



Financial Statements and Auditor's Report as of 31 December 2023



**FINANCIAL STATEMENTS
OF THE CZECH NATIONAL BANK
FOR THE YEAR ENDED
31 DECEMBER 2023**

The financial statements were approved by the Bank Board on 20 March 2024.

<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	2023 CZK million	2022 CZK million
1.	Gold	3.1.	45,510	15,785
2.	Receivables from the International Monetary Fund	3.2.	140,640	143,955
3.	Receivables from abroad including securities	3.3.	3,180,964	3,058,933
3.1.	Deposits at foreign banks and financial institutions		503,502	855,800
3.2.	Securities		2,484,053	2,186,372
3.3.	Other receivables from abroad		193,409	16,761
4.	Receivables from domestic banks	3.4.	0	0
5.	Tangible and intangible fixed assets	3.5.	3,288	3,376
5.1.	Tangible fixed assets		3,092	3,176
5.2.	Intangible assets		196	200
6.	Other assets	3.6.	13,666	14,651
6.1.	Other financial assets		7,742	7,518
6.2.	Other		5,924	7,133
TOTAL ASSETS			3,384,068	3,236,700

LIABILITIES		Note	2023 CZK million	2022 CZK million
1.	Notes and coins in circulation	3.7.	708,869	709,477
2.	Liabilities to the International Monetary Fund	3.2.	132,151	136,536
3.	Liabilities abroad	3.8.	113,654	235,320
3.1.	Loans received from abroad		110,296	229,943
3.2.	Other liabilities abroad		3,358	5,377
4.	Liabilities to domestic banks	3.9.	2,556,038	2,075,779
4.1.	Loans received		2,373,402	1,896,729
4.2.	Bank monetary reserves		77,394	112,131
4.3.	Other liabilities to banks		105,242	66,919
5.	Liabilities to the state and other public institutions	3.10.	283,117	512,218
6.	Other liabilities	3.11.	16,291	48,577
7.	Provisions	3.12.	0	0
8.	Revaluation reserve	3.13.	4,570	4,523
9.	Share capital	3.13.	1,400	1,400
10.	Funds	3.13.	0	0
11.	Accumulated loss brought forward	3.13.	-487,130	-75,275
12.	Profit or loss for the year	3.13.	55,108	-411,855
TOTAL LIABILITIES			3,384,068	3,236,700

OFF BALANCE SHEET		Note	2023 CZK million	2022 CZK million
1.	Guarantees issued	3.17.	800	804
2.	Issued loan commitments	3.2.	15,972	15,578
3.	Receivables from spot and term transactions	3.17.	292,903	307,639
4.	Liabilities from spot and term transactions	3.17.	293,576	307,005
5.	Guarantees received	3.17.	0	0
6.	Collateral received	3.17.	302,892	92,344

INCOME STATEMENT		Note	2023 CZK million	2022 CZK million
1.	Interest income and similar income	3.14.	66,299	29,062
1.1.	Interest from fixed income securities		41,924	23,503
1.2.	Other		24,375	5,559
2.	Interest expense and similar expense	3.14.	-196,181	-167,493
3.	Income from shares and interests		14,730	14,299
4.	Fee and commission income		668	547
5.	Fee and commission expenses		-182	-216
6.	Gains less losses from financial transactions	3.15.	173,477	-284,655
6.1.	Net foreign exchange gains/(losses) and foreign exchange spread		39,556	-41,308
6.2.	Other		133,921	-243,347
7.	Other operating income		810	834
7.1.	Income from money issue		607	668
7.2.	Other		203	166
8.	Other operating expenses		-1,243	-1,120
8.1.	Expenses for production of notes and coins		-1,156	-1,040
8.2.	Other		-87	-80
9.	Administrative expenses	3.16.	-2,930	-2,778
9.1.	Personnel expenses		-2,441	-2,327
9.1.1.	Wages and salaries		-1,659	-1,561
9.1.2.	Social security and health insurance		-544	-524
9.1.3.	Training and employee benefits		-238	-242
9.2.	Other administration expenses		-489	-451
10.	Depreciation and amortization of fixed assets	3.5.	-349	-335
11.	Reversal of provisions for receivables and guarantees	3.12.	10	0
12.	Write offs, additions and utilization of provisions for receivables and guarantees	3.12.	-1	0
13.	Profit or loss for the year		55,108	-411,855

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, with resolution authorities of other countries, and with financial markets of other countries, and with international financial institutions and international authorities involved in the supervision of the financial market, with international resolution authorities, negotiates relevant agreements and the Single Resolution Board.

