategy pertaining to the management of the funds at CNB and government's free funds were placed in commercial banks.

14 PROVISIONS, SPECIFIC PROVISIONS AND WRITE-OFFS

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

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK million	CZK million
Specific provisions		
Non-performing loans due from domestic banks (Note 6)	0	14
Classified loans of former banks (Note 8)	8,404	8,543
Other operating receivables (Note 8)	<u>22</u>	<u>22</u>
Total specific provisions	<u>8,426</u>	<u>8,579</u>
Provisions		
Guarantees for clients (Note 25)	<u>211</u>	<u>222</u>
Total provisions	<u>211</u>	<u>222</u>

The accompanying income statement, balance sheet and off-balance sheet are an integral part of the financial statements (21)

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Specific provisions

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

	Non-performing loans due from <u>domestic banks</u> CZK million	Classified loans of <u>former banks</u> CZK million	Other operating <u>receivables</u> CZK million	Total specific <u>provisions</u> CZK million
As at 1 January 2008	14	8,585	1,085	9,684
Addition	0	0	0	0
Reversal	<u>0</u>	<u>(42)</u>	<u>(1,063)</u>	<u>(1,105)</u>
As at 31 December 2008	<u>14</u>	<u>8,543</u>	<u>22</u>	<u>8,579</u>
Addition	0	0	0	0
Reversal	<u>(14)</u>	<u>(139)</u>	<u>0</u>	<u>(153)</u>
As at 31 December 2009	<u>0</u>	<u>8,404</u>	<u>22</u>	<u>8,426</u>

Provisions

The movements in provisions can be analysed as follows:

	<u>Other guarantees</u> CZK million	<u>Total</u> CZK million
As at 1 January 2008	208	208
Addition	5	5
Utilisation	(5)	(5)
Foreign exchange differences	<u>14</u>	<u>14</u>
As at 31 December 2008	<u>222</u>	<u>222</u>
Addition	4	4
Utilisation	(4)	(4)
Foreign exchange differences	<u>(11)</u>	<u>(11)</u>
As at 31 December 2009	<u>211</u>	<u>211</u>

The accompanying income statement, balance sheet and off-balance sheet are an integral part of the financial statements (22)

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Reversal of provisions for loans and guarantees, and income from receivables already written off can be analysed as follows:

	<u>2009</u>	<u>2008</u>
	CZK million	CZK million
Reversal of specific provisions	153	1,105
	<u>153</u>	<u>1,105</u>

15 EQUITY

Changes in equity during 2009 and 2008 were as follows:

	<u>Share capital</u>	<u>Funds</u>	<u>Accumulated losses</u>	<u>Revaluation reserve</u>	<u>Net profit/ (loss) for the period</u>	<u>Equity</u>
	CZK million	CZK million	CZK million	CZK million	CZK million	CZK million
Balance as at 1 January 2008	1,400	8,087	(162,133)	6,655	(37,507)	(183,498)
Addition of the 2007 loss to accumulated loss	0	0	(37,507)	0	37,507	0
Use of social fund	0	(41)	0	0	0	(41)
Revaluation reserve	0	0	0	20,270	0	20,270
Profit for the year 2008	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,128</u>	<u>29,128</u>
Balance as at 31 December 2008	<u>1,400</u>	<u>8,046</u>	<u>(199,640)</u>	<u>26,925</u>	<u>29,128</u>	<u>(134,141)</u>
Profit distribution for 2008	0	43	29,085	0	(29,128)	0
Use of social fund	0	(39)	0	0	0	(39)
Revaluation reserve	0	0	0	(20,292)	0	(20,292)
Profit for the year 2009	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>18,454</u>	<u>18,454</u>
Balance as at 31 December 2009	<u>1,400</u>	<u>8,050</u>	<u>(170,555)</u>	<u>6,633</u>	<u>18,454</u>	<u>(136,018)</u>

The accompanying income statement, balance sheet and off-balance sheet are an integral part of the financial statements (23)

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Funds

The major part of funds is represented by the general reserve fund of CZK 7,773 million existing at both year ends, which can be used to cover accumulated losses, increase share capital or for any other purpose approved by the Bank Board of the CNB.

