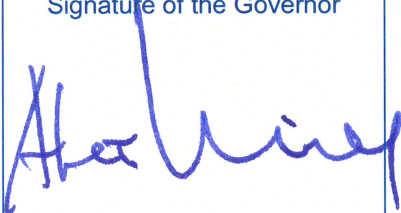
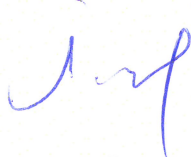
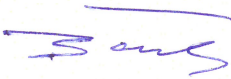


Financial Statements and Auditor's Report as of 31 December 2022



FINANCIAL STATEMENTS
OF THE CZECH NATIONAL BANK
FOR THE YEAR ENDED
31 DECEMBER 2022

The financial statements were approved by the Bank Board on 23 March 2023.

<p>Signature of the Governor</p>  <p>Ing. A. Michl, Ph.D.</p>	<p>Person responsible for accounting Name and signature</p>  <p>Ing. D. Šafránek, MBA</p>	<p>Person responsible for financial statements Name and signature</p>  <p>Ing. J. Brázdil, MBA</p>
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ASSETS		Note	2022 CZK million	2021 CZK million
1.	Gold	3.1.	15,785	13,483
2.	Receivables from the International Monetary Fund	3.2.	143,955	144,298
3.	Receivables from abroad including securities	3.3.	3,058,933	3,705,615
3.1.	Deposits at foreign banks and financial institutions		855,800	1,247,231
3.2.	Securities		2,186,372	2,446,375
3.3.	Other receivables from abroad		16,761	12,009
4.	Receivables from domestic banks	3.4.	0	0
5.	Tangible and intangible fixed assets	3.5.	3,376	3,370
5.1.	Tangible fixed assets		3,176	3,190
5.2.	Intangible assets		200	180
6.	Other assets	3.6.	14,651	6,995
6.1.	Other financial assets		7,518	5,128
6.2.	Other		7,133	1,867
TOTAL ASSETS			3,236,700	3,873,761

LIABILITIES		Note	2022 CZK million	2021 CZK million
1.	Notes and coins in circulation	3.7.	709,477	731,098
2.	Liabilities to the International Monetary Fund	3.2.	136,536	137,353
3.	LIABILITIES ABROAD	3.8.	235,320	194,643
3.1.	Loans received from abroad		229,943	134,897
3.2.	Other liabilities abroad		5,377	59,746
4.	Liabilities to domestic banks	3.9.	2,075,779	2,326,085
4.1.	Loans received		1,896,729	2,132,933
4.2.	Bank monetary reserves		112,131	105,752
4.3.	Other liabilities to banks		66,919	87,400
5.	Liabilities to the state and other public institutions	3.10.	512,218	540,217
6.	Other liabilities	3.11.	48,577	13,743
7.	Provisions	3.12.	0	0
8.	Revaluation reserve	3.13.	4,523	4,497
9.	Share capital	3.13.	1,400	1,400
10.	Funds	3.13.	0	0
11.	Accumulated loss brought forward	3.13.	-75,275	-37,536
12.	Profit or loss for the year	3.13.	-411,855	-37,739
TOTAL LIABILITIES			3,236,700	3,873,761

OFF BALANCE SHEET		Note	2022 CZK million	2021 CZK million
1.	Guarantees issued	3.17.	804	804
2.	Issued loan commitments	3.2.	15,578	16,060
3.	Receivables from spot and term transactions	3.17.	307,639	402,985
4.	Liabilities from spot and term transactions	3.17.	307,005	403,737
5.	Guarantees received	3.17.	0	0
6.	Collateral received	3.17.	92,344	60,677

INCOME STATEMENT		Note	2022	2021
			CZK million	CZK million
1.	Interest income and similar income	3.14.	29,062	15,525
1.1.	Interest from fixed income securities		23,503	15,111
1.2.	Other		5,559	414
2.	Interest expense and similar expense	3.14.	-167,493	-33,992
3.	Income from shares and interests		14,299	11,414
4.	Fee and commission income		547	654
5.	Fee and commission expenses		-216	-262
6.	Gains less losses from financial transactions	3.15.	-284,655	-27,876
6.1.	Net foreign exchange gains/(losses) and foreign exchange spread		-41,308	-90,336
6.2.	Other		-243,347	62,460
7.	Other operating income		834	973
7.1.	Income from money issue		668	802
7.2.	Other		166	171
8.	Other operating expenses		-1,120	-1,498
8.1.	Expenses for production of notes and coins		-1,040	-1,420
8.2.	Other		-80	-78
9.	Administrative expenses	3.16.	-2,778	-2,382
9.1.	Personnel expenses		-2,327	-2,013
9.1.1.	Wages and salaries		-1,561	-1,409
9.1.2.	Social security and health insurance		-524	-468
9.1.3.	Training and employee benefits		-242	-136
9.2.	Other administration expenses		-451	-369
10.	Depreciation and amortization of fixed assets	3.5.	-335	-311
11.	Reversal of provisions for receivables and guarantees	3.12.	0	18
12.	Write offs, additions and utilization of provisions for receivables and guarantees	3.12.	0	-2
13.	Profit or loss for the year		-411,855	-37,739

1. GENERAL INFORMATION

The Czech National Bank (“the Bank” or “the CNB”) is the central bank of the Czech Republic (“the CR”), and an authority exercising supervision over the financial market and tasked with resolving financial market crises. The Bank was established by the Constitution of the Czech Republic 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 conducts its activities in line with Act No. 6/1993 Coll., on the Czech National Bank, as amended (“the CNB Act”) and other legal regulations. Its registered office is at Na Příkopě 28, Prague 1, Czech Republic, and its identification number is 48136450. The Bank has seven regional offices: in Prague, Ústí nad Labem, Plzeň, České Budějovice, Hradec Králové, Brno and Ostrava.

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

The Bank sets the monetary policy, issues bank notes and coins, manages the circulation of currency and inter-bank clearing and the settlement system of banks and foreign bank branches. It supervises the institutions operating on the financial market (banks, credit unions, securities traders, issuers of securities, collective investment undertakings, insurance companies, pension funds, consumer loan providers) and supervises a specific area of client protection with entities operating on the financial market which are subject to the CNB’s supervision pursuant to other legal regulations. As a central bank, it provides banking services to the state and the public sector and maintains the accounts of organizations and entities connected to the state budget. Based on an agreement with the Ministry of Finance of the Czech Republic (the “MF”) and in accordance with budgetary rules, the Bank performs transactions related to the issuing of government bonds and to financial market investments. In addition, it handles 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 institutions and international authorities involved in the supervision of the financial market and negotiates relevant agreements.

The Bank is a part of the European Central Banks System and contributes to the achievement of its objectives and tasks. It is also a part of the European System of Financial

Supervision and cooperates with the European Systemic Risk Board and with European supervisory authorities.

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

The Bank uses its income to cover the necessary costs of its operations. The generated profit is allocated to its reserve fund and to other funds created from this profit, and for other uses within the Bank’s budget. Any remaining profit is transferred by the CNB to the state budget. The CNB submits a Financial Report on its operations to the Chamber of Deputies of the Czech Parliament within three months of the calendar year-end.

The supreme management body of the Bank is the Bank Board of the CNB. 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, among others, sets monetary and macroprudential policies, including instruments for their implementation, and decides about measures concerning the supervision of financial markets.

As at 31 December 2022, the members of the Bank Board and their office termination dates were as follows:

Ing. Aleš Michl, Ph.D.

- Governor, until 30 June 2028

Ing. Marek Mora, M.E.

- Vice-Governor, until 12 February 2023

doc. Ing. Eva Zamrazilová, CSc.

- Vice-Governor, until 30 June 2028

prof. Ing. Oldřich Dědek, CSc.