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 2023, the members of the Bank Board and their office termination dates were as follows:

Ing. Aleš Michl, Ph.D.

- Governor, until 30 June 2028

doc. Ing. Eva Zamrazilová, CSc.

- Vice-Governor, until 30 June 2028

prof. Dr. Ing. Jan Frait

- Vice-Governor, until 30 June 2028

Ing. Karina Kubelková, Ph.D., MBA

- 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. Jan Kubíček

- Member of the Bank Board, until 12 February 2029

Ing. Jan Procházka

- Member of the Bank Board, until 12 February 2029

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/ 12/ 2023	31/ 12/ 2022
EUR	1	24.725	24.115
USD	1	22.376	22.616
JPY	100	15.811	17.152
GBP	1	28.447	27.200
CHF	1	26.688	24.496

CAD	1	16.885	16.706
AUD	1	15.193	15.373
SEK	1	2.229	2.167
SDR	1	30.021	30.098
CNY	1	3.150	3.279
DKK	1	3.318	3.243
NOK	1	2.200	2.294
PLN	1	5.694	5.152
XAG	1	17.386	17.429
XAU	1	1,483.678	1,319.893
XPT	1	712.940	744.486

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 Financial Markets and Resolution Department. The MBS (US “Mortgage Backed Securities”) portfolio is managed by external managers. In 2023, the shares were managed partly internally by the Financial Markets and Resolution Department and partly by external managers, with all shares gradually being taken under internal management while this transition to internal management was completed in 2023. 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 users.

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. A systematic exception is short-term debt securities issued under the so-called Euro Commercial paper programs, the prices of which are not usually quoted on the market. These bonds are measured using the present value of future cash flows using exclusively observable market indicators. The market interest rate 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 share interest in international institutions 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 framework 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, the securities in collateral remain in the balance sheet at fair value.

If the Bank does not receive collateral directly, 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. These deposits bear interest at the announced two-week repo rate. In September 2023, the CNB decided to abolish interest, effective from 5 October, or from the first day of the new reserve requirement maintenance cycle. The CNB took this step with the aim of reducing the costs of monetary policy while maintaining its effectiveness. Banks in the Czech Republic do not have to maintain a set amount on a daily basis, but on average over a given maintenance period.

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. Repo transactions are revalued on a monthly basis.

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 are reflected in the balance of the Single Treasury Account (STA) in CZK and EUR; from August 2023, the Bank also maintains the account in USD. Funds of the government and other public institutions deposited with the CNB are reflected in liabilities.

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 0.97 million and CZK 1.01 million in 2023 and 2022, 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

	2023	2022
Gold (CZK million)	45,510	15,785
Long-term reserve	44,452	15,018
Operating reserve	1,058	767
Gold (thousand Troy ounces)	986	385
Long-term reserve	963	366
Operating reserve	23	19
Gold (tons)	30.7	12.0
Long-term reserve	30.0	11.4
Operating reserve	0.7	0.6

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).

	2023	2022
Collections reserve		
Carrying amount – CZK million	368	324
Troy ounces – thousands	8	8
Tones	0.2	0.2
Cash reserve		
Carrying amount – CZK million	12	12

A foreign bank deposit denominated in gold amounted to CZK 39,600 million (26.7t) (2022: CZK 12,224 million (9.3t)).

3.2. RECEIVABLES FROM AND PAYABLES TO THE INTERNATIONAL MONETARY FUND

CZK million	2023	2022
Membership quota at the IMF	63,714	67,075
Membership deposit	45,996	50,160
Reserve position	17,718	16,915
Loan provided to the IMF	170	171
Deposits in the IMF	76,756	76,709
Receivables from the IMF	140,640	143,955
Payable from the SDR allocation	86,155	86,376
Payable to the IMF from the bill of exchange	42,033	45,039
Current account with the IMF	3,963	5,121
Payables to the IMF	132,151	136,536

The CNB has a bilateral loan agreement with the IMF (the fourth such agreement), which came into effect on 1 January 2021. In 2023, its validity was extended by 1 year, i.e. until 31.12.2024. The unused credit facility amounts to EUR 646 million, i.e. CZK 15,972 million (2022: EUR 646 million, i.e. CZK 15,578 million).