The Social fund of CZK 7 million as at 31 December 2009 (31 December 2008: CZK 3 million) is used to cover the social needs of employees and the employees' programme of the CNB. Allocations to the social fund were performed each year from the profit of the previous year. If the CNB achieved a loss in the previous year, the allocation to the social fund was made from the special reserve fund.

16 OTHER LIABILITIES

	<u>31 December</u> <u>2009</u> CZK million	<u>31 December</u> <u>2008</u> CZK million
Negative fair value of foreign currency forwards (Note 20)	1,127	1,660
Negative fair value of interest rate swaps (Note 20)	173	862
Advance received in relation to the State Guarantee (Note 27)	2,642	2,956
Liabilities to the European Union	2,876	1,541
Employee accounts	1,508	1,439
Other liabilities	<u>283</u>	<u>287</u>
Total other liabilities	<u>8,609</u>	<u>8,745</u>

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

Other liabilities totalling CZK 283 million include liabilities of CZK 39 million owing to social security and health insurance premiums as at 31 December 2009. The Bank has no liabilities to social security and health insurance authorities that would be overdue.

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

17 INTEREST INCOME, NET

	<u>2009</u>	<u>2008</u>
	CZK million	CZK million
Interest income and similar income	18,303	26,109
Interest expense and similar expense	<u>(6,630)</u>	<u>(16,836)</u>
Interest income, net	<u>11,673</u>	<u>9,273</u>

Interest income and similar income

	<u>2009</u>	<u>2008</u>
	CZK million	CZK million
Interest on treasury bills and other discounted securities	6,156	9,419
Interest on coupon bonds	<u>11,901</u>	<u>15,472</u>
Total interest on securities	<u>18,057</u>	<u>24,891</u>
Interest on inter-bank deposits	223	1,197
Interest on receivables from the clients	5	4
Other interest	<u>18</u>	<u>17</u>
Total other interest income	<u>246</u>	<u>1,218</u>
Total interest income and similar income	<u>18,303</u>	<u>26,109</u>

Interest expense and similar expense

	<u>2009</u>	<u>2008</u>
	CZK million	CZK million
Interest on liabilities to the state	403	313
Interest on liabilities to banks	6,165	16,454
Interest on liabilities to clients	<u>62</u>	<u>69</u>
Total interest expense and similar expense	<u>6,630</u>	<u>16,836</u>

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

18 GAINS LESS LOSSES FROM FINANCIAL OPERATIONS

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

	<u>2009</u> CZK million	<u>2008</u> CZK million
Foreign exchange gains / (losses)	(17,556)	20,214
Foreign exchange spread	<u>555</u>	<u>388</u>
Net foreign exchange gains / (losses) and foreign exchange spread	<u>(17,001)</u>	<u>20,602</u>
Realised gain from sales of securities	18,852	8,275
Realised loss from sales of securities	(933)	(2,013)
Realised profit / loss from revaluation of shares	5,891	(4,637)
Net gains / (losses) from currency forwards	(29)	187
Net gains / (losses) from interest futures	89	(304)
Net gains / (losses) from interest rate swaps	1,121	(660)
Net gains / (losses) from share futures	<u>47</u>	<u>(5)</u>
Other	<u>25,038</u>	<u>843</u>
Total gains less losses from financial operations	<u>8,037</u>	<u>21,445</u>

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

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

19 ADMINISTRATION EXPENSES

The administration expenses can be analysed as follows:

	<u>2009</u> CZK million	<u>2008</u> CZK million
Wages and salaries	871	822
Social security and health insurance	285	276
Training and other expenses	<u>59</u>	<u>61</u>
Total personnel costs	<u>1,215</u>	<u>1,159</u>
Rent	1	2
Other	<u>412</u>	<u>421</u>
Total other administration expenses	<u>413</u>	<u>423</u>
Total administration expenses	<u>1,628</u>	<u>1,582</u>