- Member of the Bank Board, until 12 February 2023

prof. Dr. Ing. Jan Frait

- Member of the Bank Board, until 30 June 2028

doc. Mgr. Tomáš Holub, Ph.D.

- Member of the Bank Board, until 30 November 2024

Ing. Karina Kubelková, Ph.D., MBA

- Member of the Bank Board, until 30 June 2028

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

2. ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

The financial statements 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 and for financial instruments in compliance with the Decree also with the International Financial Reporting Standards (IFRS). 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 arrangement, definition of content and scope of items for disclosure in the notes to the financial statements were adopted in accordance with the rules set by the European Central Bank for accounting and financial reporting in the European System of Central Banks. Therefore the notes to the financial statements do not contain all information required in compliance with IFRS that are designed primarily for commercial entities.

The financial statements are prepared in compliance with the going concern assumption and the historical cost convention as modified by the revaluation of derivatives, shares, gold and other securities to fair values.

The financial statements comprise a balance sheet, income statement and accompanying notes.

The financial statements are presented in millions of Czech Crowns ("CZK million") unless stated otherwise. As they have been rounded off, the total sums presented in the tables (totals and sub-totals) may not correspond to the sum of the partial amounts.

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 Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

2.2. FOREIGN CURRENCIES AND SPECIAL DRAWING RIGHTS

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

Exchange rates	Quantity	31 Dec 2022	31 Dec 2021
EUR	1	24.115	24.860
USD	1	22.616	21.951
JPY	100	17.152	19.069
GBP	1	27.200	29.585
CHF	1	24.496	24.066
CAD	1	16.706	17.275
AUD	1	15.373	15.919
SEK	1	2.167	2.425
SDR	1	30.098	30.723
CNY	1	3.279	3.458
DKK	1	3.243	3.343
NOK	1	2.294	2.488
PLN	1	5.152	5.408
XAG	1	17.429	16.138
XAU	1	1,319.893	1,274.157
XPT	1	744.486	683.559

All resulting realized and unrealized foreign exchange gains and losses are recognized in the income statement in the gains less losses from financial operations, except for foreign exchange gains and losses from capital instruments in portfolios measured through equity which are recognized in equity (refer to Note 2.4.).

As foreign exchange gains and losses are one of the most significant income statement items for CNB and as exchange rate risk is specified for a central bank it is monitored and treated separately of other financial risks. In accordance with Section 19 IAS 1, exchange differences are always accounted for separately from other valuation differences, even in the case of financial instruments measured at fair value through profit or loss.

2.3. GOLD AND OTHER PRECIOUS METALS

For accounting and revaluation purposes, the Bank divides its precious metal inventory into four groups:

- **a) Long-term reserve** – gold placed abroad (marketable bars) and precious metals held at the Bank in the long term (bars, coins, medals).
- **b) Operating reserve** – precious metals held for the production of coins (bars, semi-finished products for the production of coins – “blanks”, demonetized coins etc.). Precious metals are either purchased for the reserve or transferred to it from the long-term reserve or from the cash reserve.
- **c) Collections reserve** – collections of coins, medals, counterfeits, legal tender specimens etc.
- **d) Cash reserve** – valid coins made of precious metals. They are not recorded as gold and other precious metals on the face of the balance sheet – they are recorded off balance sheet as valid currency in circulation in their nominal value.

Gold in groups a), b) and c) is considered to be currency and is remeasured at fair value through profit/loss. Reserves in groups a) and b) are recognized in item Gold (refer to Note 3.1) and reserve in group c) is recognized within Tangible fixed assets (refer to Note 3.5).

2.4. SECURITIES

CNB has currently no regime in place for the purchase of domestic securities. Foreign debt securities and shares held as part of the foreign currency reserves are reported as part of receivables from abroad. These include securities traded on the money and capital markets. Most of debt securities portfolios are managed by the banking transactions section. The MBS (US "Mortgage Backed Securities") portfolio is managed by external managers. The shares are also managed partly by the banking transactions section and partly by external managers; all share portfolios pursue an investment strategy consisting of maximum achievable replication ("passive replication") of selected share indices of advanced economies.

The Bank reports shares and interests representing participation in international institutions, and other shares and interests held in the long term, in other financial assets. The Bank holds no equity investments in subsidiaries or associates.

The Bank classifies all debt securities held in its portfolio as measured at fair value through profit or loss for the following reasons:

- portfolio management and evaluation is performed on the basis of the fair value of the instruments; the aim is to maximize returns while maintaining established risk and liquidity management rules,
- portfolio duration is operatively managed through derivatives (swaps and futures), which are continuously remeasured at fair value through profit or loss,
- inclusion of all income and expenses from foreign exchange reserves in the income statement is the most transparent way of their reporting to financial statements readers.

The Bank also included the shares in the measured at fair value through profit or loss category. The Bank accounts for all share portfolios on an aggregate basis based on information from securities account administrator or external managers.

Securities (excluding shares and interests in international institutions) are in most instances measured at prices directly from individual securities markets. Prices are obtained from the following sources:

- for bonds, the bid price by Bloomberg,
- for MBS, price given by Intercontinental Exchange (ICE),
- for shares, the closing price from the stock exchange on which the respective shares are traded.

In rare instances where the price supplier fails to obtain sufficient information from liquid markets, prices are calculated using models based on market data. Systematic exceptions are Commercial papers (Bloomberg does not list these securities). These bonds are measured using the present value of future cash flows using exclusively observable market indicators. The market interest rate for Commercial papers shall be the interest rate achieved by the same issuers on the primary securities market.

Shares and interests representing participation in international institutions have been classified as securities measured at fair value through equity. The shares in the Bank for International Settlements ("BIS"), the share in Society for Worldwide Interbank Financial Telecommunication ("SWIFT") and in the European Central Bank ("ECB") are non-marketable and their holding results from the membership of the CNB in these institutions. The best possible estimate of fair value of shares in ECB and SWIFT is the acquisition cost (refer to Note 3.6). The share in BIS is measured as a share of the CNB in the paid-up part of net assets (or capital) of the BIS decreased by 30% which corresponds to the method used by the BIS to determine the value of shares.

Securities and interests are initially recognized at cost which includes direct transaction costs. In respect of bonds, receivables/payables arising from the security are reported off balance sheet as at the spot trade date of the purchase/sale of the security until the date of settlement and subsequently revalued due to movements in market prices. Gains and losses from the revaluation of unsettled transactions are recognized in income statement line item 6.2. The moment the transaction is realized, the security is derecognized off balance sheet and is accounted for through on-balance sheet securities. The price of the bond is gradually increased (or decreased) using the effective interest rate method to include interest income (interest expense). In respect of floating interest rate securities, interest income from coupons is calculated using the straight-line method. In respect of inflation linked bonds, interest income changes depending on changes in inflation coefficients. Interest from bonds is reported in income statement line item 1.1. Gains and losses realized upon the sale of the security are recognized as the difference between the selling price and the current value of the security in the accounting books as at the sale date. Gains and losses from sales are recognized in income statement line item 6.2.

Gains and losses arising from changes in the fair value of securities measured at fair value through profit or loss are reported in income statement line item 6.2. Gains and losses arising from changes in the fair value of shares representing the participations are recognized directly in equity.

Dividends on shares measured through equity and dividends on shares measured at fair value through profit or loss are recognized in income statement line item 3.

2.5. REPO TRANSACTIONS AND SECURITIES LENDING

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

Foreign securities deposited with foreign depositories may be used in lending schemes (“securities lending”) operated by a depository performing the role of an agent or a direct borrower.

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

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

With both of the lending schemes, securities continue to be carried on the Bank’s balance sheet at the original carrying amount; income from these operations is recognized in income statement line item 4.

2.6. NOTES AND COINS IN CIRCULATION

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

2.7. RECEIVABLES FROM AND LIABILITIES TO THE INTERNATIONAL MONETARY FUND

Receivables from the International Monetary Fund (IMF) result from the membership of the Czech Republic in this organization. They include membership deposit, reserve position, bank funds in SDR, an interest-free loan provided within the IMF programme for the support of less developed countries and the credit facility provided to the IMF.