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).

CZK million	2023	2022
Deposits at foreign banks and financial institutions	503,502	855,800
Current account balances ¹	443,051	836,588
Deposits ¹	60,451	19,212
Securities	2,484,053	2,186,372
Zero-coupon bonds ²	88,169	34,336
State ²	32,413	34,336
Other ³	55,756	0
Coupon bonds ²	1,751,948	1,618,426
State ²	1,420,693	1,256,005
Other ³	331,255	362,421
MBS ²	41,622	39,946
Shares ²	602,314	493,664
MSCI euro (in EUR)	282,258	243,921
S&P 500 (in USD)	156,933	125,463
FTSE 100 (in GBP)	27,551	24,390
Nikkei 225 (in JPY)	47,643	21,461
S&P TSX (in CAD)	57,708	51,298
S&P ASX 200 (in AUD)	30,221	27,131
Other receivables from abroad	193,409	16,761
Funds invested through reverse repo transactions ¹	193,195	16,471
Foreign currency ¹	214	290
Receivables from abroad including securities	3,180,964	3,058,933

¹ – Financial instruments classified as measured at 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 2023 represented Commercial papers at value CZK 26,397 million (in 2022 at 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 194,058 million (2022: CZK 16,375 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 689 million (2022: CZK 2,643 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.

CZK million	2023	2022
Bonds		
for making repo transaction	110,014	224,349
for making derivative transactions entered into with the counterparty	275	1,272
lending schemes ¹	337,355	270,474
Shares		
lending scheme	46,815	65,753

¹ The figure for 2022 (CZK 779,830 million) has been corrected.

3.4. RECEIVABLES FROM DOMESTIC BANKS

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

- Provided loans – at the end of 2023 and 2022, no transactions were concluded; and
- Securities (collateral switch) – at the end of 2023 and 2022, no transactions were concluded.

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 368 million (2022: CZK 324 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 2022	164	7,095	2,989	40	10,288
Accumulated depreciation as at 31 December 2022	0	4,891	2,221	0	7,112
Net book value as at 31 December 2022	164	2,204	768	40	3,176
Additions	0	28	240	215	483
Disposals	0	0	200	229	429
Change in accumulated depreciation	0	178	-40	0	138
Net book value as at 31 December 2023	164	2,054	848	26	3,092
Acquisition cost as at 31 December 2023	164	7,123	3,029	26	10,342
Accumulated depreciation as at 31 December 2023	0	5,069	2,181	0	7,250

CZK million	Software	Other intangible assets	Acquisition of assets and prepayments made	Total
Acquisition cost as at 31 December 2022	1,067	46	2	1,115
Accumulated amortization as at 31 December 2022	894	21	0	915
Net book value as at 31 December 2022	173	25	2	200
Additions	48	2	51	101
Disposals	63	0	52	115
Change in accumulated amortization	-15	5	0	-10
Net book value as at 31 December 2023	173	22	1	196
Acquisition cost as at 31 December 2023	1,052	48	1	1,101
Accumulated amortization as at 31 December 2023	879	26	0	905

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 amounts to 1.9623% totaling EUR 7.9 million (in 2022 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	2023		2022	
	2023	2022	2023	2022
Other financial assets	7,742	7,518		
Share in the ECB capital	189	184		
BIS and SWIFT shares	5,012	4,971		
Bonds	2,541	2,363		
Receivables from former banks	0	0		
Loss-making loans provided to former banks	1,331	1,340		
Specific provision for loss-making loans provided to former banks ²	-1,331	-1,340		
Other	5,924	7,133		
Prepaid expenses	32	27		
Other precious metals	19	16		
Positive fair value of interest rate swaps ¹	3,373	3,511		
Positive fair value of currency forwards ¹	0	767		
Margin account including profit/(loss) from change in fair value of futures ¹	536	277		
Loans to employees	462	445		
Clearing with the securities market	1,216	1,207		
Other operating receivables	297	895		
Specific provisions against other operating receivables ²	-11	-12		
Other assets	13,666	14,651		

¹ refer to Note 3.17. ² refer to Note 3.12.