Staff statistics

	<u>2009</u>	<u>2008</u>
Average number of employees	1,471	1,459
Of which: Number of members of the Bank Board	7	7

20 FINANCIAL RISKS

Liquidity risk

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

Interest rate risk

The Bank takes on exposure resulting from fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Changes in interest rates result in a change in the market value of securities held in the portfolio of the Bank. The rules for investing foreign currency reserves are aimed at limiting

CZECH NATIONAL BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

the losses resulting from changes in interest rates; for USD in horizon of 3 years and for EUR in horizon of 1 year. The table in Note 22 summarises the Bank's exposure to interest rate risks.

The table lists the Bank's interest-bearing assets and liabilities at carrying amounts, categorised by the earlier contractual, re-pricing or maturity dates.

Currency risk

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

Credit risk

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

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Spot transactions and derivative financial instruments

The receivables and payables from spot, forward and option transactions can be analysed as follows:

<u>Off-balance sheet receivables:</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK million	CZK million
- from future transactions	21,268	11,952
- from interest swap transactions	25,181	5,262
- from unsettled interest spot transactions	3,282	21,727
- from unsettled currency spot transactions	439	426
- from currency forward transactions	<u>100,424</u>	<u>51,820</u>
	<u>150,594</u>	<u>91,187</u>

<u>Off-balance sheet payables:</u>		
- from future transactions	21,268	11,952
- from interest swap transactions	25,181	5,262
- from unsettled interest spot transactions	3,282	21,727
- from unsettled currency spot transactions	439	432
- from currency forward transactions	<u>100,858</u>	<u>51,793</u>
	<u>151,028</u>	<u>91,166</u>

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

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK million	CZK million
Off-balance sheet receivables from forward transactions	100,424	51,820
Off-balance sheet payables from forward transactions	100,858	51,793
Positive fair value (Note 8)	665	1,655
Negative fair value (Note 16)	1,127	1,660

All currency forwards mature in 2010.

CZECH NATIONAL BANK**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2009**

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

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

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK million	CZK million
Off-balance sheet receivables from swap transactions	25,181	5,262
Off-balance sheet payables from swap transactions	25,181	5,262
Positive fair value (Note 8)	536	12
Negative fair value (Note 16)	173	862

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

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

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK million	CZK million
Off-balance sheet receivables and payables from futures transactions	21,268	11,952
Net gain/(loss) from change in fair values of futures transactions open at the year-end	89	(304)

Gains or losses from change in fair values of interest futures transactions are settled daily against cash on margin account reported within other assets. Gains or losses from share futures transactions are settled monthly.

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK million	CZK million
Net gain/(loss) from change in fair values of futures transactions open at the year-end	89	(304)
Cash on margin account	<u>62</u>	<u>343</u>
Margin account including settled change in fair value of futures (Note 8)	<u>151</u>	<u>39</u>

The accompanying income statement, balance sheet and off-balance sheet are an integral part of the financial statements (30)