The membership deposit and the reserve position constitute the IMF membership quota; the membership deposit represents a share of the IMF quota paid in CZK, while the reserve position is a share of the quota paid in foreign currency and forms part of foreign exchange reserves. The quota is denominated in Special Drawing Rights (“SDR”) but expressed in the local currency. Translation into Czech Crowns is performed using the exchange rate promulgated by the IMF.

Payables to the IMF include IMF deposits in the CNB, reflecting the sum of CZK held by the IMF, an interest-free bill of exchange (outstanding portion of the deposit in CZK) and SDR allocation.

Receivables from and payables to the IMF are recorded on a gross basis, i.e. receivables and payables do not balance out.

2.8. ISSUED SECURITIES

The amount of treasury bills issued by the Bank is presented in the balance sheet after offsetting against treasury bills repurchased by the Bank. The Bank records the whole issued amount of treasury bills and uses the treasury bills only as collateral in repo transactions with domestic banks (refer to Note 3.9.).

2.9. DERIVATIVE FINANCIAL INSTRUMENTS

In terms of the types of derivatives, the Bank performs fixed term transactions (forwards, swaps and futures), which it further classifies based on the underlying instruments into interest rate (also including derivatives and bonds), currency and equity derivatives. Derivatives are accounted for off balance sheet as well as on the balance sheet.

Off balance sheet, receivables and payables from these derivatives are recognized from the derivative trade date to the final settlement date in the amount of the underlying asset, either nominal (swaps) or contracted (forwards, futures). The receivables and payables are subsequently remeasured to reflect changes in foreign exchange rates.

On the balance sheet, derivatives are recognized at their fair values, while the fair values of interest rate derivatives and equity derivatives are recognized in the currency of the underlying instrument that is simultaneously revalued to CZK. For currency derivative fair value is monitored and recognized directly in CZK.

Market values are determined using discounted future cash-flow models (for FX swap and FX forward transactions) using the ruling foreign exchange rates. Interest rate swap transactions are valued using the Bloomberg’s standard valuation tool Swap Manager (also using discounted future cash-flow model). Cash flows in forward and outright swap operations are discounted using money market rates. Futures are valued at the closing price of the relevant exchange on the given day. All market prices are calculated using publicly available information from financial markets. Fair values of derivatives are presented in other assets or in other liabilities when they are positive or negative, respectively. Changes in the fair value of derivatives are included in the income statement line 6.2 Other. The Bank recognizes all derivatives as available-for-sale derivatives and does not use hedge accounting.

2.10. INTEREST INCOME AND INTEREST EXPENSE

Interest income and interest expense on all interest-bearing instruments are accrued. Negative interest rates on assets, if any, are recognized as interest expense. Negative interest rates on liabilities are recognized as interest income. For loans, and deposits and available-for-sale coupon bonds with a floating interest rate (“floaters”) using the straight-line method, for available-for-sale zero coupon and coupon bonds with a fixed interest rate interest is accrued using the effective interest rate method derived from acquisition cost. Accrued interest is recorded together with the underlying assets and liabilities.

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

2.11. FEE INCOME

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

2.12. PAYABLES TO AND RECEIVABLES FROM DOMESTIC BANKS

Monetary reserves of banks, foreign bank branches and savings and credit societies (“domestic banks”) include deposits with the CNB relating to mandatory minimum reserves (“MMR”) and available reserves (i.e. funds above the determined amount of MMR) on accounts in the CERTIS payment system (payment system account), cash withdrawal and deposit accounts, or in special accounts reserved for the MMR.

The MMR requirement is 2% of payables to non-banking entities arising from received deposits, loans and issued non-trading and other debt securities with maturity up to 2 years. The above deposits bear interest equal to the current CZK two-week repo interest rate up to the pre-specified volume of minimum reserves, while the domestic banks are required to maintain the average MMR balance over the relevant maintenance period rather than on a daily basis. Available reserve bear the interest of 0%.

Liabilities to domestic banks from repo transactions (loans received) include the banks’ surplus liquidity deposited with the CNB through monetary policy repo tenders. The Bank provides CNB treasury bills as collateral in these transactions. The basic duration of these operations is usually 14 days, while repos with shorter/longer maturities

are executed from time to time depending on the interbank money market liquidity changes.

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

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

2.13. OTHER RECEIVABLES

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

2.14. LIABILITIES TO THE GOVERNMENT AND OTHER PUBLIC INSTITUTIONS

The Bank maintains a system of income and expense accounts and other accounts for the government and its organizational units and other entities pursuant to Section 3(h) of Act No. 218/2000 Coll., on Budgetary Rules. The Bank also provides selected banking services on these accounts. Account balances in CZK and EUR are reflected in the balance of the Single Treasury Account. Accordingly, these liabilities represent funds of the government and other public institutions deposited with the CNB.

2.15. PROVISIONS

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

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

2.16. SPECIFIC PROVISIONS

Specific provisions are deducted from the nominal value of each receivable originated by the Bank. The amount of specific provisions for classified receivables and assets at risk is based on appraisals of these assets at the balance sheet date after taking into consideration the present forced sale value of collateral (refer to Notes 3.6 and 3.12).

In addition, in accordance with IFRS 9 the Bank applies a calculation model of financial asset impairment based on expected credit losses based on the historical cumulative probability of the debtor's default. In applying this approach, the Bank performed an analysis of all groups of financial assets. Given that the amount of the required specific provision mentioned above is negligible with respect to the volume of the CNB's assets (CZK 1.01 million and CZK 1.55 million in 2022 and 2021, respectively), it is not recognized.

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

The Bank monitors and regularly reviews the level of the credit risk taken (refer to Note 3.18).

2.17. TANGIBLE AND INTANGIBLE FIXED ASSETS

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

If usage of intangible fixed assets is limited by contract, the intangible fixed assets are amortized over the contractual period. Low-value tangible assets with a unit cost not exceeding CZK 80,000, as well as low-value intangible assets with a unit cost not exceeding CZK 60,000, are fully depreciated/amortized upon the inception of use. Land, art and art collections are not depreciated.

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

Estimated useful lives of assets in years	
Buildings and constructions	20 – 50
Machinery and equipment	
motor vehicles	4 – 5
office equipment and computers	3 – 4
banknote processing systems	10
Furniture and fixtures	5 – 10
Software	4
Long-term software	6
Other intangible fixed assets	6

Repairs and maintenance expenditures are charged to expenses as incurred. Technical improvements exceeding CZK 40,000 for the year are capitalized.

2.18. 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.

2.19. INCOME TAX AND PROFIT TRANSFER TO THE STATE BUDGET

The Bank is exempt from income tax in accordance with Section 19(1)(u) of Act No. 586/92 Coll. on Income Taxes, as amended. As a result, the Bank does not account for current or deferred tax. The Bank uses its income to cover the costs of its operations. The profit is allocated to funds and other usage (e.g. settlement of accumulated losses from previous periods) in the budgeted amount. Any remaining profit is transferred to the state budget.

2.20. STAFF COSTS AND EMPLOYEE BENEFITS

Staff costs, including costs of the Bank Board members, are included in administration expenses. The Bank does not administer any transformed pension fund or participation fund as a pension company. However, the Bank provides contributions to its employees for additional pension insurance or supplementary pension insurance administered by pension companies, and provides contributions for capital pension schemes and life and casualty insurance, language training and also provides contribution in the form of cafeteria system in the spheres of sports, culture, health, traveling and education. Employee benefits are accounted for directly as an expense.

2.21. CASH FLOW STATEMENT

In accordance with the Act on Accounting (No. 563/1991 Coll.), the CNB is not obliged to prepare a cash flow statement as part of its financial statements. As the Bank is the central bank, the presentation of a cash flow statement would not provide further significant information to the users of these financial statements. The cash flow statement is therefore not prepared.