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	
	2023	2022	2023	2022
Notes in circulation	535	525	685,410	686,706
CZK 5,000	26	29	130,170	144,311
CZK 2,000	189	182	377,381	363,608
CZK 1,000	135	137	134,611	136,923
CZK 500	44	43	21,962	21,583
CZK 200	73	69	14,515	13,749
CZK 100	68	65	6,767	6,528
Commemorative notes	0	0	4	4

	million pieces		CZK million	
	2023	2022	2023	2022
Coins in circulation	2,337	2,268	23,459	22,771
CZK 50	174	170	8,699	8,504
CZK 20	251	246	5,018	4,909
CZK 10	278	269	2,778	2,694
CZK 5	335	323	1,673	1,615
CZK 2	600	580	1,200	1,161
CZK 1	696	677	696	677
Commemorative coins	3	3	3,395	3,211
Notes and coins in circulation	2,872	2,793	708,869	709,477

3.8. LIABILITIES ABROAD

CZK million	2023		2022	
	2023	2022	2023	2022
Funds from repo transactions	110,296	229,943		
Other liabilities abroad	3,358	5,377		
LIABILITIES ABROAD	113,654	235,320		

Funds for repo transactions were, based on GMRA Master Agreements, secured by collateral in the form of debt securities totaling CZK 110,014 million (2022: CZK 224,349 million) (refer to Note 3.3.).

In addition, foreign banks made deposits in CZK amounting to CZK 842 million (2022: CZK 3,001 million) and provided collaterals in the form of cash deposits of CZK 2,486 million (2022: CZK 2,340 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	2023		2022	
	2023	2022	2023	2022
Loans received - repo transactions	2,373,402	1,896,729		
Domestic bank reserves	77,394	112,131		
Payment system accounts	71,210	105,148		
Balances on cash withdrawal and deposit accounts	6,149	6,975		
Special MMR accounts	35	8		
Other liabilities to domestic banks	105,242	66,919		
Short-term deposits received	96,221	44,706		
Other payables	9,021	22,213		
Liabilities to domestic banks	2,556,038	2,075,779		

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.

3.10. LIABILITIES TO THE GOVERNMENT AND OTHER PUBLIC INSTITUTIONS

CZK million	2023	2022
CZK funds	282,693	463,836
STA in CZK	280,960	424,229
Other deposits in CZK	1,733	39,607
Foreign currency funds	424	48,382
STA in EUR	233	46,988
STA in USD	187	0
Other deposits in foreign currencies	4	1,394
State and public institution deposits	283,117	512,218

STA = Single Treasury Account, refer to Note 2.14.

3.11. OTHER LIABILITIES

CZK million	2023	2022
Negative fair value of currency forwards ¹	798	47
Negative fair value of interest rate swaps ¹	1,171	2,028
Payables to the European Commission	9,392	10,319
Employee accounts	3,705	2,996
Redistribution accounts for payment transactions	640	32,307
Other payables	585	880
Other liabilities	16,291	48,577

¹ refer to Note 3.17.

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

Other liabilities totaling CZK 585 million include liabilities of CZK 78 million owing to social security and health insurance premiums (2022: CZK 173 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/ 1/ 2022	Additions	Use due to write-offs	Reversals	31/ 12/ 2022	Additions	Use due to write-offs	Reversals	31/ 12/ 2023
Specific provisions	1,352	0	0	0	1,352	0	1	9	1,342
Classified loans of former banks (refer to Note 3.6.)	1,340	0	0	0	1,340	0	0	9	1,331
Other operating receivables (refer to Note 3.6.)	12	0	0	0	12	0	1	0	11