CZECH NATIONAL BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

21 LIQUIDITY RISK

As at 31 December 2009	Up to <u>1 month</u>	1 – 3 <u>months</u>	3 – 12 <u>months</u>	1 – 5 <u>years</u>	Over <u>5 years</u>	Un- <u>specified</u>	<u>Total</u>
	CZK million	CZK million	CZK million	CZK million	CZK million	CZK million	CZK million
Assets							
Gold	782	0	0	0	0	0	782
Receivables from IMF	0	0	0	0	0	47,665	47,665
Treasury bills and other discounted securities	49,597	110,402	99,667	1,294	0	0	260,960
Bonds and other coupon securities	17,879	14,467	58,775	209,744	80,878	0	381,743
Deposits, loans and other receivables from abroad	90,530	0	0	0	0	0	90,530
Receivables from domestic banks	0	0	0	0	0	0	0
Fixed assets	0	0	0	0	0	4,933	4,933
Other assets	<u>1,493</u>	<u>0</u>	<u>56</u>	<u>5</u>	<u>2,739</u>	<u>3,043</u>	<u>7,336</u>
Total assets	<u>160,281</u>	<u>124,869</u>	<u>158,498</u>	<u>211,043</u>	<u>83,617</u>	<u>55,641</u>	<u>793,949</u>
Liabilities and equity							
Currency in circulation	0	0	0	0	0	387,276	387,276
Liabilities to IMF	0	0	0	0	0	42,658	42,658
Liabilities abroad	2,413	0	0	0	0	0	2,413
Liabilities to domestic banks	380,964	0	0	0	0	0	380,964
Liabilities to clients	106,753	0	0	0	1,083	0	107,836
Provisions	0	0	0	0	0	211	211
Equity	0	0	0	0	0	(136,018)	(136,018)
Other liabilities	<u>5,038</u>	<u>0</u>	<u>601</u>	<u>328</u>	<u>0</u>	<u>2,642</u>	<u>8,609</u>
Total liabilities and equity	<u>495,168</u>	<u>0</u>	<u>601</u>	<u>328</u>	<u>1,083</u>	<u>296,769</u>	<u>793,949</u>
Net liquidity gap	<u>(334,887)</u>	<u>124,869</u>	<u>157,897</u>	<u>210,715</u>	<u>82,534</u>	<u>(241,128)</u>	<u>0</u>

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

CZECH NATIONAL BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

As at 31 December 2008	<u>Up to</u> <u>1 month</u> CZK million	<u>1 – 3</u> <u>months</u> CZK million	<u>3 – 12</u> <u>months</u> CZK million	<u>1 – 5</u> <u>years</u> CZK million	<u>Over</u> <u>5 years</u> CZK million	<u>Un-</u> <u>specified</u> CZK million	<u>Total</u> CZK million
Assets							
Gold	796	0	0	0	0	0	796
Receivables from IMF	0	0	0	0	0	24,707	24,707
Treasury bills and other discounted securities	6,455	27,952	118,394	2,553	0	0	155,354
Bonds and other coupon securities	9,516	14,658	41,595	256,661	207,557	0	529,987
Deposits, loans and other receivables from abroad	22,398	0	0	0	0	0	22,398
Receivables from domestic banks	35,740	2,299	0	0	0	0	38,039
Fixed assets	0	0	0	0	0	5,251	5,251
Other assets	<u>1,790</u>	<u>0</u>	<u>21</u>	<u>5</u>	<u>3,041</u>	<u>3,006</u>	<u>7,863</u>
Total assets	<u>76,695</u>	<u>44,909</u>	<u>160,010</u>	<u>259,219</u>	<u>210,598</u>	<u>32,964</u>	<u>784,395</u>
Liabilities and equity							
Currency in circulation	0	0	0	0	0	399,248	399,248
Liabilities to IMF	0	0	0	0	0	21,008	21,008
Liabilities abroad	2,838	0	0	0	0	0	2,838
Liabilities to domestic banks	307,883	0	0	0	0	0	307,883
Liabilities to clients	177,466	0	24	0	1,102	0	178,592
Provisions	0	0	0	0	0	222	222
Equity	0	0	0	0	0	(134,141)	(134,141)
Other liabilities	<u>4,926</u>	<u>0</u>	<u>554</u>	<u>310</u>	<u>0</u>	<u>2,955</u>	<u>8,745</u>
Total liabilities and equity	<u>493,113</u>	<u>0</u>	<u>578</u>	<u>310</u>	<u>1,102</u>	<u>289,292</u>	<u>784,395</u>
Net liquidity gap	<u>(416,418)</u>	<u>44,909</u>	<u>159,432</u>	<u>258,909</u>	<u>209,496</u>	<u>(256,328)</u>	<u>0</u>