2.22. ACCOUNTING TRANSACTION DATE

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 at the trade date off balance sheet; they are recognized on the balance sheet at the settlement date. Credit transactions, including repo transactions, are accounted for at the settlement date.

2.23. OTHER OFF BALANCE SHEET ITEMS

In compliance with accounting procedures for banks, the CNB records other off-balance sheet assets and liabilities in an off-balance sheet account. Off-balance-sheet items are

carried at face value or estimated value. The carrying amount is used if neither face value nor estimated value can be determined.

In the off-balance sheet the Bank recognizes other assets taken into custody from clients and banks, assets in own custody and other carrying amounts (refer to Note 3.17.).

2.24. SUBSEQUENT EVENTS

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

Where significant events reflecting post balance sheet facts occur subsequent to the balance sheet date but prior to the compilation of the financial statements, the effects of these events are disclosed in the notes to the financial statements, but are not reported in the financial statements (refer to Note 3.21).

3. ADDITIONAL INFORMATION

3.1. GOLD

	2022	2021
Gold (CZK million)	15,785	13,483
Long-term reserve	15,018	12,959
Operating reserve	767	524
Gold (thousand Troy ounces)	385	340
Long-term reserve	366	327
Operating reserve	19	13
Gold (tons)	12.0	10.6
Long-term reserve	11.4	10.2
Operating reserve	0.6	0.4

Revaluation of gold at fair value is recognized in 6.1 Net foreign exchange gains/(losses) and foreign exchange spread in the accompanying income statement. The Bank records other gold reported separately as Collections reserve (part of other tangible fixed assets) or as Cash reserve (off balance sheet records).

	2022	2021
Collections reserve		
Carrying amount – CZK million	324	312
Troy ounces – thousands	8	8
Tones	0.2	0.2
Cash reserve		
Carrying amount – CZK million	12	12

As at 31 December 2022 a foreign bank deposit denominated in gold amounted to CZK 12,224 million (9.3t) (as at 31 December 2021: CZK 9,494 million (7.4t)).

3.2. RECEIVABLES FROM AND PAYABLES TO THE INTERNATIONAL MONETARY FUND

CZK million	2022	2021
Membership quota at the IMF	67,075	65,866
Membership deposit	50,160	49,183
Reserve position	16,915	16,683
Loan provided to the IMF	171	174
Deposits in the IMF	76,709	78,258
Receivables from the IMF	143,955	144,298
Payable from the SDR allocation	86,376	88,170
Payable to the IMF from the bill of exchange	45,039	43,650
Current account with the IMF	5,121	5,533
Payables to the IMF	136,536	137,353

The CNB has a bilateral loan agreement with the IMF (the fourth such agreement), which came into effect on 1 January 2021. As at 31 December 2022, the unused credit facility amounts to EUR 646 million, i.e. CZK 15,578 million (as at 31 December 2021: EUR 646 million, i.e. CZK 16,060 million). The agreement is not secured by a state guarantee.

3.3. RECEIVABLES FROM ABROAD INCLUDING SECURITIES

This item represents a majority portion of foreign currency reserves are used to conduct the Bank's own independent currency policy and as a source of liquidity for performing transactions of the CNB's clients. Nearly 97% of foreign reserves are portfolios whose strategic allocation is the result of the CNB's internal decision-making processes and which form the so-called actively managed part of foreign exchange reserves. The rest of the reserves consist of receivables from the IMF in special drawing rights (SDRs) (refer to Note 3.2) and monetary gold held by the CNB (refer to Note 3.1). In terms of utilization, the Bank divides foreign currency reserves into a liquidity tranche, which comprised 24.7% at the end of 2022, and an investment tranche, which comprised 75.3% of the actively managed part of foreign currency reserves.

CZK million	2022	2021
Deposits at foreign banks and financial institutions	855,800	1,247,231
Current account balances ¹	836,588	1,193,517
Deposits ¹	19,212	53,714
Securities	2,186,372	2,446,375
Zero-coupon bonds ²	34,336	55,717
State ²	34,336	53,229
Other ³	0	2,488
Coupon bonds ²	1,618,426	1,778,247
State ²	1,256,005	1,352,959
Other ³	362,421	425,288
MBS ²	39,946	44,006
Shares ²	493,664	568,405
MSCI euro (in EUR)	243,921	283,596
of which financial institutions	41,035	43,201
S&P 500 (in USD)	125,463	148,548
of which financial institutions	16,023	16,072
FTSE 100 (in GBP)	24,390	25,316
of which financial institutions	4,250	4,513
Nikkei 225 (in JPY)	21,461	26,064
of which financial institutions	609	539
S&P TSX (in CAD)	51,298	56,568
of which financial institutions	16,258	18,671
S&P ASX 200 (in AUD)	27,131	28,313
of which financial institutions	7,763	8,266
Other receivables from abroad	16,761	12,009
Funds invested through reverse repo transactions ¹	16,471	11,602
Foreign currency ¹	290	407
Receivables from abroad including securities	3,058,933	3,705,615

¹ – Financial instruments classified as measured at acquisition cost or amortized cost.

² – Financial instruments classified as measured at fair value and at market prices directly from financial markets (refer to Note 2.4.).

³ – Financial instruments classified as measured at fair value and at market prices directly from financial markets (refer to Note 2.4.) with exceptions valued using models which in 2022 represented Commercial papers at a value of CZK 2,165 million.

Foreign banks are banks with registered offices abroad. Foreign banks do not include branches of foreign banks with the registered office in the Czech Republic.

Other receivables from abroad are particularly represented by reverse repo transactions for which collateral was received in the amount of CZK 16,375 million as at 31 December 2022 (31 December 2021: CZK 11,144 million) (refer to Note 3.17.).

Deposits also include provided collateral in the form of cash placed in foreign banks in the total amount of CZK 2,643 million (31 December 2021: CZK 3,243 million) provided based on the framework agreements on derivatives transactions (ISDA Master Agreement, ISDA Credit Support Annex and GMRA Master Agreements).

Part of the securities is temporarily transferred to other entities, either as collateral for loans received (repo transactions) or under lending schemes.

3.5. TANGIBLE AND INTANGIBLE FIXED ASSETS

The Bank did not provide any tangible or intangible fixed assets as collateral and does not hold any fixed assets under finance lease contracts. Other tangible assets include the collection of coins and medals made of precious metals in the amount of CZK 324 million as at 31 December 2022 (31 December 2021: CZK 312 million) for which the value of precious metals is remeasured at fair value through profit or loss.

CZK million	Land	Buildings	Machinery, furniture and fittings and other tangible assets	Acquisition of assets and prepayments made	Total
Acquisition cost as at 31 December 2021	164	7,030	2,832	78	10,104
Accumulated depreciation as at 31 December 2021	0	4,715	2,199	0	6,914
Net book value as at 31 December 2021	164	2,315	633	78	3,190
Additions	0	65	287	389	741
Disposals	0	0	130	427	557
Change in accumulated depreciation	0	176	22	0	198
Net book value as at 31 December 2022	164	2,204	768	40	3,176
Acquisition cost as at 31 December 2022	164	7,095	2,989	40	10,288
Accumulated depreciation as at 31 December 2022	0	4,891	2,221	0	7,112

CZK million	Software	Other intangible assets	Acquisition of assets and prepayments made	Total
Acquisition cost as at 31 December 2021	1,035	25	0	1,060
Accumulated amortization as at 31 December 2021	862	18	0	880
Net book value as at 31 December 2021	173	7	0	180
Additions	47	22	77	146
Disposals	15	1	75	91
Change in accumulated depreciation	32	3	0	35
Net book value as at 31 December 2022	173	25	2	200
Acquisition cost as at 31 December 2022	1,067	46	2	1,115
Accumulated amortization as at 31 December 2022	894	21	0	915

CZK million	2022	2021
Bonds		
for making repo transaction	224,349	134,356
for making derivative transactions entered into with the counterparty	1,272	535
lending schemes	779,830	418,249
Shares		
lending scheme	65,753	34,763

3.4. RECEIVABLES FROM DOMESTIC BANKS

During the year, the CNB concludes reverse repo transactions with domestic banks in the form of:

- Provided loans – as at 31 December 2022 and 2021, no transactions were concluded; and
- Securities (collateral switch) – as at 31 December 2022 and 2021, no transactions were concluded.