CZK million	1/ 1/ 2022	Additions	Reversals	FX differences	31/ 12/ 2022	Additions	Reversals	FX differences	31/ 12/ 2023
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 2022	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
Distribution of 2022 profit	0	0	0	-411,855	411,855	0
Other (rounding effect)	0	0	0	0	0	0
Revaluation reserve not included in profit	47	0	0	0	0	47
Profit/(loss) for 2023	0	0	0	0	55,108	55,108
Balance as at 31 December 2023	4,570	1,400	0	-487,130	55,108	-426,052

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	2023	2022
Interest income and similar income	66,299	29,062
Interest on securities	41,924	23,503
Interest on zero-coupon bonds	2,323	221
Interest on coupon bonds	38,204	22,006
Interest on MBS	1,397	1,276
Other interest income	24,375	5,559
Interest on inter-bank deposits	24,367	5,553
Interest on employees loans	8	6
Interest expense and similar expense	196,181	167,493
Interest on liabilities to banks	195,797	167,231
Interest on liabilities to employees and other clients	384	262
Net interest income¹	-129,882	-138,431

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

3.15. GAINS LESS LOSSES FROM FINANCIAL TRANSACTIONS

CZK million	2023	2022
Foreign exchange gains or losses and foreign exchange spread	39,556	-41,308
Foreign exchange gains/losses	38,080	-42,475
Foreign exchange spread	1,476	1,167
Other	133,921	-243,347
Gains/losses from revaluation and sale of bonds	43,469	-165,498
Gains/losses from revaluation and sale of MBS	507	-7,117
Gains/losses from revaluation and sale of shares	85,273	-79,515
Net gains/(losses) from currency forwards	3,943	3,139
Net gains/(losses) from interest rate futures	14	2,379
Net gains/(losses) from interest rate swaps	394	3,551
Net gains/(losses) from share futures	321	-286
Profit/loss from financial transactions	173,477	-284,655

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	2023	2022
Personnel costs	2,441	2,327
Wages and salaries	1,659	1,561
Social security and health insurance	544	524
Cost of personnel training	9	8
Employee benefits	229	234
Other administrative expenses	489	451
Rent	6	6
Other	483	445
Total administrative expenses	2,930	2,778

The average recalculated headcount including the Bank Board amounted to 1,456 employees (2022: 1,466 employees).

3.17. OFF-BALANCE SHEET ITEMS

GUARANTEES

CZK million	2023	2022
Guarantees issued	800	804
Guarantees for clients (refer to Note 3.12)	0	0
For deposits held by IPB	0	4
Consolidation of the banking sector	800	800
Guarantees received	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	2023	2022
Repo transactions	194,058	16,375
Collateral received for securities granted within the lending scheme	51,448	72,720
Derivatives and additional collateral	256	1,197
Gold swap	57,130	2,052
Collateral received	302,892	92,344

The Bank shall be guaranteed by depositor the return of securities in the total amount of CZK 337 billion as part of lending schemes (2022: CZK 270 billion).

¹ The figure for 2022 (CZK 780 billion) has been corrected.

SPOT TRANSACTIONS AND FINANCIAL DERIVATIVES

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

CZK million	2023	2022
Off-balance sheet receivables	292,903	307,639
from currency forward transactions	120,265	165,603
from interest rate swap transactions	50,249	74,564
from interest rate futures transactions	2,654	6,240
from share futures transactions	2,395	3,184
from unsettled interest rate spot transactions	45,822	4,771
from unsettled currency spot transactions	63,182	46,220
from interest forward transactions	8,336	7,057
Off-balance sheet liabilities	293,576	307,005
from currency forward transactions	120,930	164,915
from interest rate swap transactions	50,249	74,564
from interest rate futures transactions	2,654	6,240
from share futures transactions	2,395	3,184
from unsettled interest rate spot transactions	45,822	4,771
from unsettled currency spot transactions	63,190	46,274
from interest forward transactions	8,336	7,057

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

CZK million	2023	2022
Off-balance sheet receivables from forward transactions	120,265	165,603
Off-balance sheet payables from forward transactions	120,930	164,915
Positive fair value (refer to Note 3.6.)	0	767
Negative fair value (refer to Note 3.11.)	798	47

All currency forwards will mature in 2024.