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

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

22 INTEREST RATE RISK

As at 31 December 2009	<u>Up to</u> <u>1 month</u> CZK million	<u>1 – 3</u> <u>months</u> CZK million	<u>3 – 12</u> <u>months</u> CZK million	<u>1 – 5</u> <u>years</u> CZK million	<u>Over</u> <u>5 years</u> CZK million	<u>Insensitive to</u> <u>interest rate</u> CZK million	<u>Total</u> CZK million
Assets							
Gold	0	0	0	0	0	782	782
Receivables from IMF	0	0	0	0	0	47,665	47,665
Treasury bills and other discounted securities	49,597	110,401	99,668	1,294	0	0	260,960
Bonds and other coupon securities	58,284	104,939	218,520	0	0	0	381,743
Deposits, loans and other receivables from abroad	90,530	0	0	0	0	0	90,530
Receivables from domestic banks	0	0	0	0	0	0	0
Fixed assets	0	0	0	0	0	4,933	4,933
Other assets	<u>1,549</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>110</u>	<u>5,672</u>	<u>7,336</u>
Total assets	<u>199,960</u>	<u>215,340</u>	<u>318,188</u>	<u>1,299</u>	<u>110</u>	<u>59,052</u>	<u>793,949</u>
Liabilities and equity							
Currency in circulation	0	0	0	0	0	387,276	387,276
Liabilities to IMF	0	0	0	0	0	42,658	42,658
Liabilities abroad	2,413	0	0	0	0	0	2,413
Liabilities to domestic banks	380,964	0	0	0	0	0	380,964
Liabilities to clients	106,753	1,083	0	0	0	0	107,836
Provisions	0	0	0	0	0	211	211
Equity	0	0	0	0	0	(136,018)	(136,018)
Other liabilities	<u>5,038</u>	<u>929</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,642</u>	<u>8,609</u>
Total liabilities and equity	<u>495,168</u>	<u>2,012</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>296,769</u>	<u>793,949</u>
Net interest sensitivity gap	<u>(295,208)</u>	<u>213,328</u>	<u>318,188</u>	<u>1,299</u>	<u>110</u>	<u>(237,717)</u>	<u>0</u>

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

CZECH NATIONAL BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

As at 31 December 2008	<u>Up to 1 month</u> CZK million	<u>1 – 3 months</u> CZK million	<u>3 – 12 months</u> CZK million	<u>1 – 5 years</u> CZK million	<u>Over 5 years</u> CZK million	<u>Insensitive to interest rate</u> CZK million	<u>Total</u> CZK million
Assets							
Gold	0	0	0	0	0	796	796
Receivables from IMF	0	0	0	0	0	24,707	24,707
Treasury bills and other discounted securities	6,455	27,952	118,394	2,553	0	0	155,354
Bonds and other coupon securities	9,874	15,037	41,751	256,011	207,314	0	529,987
Deposits, loans and other receivables from abroad	22,398	0	0	0	0	0	22,398
Receivables from domestic banks	38,039	0	0	0	0	0	38,039
Fixed assets	0	0	0	0	0	5,251	5,251
Other assets	<u>1,811</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>97</u>	<u>5,950</u>	<u>7,863</u>
Total assets	<u>78,577</u>	<u>42,989</u>	<u>160,145</u>	<u>258,569</u>	<u>207,411</u>	<u>36,704</u>	<u>784,395</u>
Liabilities and equity							
Currency in circulation	0	0	0	0	0	399,248	399,248
Liabilities to IMF	0	0	0	0	0	21,008	21,008
Liabilities abroad	2,838	0	0	0	0	0	2,838
Liabilities to domestic banks	307,883	0	0	0	0	0	307,883
Liabilities to clients	177,466	1,126	0	0	0	0	178,592
Provisions	0	0	0	0	0	222	222
Equity	0	0	0	0	0	(134,141)	(134,141)
Other liabilities	<u>4,926</u>	<u>864</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,955</u>	<u>8,745</u>
Total liabilities and equity	<u>493,113</u>	<u>1,990</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>289,292</u>	<u>784,395</u>
Net interest sensitivity gap	<u>(414,536)</u>	<u>40,999</u>	<u>160,145</u>	<u>258,569</u>	<u>207,411</u>	<u>(252,588)</u>	<u>0</u>