3.6. OTHER ASSETS

Other financial assets include the Bank's share in the ECB, BIS and the SWIFT. The share of the Czech Republic in the ECB's capital as at 31 December 2022 amounts to 1.8794% totaling EUR 7.6 million (as at 31 December 2021 it amounted to 1.8794% totaling EUR 7.6 million). The share was calculated in line with Article 29 of the ESCB and ECB Statute using the population number and gross domestic product.

CZK million	2022	2021
Other financial assets	7,518	5,128
Share in the ECB capital	184	190
BIS and SWIFT shares	4,971	4,938
Bonds	2,363	0
Receivables from former banks	0	0
Loss-making loans provided to former banks	1,340	1,340
Specific provision for loss-making loans provided to former banks (refer to Note 3.12.)	-1,340	-1,340
Other	7,133	1,867
Prepaid expenses	27	18
Other precious metals	16	18
Positive fair value of interest rate swaps (refer to Note 3.17.)	3,511	64
Positive fair value of currency forwards (refer to Note 3.17.)	767	0
Margin account including profit/(loss) from change in fair value of futures (refer to Note 3.17.)	277	571
Loans to employees	445	392
Clearing with the securities market	1,207	676
Other operating receivables	895	140
Specific provisions against other operating receivables (refer to Note 3.12.)	-12	-12
Other assets	14,651	6,995

3.7. NOTES AND COINS IN CIRCULATION

The Bank has the exclusive right to issue Czech notes and coins (including commemorative notes and coins) to be put into circulation and to manage circulation. The Bank withdraws from circulation worn-out and damaged notes and coins, or those unsuitable for further circulation. In addition, it supervises processors of notes and coins (banks, security agencies, etc.) to make sure that they adhere to the determined rules of cash circulation (Act No. 136/2011 Coll., on the Circulation of Banknotes and Coins).

	million pieces		CZK million	
	2022	2021	2022	2021
Notes in circulation	525	535	686,706	709,095
CZK 5,000	29	33	144,311	165,821
CZK 2,000	182	177	363,608	354,538
CZK 1,000	137	147	136,923	146,589
CZK 500	43	43	21,583	21,740
CZK 200	69	69	13,749	13,831
CZK 100	65	66	6,528	6,574
Commemorative notes	0	0	4	2

	million pieces		CZK million	
	2022	2021	2022	2021
Coins in circulation	2,268	2,198	22,771	22,003
CZK 50	170	166	8,504	8,276
CZK 20	246	239	4,909	4,783
CZK 10	269	261	2,694	2,612
CZK 5	323	313	1,615	1,564
CZK 2	580	559	1,161	1,119
CZK 1	677	657	677	657
Commemorative coins	3	3	3,211	2,992
Notes and coins in circulation	2,793	2,733	709,477	731,098

3.8. LIABILITIES ABROAD

CZK million	2022	2021
Funds from repo transactions	229,943	134,897
Other liabilities abroad	5,377	59,746
Liabilities abroad	235,320	194,643

As at 31 December 2022, funds for repo transactions were secured by collateral in the form of debt securities totaling CZK 224,349 million (31 December 2021: CZK 134,356 million) (refer to Note 3.3.).

In addition, foreign banks made deposits in CZK amounting to CZK 3,001 million (31 December 2021: CZK 59,585 million) and provided collaterals in the form of cash deposits of CZK 2,340 million (31 December 2021: CZK 137 million) in accordance with master agreements on derivative transactions (ISDA Master Agreement, ISDA Credit Support Annex and GMRA Master Agreements).

3.9. LIABILITIES TO DOMESTIC BANKS

CZK million	2022	2021
Loans received - repo transactions	1,896,729	2,132,933
Domestic bank reserves	112,131	105,752
Payment system accounts	105,148	99,189
Balances on cash withdrawal and deposit accounts	6,975	6,556
Special MMR accounts	8	7
Other liabilities to domestic banks	66,919	87,400
Short-term deposits received	44,706	87,366
Other payables	22,213	34
Liabilities to domestic banks	2,075,779	2,326,085

The CNB concludes reverse repo transactions with domestic banks in the form of received loans (collateral used in the repo transactions were CNB's treasury bills).

For more information refer to Notes 2.5 and 2.8 of Accounting Policies.

3.10. LIABILITIES TO THE GOVERNMENT AND OTHER PUBLIC INSTITUTIONS

CZK million	2022	2021
CZK funds	463,836	538,491
Single Treasury Account and other state funds in CZK (refer to Note 2.14.)	424,229	480,973
Other deposits in CZK	39,607	57,518
Foreign currency funds	48,382	1,726
Single Treasury Account in EUR	46,988	0
Other deposits in foreign currencies	1,394	1,726
State and public institution deposits	512,218	540,217

3.11. OTHER LIABILITIES

CZK million	2022	2021
Negative fair value of currency forwards (refer to Note 3.17.)	47	870
Negative fair value of interest rate swaps (refer to Note 3.17.)	2,028	2,361
Payables to the European Commission	10,319	7,244
Employee accounts	2,996	2,189
Redistribution accounts for payment transactions ¹	32,307	484
Other payables	880	595
Other liabilities	48,577	13,743

¹ The redistribution accounts for payment transactions are technical accounts for the execution of payments.

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

Other liabilities totaling CZK 880 million include liabilities of CZK 173 million owing to social security and health insurance premiums as at 31 December 2022 (as at 31 December 2021: CZK 108 million). The Bank has no liabilities related to social security and health insurance that would be overdue.

3.12. PROVISIONS, SPECIFIC PROVISIONS AND WRITE-OFFS OF ASSETS

CZK million	1 Jan 2021	Additions	Use due to write-offs	Reversals	31 Dec 2021	Additions	Use due to write-offs	Reversals	31 Dec 2022
Specific provisions	1,368	2	0	18	1,352	0	0	0	1,352
Classified loans of former banks (refer to Note 3.6.)	1,358	0	0	18	1,340	0	0	0	1,340
Other operating receivables (refer to Note 3.6.)	10	2	0	0	12	0	0	0	12

CZK million	1 Jan 2021	Additions	Reversals	FX differences	31 Dec 2021	Additions	Reversals	FX differences	31 Dec 2022
Provisions	0	0	0	0	0	0	0	0	0
Guarantees for clients (refer to Note 3.17)	0	0	0	0	0	0	0	0	0

3.13. EQUITY

CZK million	Revaluation reserve	Share capital	Funds	Accumulated losses	Profit/loss for the year	Total equity
Balance as at 1 January 2021	4,289	1,400	0	-129,217	91,682	-31,846
Distribution of 2020 profit	0	0	0	91,682	-91,682	0
Other (rounding effect)	0	0	0	-1	0	-1
Revaluation reserve not included in profit	208	0	0	0	0	208
Profit/(loss) for 2021	0	0	0	0	-37,739	-37,739
Balance as at 31 December 2021	4,497	1,400	0	-37,536	-37,739	-69,378
Distribution of 2021 profit	0	0	0	-37,739	37,739	0
Other (rounding effect)	0	0	0	0	0	0
Revaluation reserve not included in profit	26	0	0	0	0	26
Profit/(loss) for 2022	0	0	0	0	-411,855	-411,855
Balance as at 31 December 2022	4,523	1,400	0	-75,275	-411,855	-481,207

The CNB already reported negative equity in the past. It had no adverse effect on fulfilment of the Bank's statutory mandate to maintain price stability or on implementation of other tasks. Therefore, the CNB considers negative equity to be neither a factor limiting the central bank's independence nor a threat to the performance of its statutory functions.