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	2023	2022
Off-balance sheet receivables from interest rate swap transactions	50,249	74,564
Off-balance sheet payables from interest rate swap transactions	50,249	74,564
Positive fair value (refer to Note 3.6.)	3,373	3,511
Negative fair value (refer to Note 3.11.)	1,171	2,028

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	2023	2022
Off-balance sheet receivables from interest rate futures transactions	2,654	6,240
Off-balance sheet payables from interest rate futures transactions	2,654	6,240
Net gain/(loss) from change in fair values of interest rate futures transactions for the reporting period ¹	14	2,379
Off-balance sheet receivables from share futures transactions	2,395	3,184
Off-balance sheet payables from share futures transactions	2,395	3,184
Net gain/(loss) from change in fair values of futures transactions for the reporting period ¹	321	-286
Net gain/(loss) from change in fair values of futures transactions for the reporting period	338	2,093
Cash on margin account	200	1,816
Margin account including settled change in fair value of interest rate futures transactions ²	538	277

¹ refer to Note 3.15. ² refer to Note 3.6.

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 2023 and 2022, 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. From the placement point of view, the Bank breaks down its international reserves into a liquidity tranche, which accounted for 21.2% at the end of 2023, and an investment tranche, which accounted for 78.8% of the actively managed part of its international reserves.

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 modified duration. The bank manages interest rate risk by setting the modified duration of the benchmarks for individual portfolios, the maximum possible deviation of the modified duration of the portfolios from the relevant benchmarks, and the total duration limit for the entire actively managed international reserves. 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 a monthly 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 as well as the internal credit risk assessment model.