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

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

23 CURRENCY RISK

As at 31 December 2009	<u>CZK</u> CZK million	<u>EUR</u> CZK million	<u>USD</u> CZK million	<u>JPY</u> CZK million	<u>GBP</u> CZK million	<u>Other</u> CZK million	<u>Total</u> CZK million
Assets							
Gold	0	0	0	0	0	782	782
Receivables from IMF	20,192	0	0	0	0	27,473	47,665
Treasury bills and other discounted securities	0	175,733	27,995	57,232	0	0	260,960
Bonds and other coupon securities	0	196,558	185,185	0	0	0	381,743
Deposits, loans and other receivables from abroad	3,435	74,319	8,786	2,191	1,680	119	90,530
Receivables from domestic banks	0	0	0	0	0	0	0
Fixed assets	4,923	0	0	0	0	10	4,933
Other assets	<u>3,458</u>	<u>411</u>	<u>544</u>	<u>9</u>	<u>5</u>	<u>2,909</u>	<u>7,336</u>
Total assets	<u>32,008</u>	<u>447,021</u>	<u>222,510</u>	<u>59,432</u>	<u>1,685</u>	<u>31,293</u>	<u>793,949</u>
Liabilities							
Currency in circulation	387,276	0	0	0	0	0	387,276
Liabilities to IMF	20,192	0	0	0	0	22,466	42,658
Liabilities abroad	401	0	2,012	0	0	0	2,413
Liabilities to domestic banks	380,964	0	0	0	0	0	380,964
Liabilities to clients	45,642	62,186	8	0	0	0	107,836
Provisions	0	0	211	0	0	0	211
Other liabilities	<u>8,199</u>	<u>351</u>	<u>58</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>8,609</u>
Total liabilities	<u>842,674</u>	<u>62,537</u>	<u>2,289</u>	<u>0</u>	<u>0</u>	<u>22,467</u>	<u>929,967</u>
Net assets/(liabilities)	(810,666)	384,484	220,221	59,432	1,685	8,826	(136,018)
Net off-balance sheet assets / (liabilities)	<u>211</u>	<u>57,468</u>	<u>(43,772)</u>	<u>(36,332)</u>	<u>21,991</u>	<u>0</u>	<u>(434)</u>
Net foreign exchange position	<u>(810,455)</u>	<u>441,952</u>	<u>176,449</u>	<u>23,100</u>	<u>23,676</u>	<u>8,826</u>	<u>(136,452)</u>

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

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

As at 31 December 2008	<u>CZK</u> CZK million	<u>EUR</u> CZK million	<u>USD</u> CZK million	<u>JPY</u> CZK million	<u>GBP</u> CZK million	<u>Other</u> CZK million	<u>Total</u> CZK million
Assets							
Gold	0	0	0	0	0	796	796
Receivables from IMF	21,008	0	0	0	0	3,699	24,707
Treasury bills and other discounted securities	0	87,267	65,952	2,135	0	0	155,354
Bonds and other coupon securities	0	337,829	192,158	0	0	0	529,987
Deposits, loans and other receivables from abroad	0	16,703	4,402	712	409	172	22,398
Receivables from domestic banks	38,039	0	0	0	0	0	38,039
Fixed assets	5,241	0	0	0	0	10	5,251
Other assets	<u>4,726</u>	<u>256</u>	<u>24</u>	<u>2</u>	<u>0</u>	<u>2,855</u>	<u>7,863</u>
Total assets	<u>69,014</u>	<u>442,055</u>	<u>262,536</u>	<u>2,849</u>	<u>409</u>	<u>7,532</u>	<u>784,395</u>
Liabilities							
Currency in circulation	399,248	0	0	0	0	0	399,248
Liabilities to IMF	21,008	0	0	0	0	0	21,008
Liabilities abroad	404	37	2,395	0	0	2	2,838
Liabilities to domestic banks	307,883	0	0	0	0	0	307,883
Liabilities to clients	136,058	42,507	27	0	0	0	178,592
Provisions	0	0	222	0	0	0	222
Other liabilities	<u>6,814</u>	<u>1,067</u>	<u>862</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>8,745</u>
Total liabilities	<u>871,415</u>	<u>43,611</u>	<u>3,506</u>	<u>1</u>	<u>0</u>	<u>3</u>	<u>918,536</u>
Net assets/(liabilities)	(802,401)	398,444	259,030	2,848	409	7,529	(134,141)
Net off-balance sheet assets / (liabilities)	<u>1,111</u>	<u>(972)</u>	<u>(46,748)</u>	<u>26,898</u>	<u>19,732</u>	<u>0</u>	<u>21</u>
Net foreign exchange position	<u>(801,290)</u>	<u>397,472</u>	<u>212,282</u>	<u>29,746</u>	<u>20,141</u>	<u>7,529</u>	<u>(134,120)</u>