The revaluation reserve represents the change in the fair value of shares and interests representing participations remeasured through equity (participations in international institutions) until the time of sale or permanent impairment (refer to Note 2.4.).

The Bank's only fund is the general reserve fund which has been created from profit and is restricted to cover accumulated losses, increase in the share capital or for any other purpose approved by the Bank Board of the CNB. In 2019, based on the decision of the CNB's Bank Board, the general reserve fund was used in full to decrease the accumulated loss of prior years. Distribution of current year profit is made on the grounds of the Bank Council's decision.

3.14. NET INTEREST INCOME

CZK million	2022	2021
Interest income and similar income	29,062	15,525
Interest on securities	23,503	15,111
Interest on zero-coupon bonds	221	5
Interest on coupon bonds	22,006	13,933
Interest on MBS	1,276	1,173
Other interest income	5,559	414
Interest on inter-bank deposits	5,553	410
Interest on employees loans	6	4
Interest expense and similar expense	167,493	33,992
Interest on liabilities to banks	167,231	33,974
Interest on liabilities to employees and other clients	262	18
Net interest income¹	-138,431	-18,467

¹ Net interest income represents the difference between interest received and interest paid on securities and deposits. Its value was mainly influenced by the growth of interest on surplus liquidity of the domestic banking sector.

3.15. GAINS LESS LOSSES FROM FINANCIAL TRANSACTIONS

CZK million	2022	2021
Foreign exchange gains or losses and foreign exchange spread	-41,308	-90,336
Foreign exchange gains/losses	-42,475	-91,433
Foreign exchange spread	1,167	1,097
Other	-243,347	62,460
Gains/losses from revaluation and sale of bonds	-165,498	-38,742
Gains/losses from revaluation and sale of MBS	-7,117	-1,873
Gains/losses from revaluation and sale of shares	-79,515	99,542
Net gains/(losses) from currency forwards	3,139	1,164
Net gains/(losses) from interest rate futures	2,379	234
Net gains/(losses) from interest rate swaps	3,551	1,497
Net gains/(losses) from share futures	-286	638
Profit/loss from financial transactions²	-284,655	-27,876

² Profit/loss from financial transactions was caused by simultaneous decline in prices in bond and equity portfolios and by foreign exchange development impact.

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

3.16. OTHER COSTS

CZK million	2022	2021
Personnel costs	2,327	2,013
Wages and salaries	1,561	1,409
Social security and health insurance	524	468
Cost of personnel training	8	6
Employee benefits	234	130
Other administrative expenses	451	369
Rent	6	6
Other	445	363
Total administrative expenses	2,778	2,382

As at 31 December 2022, the average recalculated headcount including the Bank Board amounted to 1,466 employees (31 December 2021: 1,448 employees).

3.17. OFF-BALANCE SHEET ITEMS

GUARANTEES

CZK million	2022	2021
Guarantees issued	804	804
Guarantees for clients (refer to Note 3.12)	0	0
For deposits held by IPB	4	4
Consolidation of the banking sector – sale of part of the business of Agrobanka Praha a. s.	800	800
Guarantees received	0	0
State guarantee to secure the loan to the IMF	0	0

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

COLLATERAL RECEIVED

CZK million	2022	2021
Repo transactions	16,375	11,144
Collateral received for shares granted within the lending scheme	72,720	38,110
Derivatives and additional collateral	1,197	524
Swap transactions	2,052	10,899
Collateral received	92,344	60,677

The Bank shall be guaranteed by depositor the return of securities in the total amount of CZK 780 billion as part of lending schemes (as at 31 December 2021: CZK 418 billion).

SPOT TRANSACTIONS AND FINANCIAL DERIVATIVES

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

CZK million	2022	2021
Off-balance sheet receivables	307,639	402,985
from currency forward transactions	165,603	282,042
from interest rate swap transactions	74,564	57,809
from interest rate futures transactions	6,240	16,613
from share futures transactions	3,184	2,532
from unsettled interest rate spot transactions	4,771	5,548
from unsettled currency spot transactions	46,220	26,179
from interest forward transactions	7,057	12,262
Off-balance sheet liabilities	307,005	403,737
from currency forward transactions	164,915	282,779
from interest rate swap transactions	74,564	57,809
from interest rate futures transactions	6,240	16,613
from share futures transactions	3,184	2,533
from unsettled interest rate spot transactions	4,771	5,548
from unsettled currency spot transactions	46,274	26,193
from interest forward transactions	7,057	12,262

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

CZK million	2022	2021
Off-balance sheet receivables from forward transactions	165,603	282,042
Off-balance sheet payables from forward transactions	164,915	282,779
Positive fair value (refer to Note 3.6.)	767	0
Negative fair value (refer to Note 3.11.)	47	870

All currency forwards will mature in 2023.

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 in the fair value of these foreign currency forwards are reported in gains less losses from financial operations. Gains and losses from revaluation arising from changes in foreign exchange rates are reported under net foreign exchange gains/(losses) and foreign exchange spread (refer to Note 3.15.).

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

CZK million	2022	2021
Off-balance sheet receivables from interest rate swap transactions	74,564	57,809
Off-balance sheet payables from interest rate swap transactions	74,564	57,809
Positive fair value (refer to Note 3.6.)	3,511	64
Negative fair value (refer to Note 3.11.)	2,028	2,361

The interest rate swaps also do not qualify for hedge accounting as defined by Czech accounting regulations and, accordingly, are treated as derivatives held for trading. Gains and losses from the change in the fair value are recorded in gains less losses from financial operations (refer to Note 3.15.). The gold received as part of swap transactions is measured at market price and reported off balance sheet as received collateral.

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

CZK million	2022	2021
Off-balance sheet receivables from interest rate futures transactions	6,240	16,613
Off-balance sheet payables from interest rate futures transactions	6,240	16,613
Net gain/(loss) from change in fair values of interest rate futures transactions for the reporting period (refer to Note 3.15.)	2,379	234
Off-balance sheet receivables from share futures transactions	3,184	2,532
Off-balance sheet payables from share futures transactions	3,184	2,533
Net gain/(loss) from change in fair values of futures transactions for the reporting period (refer to Note 3.15.)	-286	638
Net gain/(loss) from change in fair values of futures transactions for the reporting period	2,093	873
Cash on margin account	1,816	302
Margin account including settled change in fair value of interest rate futures transactions (refer to Note 3.6.)	277	571

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

The interest rate and share futures transactions also do not qualify for hedge accounting as defined by Czech accounting regulations and, accordingly, are treated as derivatives held for trading. Gains and losses from the change in the fair value are recorded in gains less losses from financial operations (refer to Note 3.15.).

Assets held in custody

The Bank did not receive any financially significant assets from third parties to be held in custody in 2022 and 2021, respectively.

3.18. FINANCIAL RISKS

Liquidity Risk

The Bank monitors and manages the structure of its foreign currency reserves with respect to the use of its foreign currency reserves taking into consideration developments in financial markets and size of the reserves. For these purposes, the Bank has allocated a portion of foreign reserve assets to the so-called liquidity tranche in which it maintains funds that are intended for immediate need. In addition, the Bank invests part of the investment tranche in government bonds of the most advanced countries and in shares listed on the largest world's stock exchanges; these bonds and shares are also the most liquid instruments on the market.

Interest Rate Risk

The Bank holds financial instruments in its foreign reserves, the price of which is sensitive to changes in market interest rates. This sensitivity is expressed by duration. The Bank manages interest rate risk by setting limits on the maximum duration, for individual portfolios. These limits are set with regard to the use of foreign reserves, their amount and expected return.