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	2023	0	0	0	0	0	45,510	45,510
	2022	0	0	0	0	0	15,785	15,785
Receivables from the IMF	2023	0	0	0	0	0	140,640	140,640
	2022	0	0	0	0	0	143,955	143,955
Zero-coupon bonds	2023	41,323	11,322	34,555	969	0	0	88,169
	2022	2,166	0	28,095	4,075	0	0	34,336
Coupon bonds	2023	902	4,289	49,950	739,861	956,946	0	1,751,948
	2022	2,208	3,834	103,319	828,001	681,064	0	1,618,426
MBS	2023	681	237	66	28	40,610	0	41,622
	2022	389	67	134	48	39,308	0	39,946
Shares	2023	0	0	0	0	0	602,314	602,314
	2022	0	0	0	0	0	493,664	493,664
Deposits, loans and other receivables from abroad	2023	696,911	0	0	0	0	0	696,911
	2022	872,561	0	0	0	0	0	872,561
Receivables from domestic banks	2023	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Tangible and intangible fixed assets	2023	0	0	0	0	0	3,288	3,288
	2022	0	0	0	0	0	3,376	3,376
Other assets	2023	7,972	0	32	52	409	5,201	13,666
	2022	9,026	0	27	44	399	5,155	14,651
Total assets	2023	747,789	15,848	84,603	740,910	997,965	796,953	3,384,068
	2022	886,350	3,901	131,575	832,168	720,771	661,935	3,236,700
Notes and coins in circulation	2023	0	0	0	0	0	708,869	708,869
	2022	0	0	0	0	0	709,477	709,477
Liabilities to the IMF	2023	0	0	0	0	0	132,151	132,151
	2022	0	0	0	0	0	136,536	136,536
Liabilities abroad	2023	113,654	0	0	0	0	0	113,654
	2022	235,320	0	0	0	0	0	235,320
Liabilities to domestic banks	2023	2,556,038	0	0	0	0	0	2,556,038
	2022	2,075,779	0	0	0	0	0	2,075,779
Liabilities to the government	2023	283,117	0	0	0	0	0	283,117
	2022	512,218	0	0	0	0	0	512,218
Other liabilities	2023	16,291	0	0	0	0	0	16,291
	2022	48,577	0	0	0	0	0	48,577
Provisions	2023	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Equity	2023	0	0	0	0	0	-426,052	-426,052
	2022	0	0	0	0	0	-481,207	-481,207
Total liabilities	2023	2,969,100	0	0	0	0	414,968	3,384,068
	2022	2,871,894	0	0	0	0	364,806	3,236,700
Net liquidity gap	2023	-2,221,311	15,848	84,603	740,910	997,965	381,985	0
	2022	-1,985,544	3,901	131,575	832,168	720,771	297,129	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	2023	0	0	0	0	0	45,510	45,510
	2022	0	0	0	0	0	15,785	15,785
Receivables from the IMF	2023	0	0	0	0	0	140,640	140,640
	2022	0	0	0	0	0	143,955	143,955
Zero-coupon bonds	2023	41,323	11,322	34,555	969	0	0	88,169
	2022	2,166	0	28,095	4,075	0	0	34,336
Coupon bonds	2023	24,594	15,574	78,883	695,389	937,508	0	1,751,948
	2022	20,358	11,626	127,786	792,415	666,241	0	1,618,426
MBS	2023	681	237	66	28	40,610	0	41,622
	2022	389	67	134	48	39,308	0	39,946
Shares	2023	0	0	0	0	0	602,314	602,314
	2022	0	0	0	0	0	493,664	493,664
Deposits, loans and other receivables from abroad	2023	696,911	0	0	0	0	0	696,911
	2022	872,561	0	0	0	0	0	872,561
Receivables from domestic banks	2023	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Tangible and intangible fixed assets	2023	0	0	0	0	0	3,288	3,288
	2022	0	0	0	0	0	3,376	3,376
Other assets	2023	8,005	0	0	51	409	5,201	13,666
	2022	9,053	0	0	44	399	5,155	14,651
Total assets	2023	771,514	27,133	113,504	696,437	978,527	796,953	3,384,068
	2022	904,527	11,693	156,015	796,582	705,948	661,935	3,236,700
Notes and coins in circulation	2023	0	0	0	0	0	708,869	708,869
	2022	0	0	0	0	0	709,477	709,477
Liabilities to the IMF	2023	0	0	0	0	0	132,151	132,151
	2022	0	0	0	0	0	136,536	136,536
Liabilities abroad	2023	113,654	0	0	0	0	0	113,654
	2022	235,320	0	0	0	0	0	235,320
Liabilities to domestic banks	2023	2,556,038	0	0	0	0	0	2,556,038
	2022	2,075,779	0	0	0	0	0	2,075,779
Liabilities to the government	2023	283,117	0	0	0	0	0	283,117
	2022	512,218	0	0	0	0	0	512,218
Other liabilities	2023	16,291	0	0	0	0	0	16,291
	2022	48,577	0	0	0	0	0	48,577
Provisions	2023	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Equity	2023	0	0	0	0	0	-426,052	-426,052
	2022	0	0	0	0	0	-481,207	-481,207
Total liabilities	2023	2,969,100	0	0	0	0	414,968	3,384,068
	2022	2,871,894	0	0	0	0	364,806	3,236,700
Net liquidity gap	2023	-2,197,586	27,133	113,504	696,437	978,527	381,985	0