The accompanying income statement, balance sheet and off-balance sheet are an integral part of the financial statements (36)

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

24 CREDIT RISK AND CONCENTRATION OF LIABILITIES

Geographical concentrations of assets

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK million	CZK million
Czech Republic	13,106	48,604
Germany	123,973	194,507
France	127,878	67,108
Italy	54,131	86,526
Ireland	13,769	95,234
Spain	60,569	9,367
Netherlands	27,932	2,085
Austria	12,442	31,438
Greece	14,784	39,924
Other Eurozone countries	58,223	26,175
Switzerland	16,877	5,982
Great Britain	27,141	4,116
Other European countries	24,015	18,762
USA and Canada	159,689	151,726
Japan	59,400	2,840
Other countries	<u>20</u>	<u>1</u>
	<u>793,949</u>	<u>784,395</u>
Of which deposits and bonds:		
Central governments	470,364	414,854
Government agencies	119,974	164,295
Securities hedged by other assets (pfandbriefs)	52,547	101,488
Commercial banks	35,810	9,832
BIS	<u>12,806</u>	<u>2,626</u>
	<u>691,501</u>	<u>693,095</u>

Geographical concentrations of liabilities

	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK million	CZK million
Czech Republic	746,203	759,008
Eurozone countries	2,675	1,542
Other European countries	1	4
USA and Canada	<u>45,070</u>	<u>23,841</u>
	<u>793,949</u>	<u>784,395</u>

The accompanying income statement, balance sheet and off-balance sheet are an integral part of the financial statements (37)

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

25 OTHER OFF-BALANCE SHEET ITEMS

Guarantees issued	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK million	CZK million
Clients	211	248
In relation to the Indemnity Letter (Note 27)	156,952	156,954
For deposits held by IPB (Note 27)	196	230
Consolidation of the banking sector – sale of part of the business of Agrobanka Praha a.s.	<u>4,000</u>	<u>4,000</u>
Total issued guarantees	<u>161,359</u>	<u>161,432</u>

The identified need for provisions for expected losses on the guarantees issued to clients was CZK 211 million as at 31 December 2009 (2008: CZK 222 million) (see Note 14).

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

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

Guarantees received	<u>31 December 2009</u>	<u>31 December 2008</u>
	CZK million	CZK million
From the Ministry of Finance of the CR in relation to the State Guarantee (Note 27)	<u>156,952</u>	<u>156,954</u>
Total guarantees received	<u>156,952</u>	<u>156,954</u>

Collateral received

The total collateral received in the form of debt securities as at 31 December 2009 was CZK 82,697 million (2008: CZK 62,238 million).

As at 31 December 2009, the Bank received collateral of CZK 35,266 million in foreign currencies and CZK 3,455 million in CZK within reverse repo transactions concluded with foreign banks and also collateral of CZK 43,976 million in CZK within "Collateral switch" transactions concluded with domestic banks (2008: CZK 52,701 million in CZK and CZK 9,537 million in foreign currency) (see Note 5 and 6).