Currency Risk

The CZK value of foreign currency reserves is exposed to changes in the CZK exchange rate versus individual foreign currencies in which foreign reserves are held. Due to the necessity to keep foreign currency reserves and subordinate their development to the primary statutory target of monetary stability, the CNB is not able to fully eliminate the risk of decrease of CZK value of foreign currency reserves from the strengthening of the Czech currency against major foreign currencies. However, by appropriate diversification into several currencies, the Bank seeks to reduce this risk to at least partially take advantage of the opposing movements in the CZK exchange rate against currencies in foreign reserves.

Credit risk and the concentration of liabilities

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 an ongoing basis and are subject to review several times per year. The basic measure of credit risk is the rating of the borrower or issuer of a security from reputable rating agencies.

LIQUIDITY RISK

The table below presents the structure of financial instruments in terms of their liquidity by contractual maturity.

CZK million		Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	Total
Gold	2022	0	0	0	0	0	15,785	15,785
	2021	0	0	0	0	0	13,483	13,483
Receivables from the IMF	2022	0	0	0	0	0	143,955	143,955
	2021	0	0	0	0	0	144,298	144,298
Zero-coupon bonds	2022	2,166	0	28,095	4,075	0	0	34,336
	2021	31,019	9,536	4,858	10,304	0	0	55,717
Coupon bonds	2022	2,208	3,834	103,319	828,001	681,064	0	1,618,426
	2021	0	1,171	78,174	1,156,565	542,337	0	1,778,247
MBS	2022	389	67	134	48	39,308	0	39,946
	2021	2,778	1,368	395	557	38,908	0	44,006
Shares	2022	0	0	0	0	0	493,664	493,664
	2021	0	0	0	0	0	568,405	568,405
Deposits, loans and other receivables from abroad	2022	872,561	0	0	0	0	0	872,561
	2021	1,259,240	0	0	0	0	0	1,259,240
Receivables from domestic banks	2022	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Tangible and intangible fixed assets	2022	0	0	0	0	0	3,376	3,376
	2021	0	0	0	0	0	3,370	3,370
Other assets	2022	9,026	0	27	44	399	5,155	14,651
	2021	1,458	0	18	41	350	5,128	6,995
Total assets	2022	886,350	3,901	131,575	832,168	720,771	661,935	3,236,700
	2021	1,294,495	12,075	83,445	1,167,467	581,595	734,684	3,873,761
Notes and coins in circulation	2022	0	0	0	0	0	709,477	709,477
	2021	0	0	0	0	0	731,098	731,098
Liabilities to the IMF	2022	0	0	0	0	0	136,536	136,536
	2021	0	0	0	0	0	137,353	137,353
Liabilities abroad	2022	235,320	0	0	0	0	0	235,320
	2021	194,643	0	0	0	0	0	194,643
Liabilities to domestic banks	2022	2,075,779	0	0	0	0	0	2,075,779
	2021	2,326,085	0	0	0	0	0	2,326,085
Liabilities to the government	2022	512,218	0	0	0	0	0	512,218
	2021	540,217	0	0	0	0	0	540,217
Other liabilities	2022	48,577	0	0	0	0	0	48,577
	2021	13,743	0	0	0	0	0	13,743
Provisions	2022	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Equity	2022	0	0	0	0	0	-481,207	-481,207
	2021	0	0	0	0	0	-69,378	-69,378
Total liabilities	2022	2,871,894	0	0	0	0	364,806	3,236,700
	2021	3,074,688	0	0	0	0	799,073	3,873,761
Net liquidity gap	2022	-1,985,544	3,901	131,575	832,168	720,771	297,129	0
	2021	-1,780,193	12,075	83,445	1,167,467	581,595	-64,389	0

INTEREST RATE RISK

The table below presents the structure of financial instruments in terms of their sensitivity to interest rate as per coupon maturity or interest rate date of debt instrument.

CZK million		Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not sensitive to the interest rate	Total
Gold	2022	0	0	0	0	0	15,785	15,785
	2021	0	0	0	0	0	13,483	13,483
Receivables from the IMF	2022	0	0	0	0	0	143,955	143,955
	2021	0	0	0	0	0	144,298	144,298
Zero-coupon bonds	2022	2,166	0	28,095	4,075	0	0	34,336
	2021	31,019	9,536	4,858	10,304	0	0	55,717
Coupon bonds	2022	20,358	11,626	127,786	792,415	666,241	0	1,618,426
	2021	7,776	19,051	120,879	1,089,898	540,643	0	1,778,247
MBS	2022	389	67	134	48	39,308	0	39,946
	2021	2,778	1,368	395	557	38,908	0	44,006
Shares	2022	0	0	0	0	0	493,664	493,664
	2021	0	0	0	0	0	568,405	568,405
Deposits, loans and other receivables from abroad	2022	872,561	0	0	0	0	0	872,561
	2021	1,259,240	0	0	0	0	0	1,259,240
Receivables from domestic banks	2022	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Tangible and intangible fixed assets	2022	0	0	0	0	0	3,376	3,376
	2021	0	0	0	0	0	3,370	3,370
Other assets	2022	9,053	0	0	44	399	5,155	14,651
	2021	1,476	0	0	41	350	5,128	6,995
Total assets	2022	904,527	11,693	156,015	796,582	705,948	661,935	3,236,700
	2021	1,302,289	29,955	126,132	1,100,800	579,901	734,684	3,873,761
Notes and coins in circulation	2022	0	0	0	0	0	709,477	709,477
	2021	0	0	0	0	0	731,098	731,098
Liabilities to the IMF	2022	0	0	0	0	0	136,536	136,536
	2021	0	0	0	0	0	137,353	137,353
Liabilities abroad	2022	235,320	0	0	0	0	0	235,320
	2021	194,643	0	0	0	0	0	194,643
Liabilities to domestic banks	2022	2,075,779	0	0	0	0	0	2,075,779
	2021	2,326,085	0	0	0	0	0	2,326,085
Liabilities to the government	2022	512,218	0	0	0	0	0	512,218
	2021	540,217	0	0	0	0	0	540,217
Other liabilities	2022	48,577	0	0	0	0	0	48,577
	2021	13,743	0	0	0	0	0	13,743
Provisions	2022	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0
Equity	2022	0	0	0	0	0	-481,207	-481,207
	2021	0	0	0	0	0	-69,378	-69,378
Total liabilities	2022	2,871,894	0	0	0	0	364,806	3,236,700
	2021	3,074,688	0	0	0	0	799,073	3,873,761
Net liquidity gap	2022	-1,967,367	11,693	156,015	796,582	705,948	297,129	0
	2021	-1,772,399	29,955	126,132	1,100,800	579,901	-64,389	0

CURRENCY RISK

The table below presents the structure of financial instruments in terms of their division per currencies.

CZK million		CZK	EUR	USD	JPY	GBP	CAD	AUD	CNY	Other	Total
Gold	2022	0	0	0	0	0	0	0	0	15,785	15,785
	2021	0	0	0	0	0	0	0	0	13,483	13,483
Receivables from the IMF	2022	50,160	0	0	0	0	0	0	0	93,795	143,955
	2021	49,183	0	0	0	0	0	0	0	95,115	144,298
Zero-coupon bonds	2022	0	32,171	0	0	0	0	0	0	2,165	34,336
	2021	0	19,770	0	35,947	0	0	0	0	0	55,717
Coupon bonds	2022	0	617,631	601,987	0	69,516	158,670	89,670	50,759	30,193	1,618,426
	2021	0	796,516	537,238	0	86,519	185,398	102,050	40,947	29,579	1,778,247
MBS	2022	0	0	39,946	0	0	0	0	0	0	39,946
	2021	0	0	44,006	0	0	0	0	0	0	44,006
Shares	2022	0	243,921	125,463	21,461	24,390	51,298	27,131	0	0	493,664
	2021	0	283,596	148,548	26,064	25,316	56,568	28,313	0	0	568,405
Deposits, loans and other receivables from abroad	2022	0	686,467	8,648	51,993	6,070	113	104	20	119,146	872,561
	2021	0	1,055,868	26,589	50,969	11,769	168	203	21	113,653	1,259,240
Receivables from domestic banks	2022	0	0	0	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0	0	0	0
Tangible and intangible fixed assets	2022	3,052	0	0	0	0	0	0	0	324	3,376
	2021	3,057	0	0	0	0	0	0	0	313	3,370
Other assets	2022	3,729	1,924	3,643	50	115	151	52	0	4,987	14,651
	2021	538	1,073	129	47	87	123	42	0	4,956	6,995
Total assets	2022	56,941	1,582,114	779,687	73,504	100,091	210,232	116,957	50,779	266,395	3,236,700
	2021	52,778	2,156,823	756,510	113,027	123,691	242,257	130,608	40,968	257,099	3,873,761
Notes and coins in circulation	2022	709,477	0	0	0	0	0	0	0	0	709,477
	2021	731,098	0	0	0	0	0	0	0	0	731,098
Liabilities to the IMF	2022	50,160	0	0	0	0	0	0	0	86,376	136,536
	2021	49,183	0	0	0	0	0	0	0	88,170	137,353
Liabilities abroad	2022	3,036	195,133	12,749	0	9,954	0	5,300	0	9,148	235,320
	2021	59,609	123,371	62	0	11,601	0	0	0	0	194,643
Liabilities to domestic banks	2022	2,075,779	0	0	0	0	0	0	0	0	2,075,779
	2021	2,326,085	0	0	0	0	0	0	0	0	2,326,085
Liabilities to the government	2022	463,836	47,043	1,338	0	1	0	0	0	0	512,218
	2021	538,491	0	1,726	0	0	0	0	0	0	540,217
Other liabilities	2022	14,667	33,565	161	0	160	0	24	0	0	48,577
	2021	11,007	395	2,323	0	15	0	2	0	1	13,743
Provisions	2022	0	0	0	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0	0	0	0
Equity	2022	-485,830	0	0	0	0	0	0	0	4,623	-481,207
	2021	-73,962	0	0	0	0	0	0	0	4,584	-69,378
Total liabilities	2022	2,831,125	275,741	14,248	0	10,115	0	5,324	0	100,147	3,236,700
	2021	3,641,511	123,766	4,111	0	11,616	0	2	0	92,755	3,873,761
Net assets/liabilities (-)	2022	-2,774,184	1,306,373	765,439	73,504	89,976	210,232	111,633	50,779	166,248	0
	2021	-3,588,733	2,033,057	752,399	113,027	112,075	242,257	130,606	40,968	164,344	0
Net off-balance sheet assets	2022	0	139,034	130,647	23,410	6,648	3,495	4,398	0	7	307,639
	2021	0	68,271	296,647	28,436	4,986	598	3,494	0	553	402,985
Net off-balance sheet liabilities	2022	0	-62,022	-61,202	-53,152	-4,263	-6,779	-6,825	0	-112,762	-307,005
	2021	0	-93,411	-102,114	-90,772	-3,145	-248	-5,970	0	-108,077	-403,737
Net open currency position	2022	-2,774,184	1,383,385	834,884	43,762	92,361	206,948	109,206	50,779	53,493	634
	2021	-3,588,733	2,007,917	946,932	50,691	113,916	242,607	128,130	40,968	56,820	-752

CREDIT RISK AND CONCENTRATION OF LIABILITIES

The table below presents the structure of financial instruments in terms of geographical segments.

ASSETS

CZK million	2022	2021
Czech Republic	16,447	9,061
Germany	1,242,989	693,716
France	175,051	223,098
The Netherlands	75,179	80,104
Austria	5,749	9,575
Slovakia	12,058	1,029,826
Luxembourg	32,859	54,906
Spain	19,603	20,937
Other Eurozone countries	52,029	70,552
Switzerland	118,023	116,830
Sweden	43,419	31,309
Denmark	7,771	4,700
United Kingdom	83,706	124,601
Norway	13,537	20,532
Other European countries	156	246
USA	912,631	870,435
Canada	228,021	265,172
Australia	69,973	89,462
Japan	72,918	112,537
Other countries	54,581	46,162
Geographical concentration of assets	3,236,700	3,873,761

LIABILITIES

CZK million	2022	2021
Czech Republic	2,854,537	3,534,522
USA	136,880	137,490
Eurozone countries	56,417	153,748
Other European countries	188,515	47,813
Other countries	351	188
Geographical concentration of liabilities	3,236,700	3,873,761

3.19. CONTINGENT LIABILITIES

In accordance with the Agreement for the payment of operating costs and losses related to assumed assets that are incurred in connection with the fulfilment of the Consolidation Programme concluded on 29 June 2000, as amended, the CNB charges against income the amounts it pays for the acknowledged reasonable operating costs of the Ministry of Finance of the Czech Republic (until 31 December 2007 the costs of Česká konsolidační agentura a.s.). In 2022 these costs amounted to CZK 0.1 million (2021: CZK 0.1 million). The Bank does not recognize any provisions for these contingencies as they are immaterial.

Pending litigation

As a result of the activities the CNB conducted pursuant to its role in supporting and maintaining the stability of the banking sector, the CNB or third parties are defendants in several court proceedings. Based on consultation with external lawyers and internal analyses, the CNB does not consider it probable that the outcome of these legal cases will result in any material outflow of the CNB's resources and, therefore, has not recognized any provisions. Similarly, the Bank evaluates the contingencies and commitments from legal cases which relate to the activities of the former authorities of financial market supervision and which the Bank keeps on the basis of Act No. 57/2006 Col., on the Amendment of Acts Connected with the Unification of Financial Market Supervision. According to this Act, any financial liabilities arising from these legal cases would be reimbursed by the state.

3.20. RELATED PARTY TRANSACTIONS

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

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

3.21. SUBSEQUENT EVENTS

In connection with the termination of Vice-Governor mandate of Ing. Marek Mora, M.E. and Member of the Bank Board mandate of prof. Ing. Oldřich Dědek, CSc., Ing. Jan Kubíček, Ph.D. and Ing. Jan Procházka were appointed the members of the Bank Board on 14 December 2022, taking effect on 13 February 2023. At the same time, the existing member of the Bank Board, prof. Dr. Ing. Jan Frait, was appointed Vice-Governor.

The CNB's management is not aware of any other subsequent events that would have a material impact on the financial statements for the year ended 31 December 2022.

The following attached external auditor's report was issued for the financial statements, annual report, and annual Financial Report of the Czech National Bank

(Translation of a report originally issued in Czech - see Note 2 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Bank Board of the Czech National Bank:

Opinion

We have audited the accompanying financial statements of the Czech National Bank prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Czech National Bank, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Czech National Bank as at 31 December 2022, and of its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Czech National Bank in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon and information also included in the Financial Report submitted to the House of Deputies of the Czech Parliament for 2022. The Bank Board of the Czech National Bank is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Based on the procedures performed, to the extent we are able to assess it, we report that the other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements.

In addition, our responsibility is to report, based on the knowledge and understanding of the Czech National Bank obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Bank Board of the Czech National Bank for the Financial Statements

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

In preparing the financial statements, the Bank Board of the Czech National Bank is responsible for assessing the Czech National Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Bank Board of the Czech National Bank either intends to liquidate the Czech National Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Czech National Banks's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank Board of the Czech National Bank.
- Conclude on the appropriateness of the Bank Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Czech National Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Czech National Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the Bank Board of the Czech National Bank regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Roman Hauptfleisch, Auditor
License No. 2009

28 March 2023
Prague, Czech Republic