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

Assets held in custody

The Bank has not received any financial assets from third parties to be held in custody in 2009 and 2008.

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

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

26 CONTINGENCIES AND COMMITMENTS

CNB charges against income the amounts it pays for the reasonable operating costs of the Ministry of Finance of the Czech Republic (until 31 December 2007 the Česká Konsolidační Agentura a.s.) acknowledged by the Bank. These payments are effected in accordance with the Agreement on the payment of operating costs and losses related to assumed assets that are incurred in connection with the fulfilment of the Consolidation Programme concluded on 29 June 2000. These costs were CZK 0.2 million in 2009. In 2008 these costs were CZK 1 million. The Bank does not recognize any provisions against these contingencies and commitments as they are immaterial.

Pending lawsuits

Pursuant to its role in supporting and maintaining the stability of the banking sector, the CNB or third parties are defendants in several litigations and arbitration proceedings. The negative results of these lawsuits could impact the operations of the Bank. Based on consultation with external law firms and internal analyses, the CNB does not consider it probable that the outcome of these legal cases will result in any material outflow of CNB resources and, therefore, has not recognised any provisions.

27 CONSOLIDATION OF THE BANKING SECTOR

Investiční a Poštovní banka, a.s.

In June 2000, the CNB declared forced administration in Investiční a Poštovní

CZECH NATIONAL BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

banka, a.s. ("IPB"). On 16 June 2000, the CNB issued a guarantee for deposits held by IPB ("the Guarantee for Deposits") covering all commitments resulting from deposits received by IPB and from bonds issued by IPB, including accrued interest, as at 16 June 2000. Liabilities with a fixed maturity date were guaranteed until the maturity date and liabilities without a fixed maturity date were guaranteed until June 2003.

The Guarantee for Deposits is regularly updated in the CNB off-balance sheet based on an assessment of the liabilities covered by the Guarantee for Deposits performed by CSOB. The balance of the Guarantee for Deposits in the off-balance sheet of the CNB as at 31 December 2009 was CZK 196 million (31 December 2008: CZK 230 million).

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

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

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

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

CZECH NATIONAL BANK

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

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

	<u>31 December</u> <u>2009</u> CZK million	<u>31 December</u> <u>2008</u> CZK million
Total potential claims under the Indemnity Letter	160,000	160,000
Advances paid to CSOB (Note 8)	(2,629)	(2,945)
Foreign exchange differences	(14)	(12)
Settlement to CSOB	<u>(405)</u>	<u>(89)</u>
Total potential future claims under the Indemnity Letter	<u>156,952</u>	<u>156,954</u>

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

	<u>31 December</u> <u>2009</u> CZK million	<u>31 December</u> <u>2008</u> CZK million
Total State Guarantee received	160,000	160,000
Advances received from the State Guarantee (Note 16)	(2,642)	(2,956)
Final settlement from the State Guarantee	<u>(406)</u>	<u>(90)</u>
State Guarantee receivables at year end (Note 25)	<u>156,952</u>	<u>156,954</u>

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

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

CZECH NATIONAL BANK
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

28 RELATED PARTY TRANSACTIONS

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

CNB grants members of the Bank Board and senior management in accordance with internal rules the services consisting of maintaining deposit and fixed term accounts and special purpose loans, especially for housing. These loans are financed from a special reserve funds set aside from the profits of previous periods of the CNB. The loans to the members of the Bank Board and senior management are provided under the same conditions as loans to other employees.

29 SUBSEQUENT EVENTS

On the basis of a CNB Bank Board decision dated 3 December 2009, the CNB changed its methodology of accounting for employee benefits. As of the first day of the 2010 accounting period, the employee benefits arising from the relevant collective bargaining agreement are in accordance with the applicable Czech accounting legislation charged against income of the Bank.

The social fund balance as at 1 January 2010, as well as the Bank funds recorded within capital funds, were transferred to the general reserve fund.

The CNB's management is not aware of any other subsequent events that would have a material impact on financial statements for 2009.