	2022	-1,967,367	11,693	156,015	796,582	705,948	297,129	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	2023	0	0	0	0	0	0	0	0	45,510	45,510
	2022	0	0	0	0	0	0	0	0	15,785	15,785
Receivables from the IMF	2023	45,996	0	0	0	0	0	0	0	94,644	140,640
	2022	50,160	0	0	0	0	0	0	0	93,795	143,955
Zero-coupon bonds	2023	0	42,520	2,215	14,090	0	0	0	0	29,344	88,169
	2022	0	32,171	0	0	0	0	0	0	2,165	34,336
Coupon bonds	2023	0	645,995	718,835	0	83,011	177,728	93,966	0	32,413	1,751,948
	2022	0	617,631	601,987	0	69,516	158,670	89,670	50,759	30,193	1,618,426
MBS	2023	0	0	41,622	0	0	0	0	0	0	41,622
	2022	0	0	39,946	0	0	0	0	0	0	39,946
Shares	2023	0	282,258	156,933	47,643	27,551	57,708	30,221	0	0	602,314
	2022	0	243,921	125,463	21,461	24,390	51,298	27,131	0	0	493,664
Deposits, loans and other receivables from abroad	2023	0	595,021	19,278	79,081	90	88	808	0	2,545	696,911
	2022	0	686,467	8,648	51,993	6,070	113	104	20	119,146	872,561
Receivables from domestic banks	2023	0	0	0	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0	0	0	0
Tangible and intangible fixed assets	2023	2,918	0	0	0	0	0	0	0	370	3,288
	2022	3,052	0	0	0	0	0	0	0	324	3,376
Other assets	2023	3,135	1,471	3,532	84	157	184	73	0	5,030	13,666
	2022	3,729	1,924	3,643	50	115	151	52	0	4,987	14,651
Total assets	2023	52,049	1,567,265	942,415	140,898	110,809	235,708	125,068	0	209,856	3,384,068
	2022	56,941	1,582,114	779,687	73,504	100,091	210,232	116,957	50,779	266,395	3,236,700
Notes and coins in circulation	2023	708,869	0	0	0	0	0	0	0	0	708,869
	2022	709,477	0	0	0	0	0	0	0	0	709,477
Liabilities to the IMF	2023	45,996	0	0	0	0	0	0	0	86,155	132,151
	2022	50,160	0	0	0	0	0	0	0	86,376	136,536
Liabilities abroad	2023	872	98,833	7,234	0	0	0	4,120	0	2,595	113,654
	2022	3,036	195,133	12,749	0	9,954	0	5,300	0	9,148	235,320
Liabilities to domestic banks	2023	2,556,038	0	0	0	0	0	0	0	0	2,556,038
	2022	2,075,779	0	0	0	0	0	0	0	0	2,075,779
Liabilities to the government	2023	282,693	237	187	0	0	0	0	0	0	283,117
	2022	463,836	47,043	1,338	0	1	0	0	0	0	512,218
Other liabilities	2023	14,374	1,639	166	0	112	0	0	0	0	16,291
	2022	14,667	33,565	161	0	160	0	24	0	0	48,577
Provisions	2023	0	0	0	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0	0	0	0
Equity	2023	-430,718	0	0	0	0	0	0	0	4,666	-426,052
	2022	-485,830	0	0	0	0	0	0	0	4,623	-481,207
Total liabilities	2023	3,178,124	100,709	7,587	0	112	0	4,120	0	93,416	3,384,068
	2022	2,831,125	275,741	14,248	0	10,115	0	5,324	0	100,147	3,236,700
Net assets/liabilities (-)	2023	-3,126,075	1,466,556	934,828	140,898	110,697	235,708	120,948	0	116,440	0
	2022	-2,774,184	1,306,373	765,439	73,504	89,976	210,232	111,633	50,779	166,248	0
Net off-balance sheet assets	2023	412	205,549	48,214	27,170	5,658	5,816	84	0	0	292,903
	2022	0	139,034	130,647	23,410	6,648	3,495	4,398	0	7	307,639
Net off-balance sheet liabilities	2023	-16	-88,491	-37,639	-120,311	-9,075	-8,603	-84	0	-29,357	-293,576
	2022	0	-62,022	-61,202	-53,152	-4,263	-6,779	-6,825	0	-112,762	-307,005
Net open currency position	2023	-3,125,679	1,583,614	945,403	47,757	107,280	232,921	120,948	0	87,083	-673
	2022	-2,774,184	1,383,385	834,884	43,762	92,361	206,948	109,206	50,779	53,493	634

CREDIT RISK AND CONCENTRATION OF LIABILITIES

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

ASSETS

CZK million	2023	2022
Czech Republic	17,410	16,447
Germany	982,892	1,242,989
France	195,864	175,051
The Netherlands	73,965	75,179
Austria	2,920	5,749
Slovakia	1,702	12,058
Luxembourg	51,636	32,859
Spain	23,478	19,603
Other Eurozone countries	65,584	52,029
Switzerland	39,195	118,023
Sweden	34,319	43,419
Denmark	68,456	7,771
United Kingdom	227,243	83,706
Norway	14,462	13,537
Other European countries	167	156
USA	1,086,495	912,631
Canada	283,878	228,021
Australia	72,887	69,973
Japan	140,788	72,918
Other countries	727	54,581
Geographical concentration of assets	3,384,068	3,236,700

LIABILITIES

CZK million	2023	2022
Czech Republic	3,215,033	2,854,537
USA	53,196	136,880
Eurozone countries	44,535	56,417
Other European countries	71,040	188,515
Other countries	264	351
Geographical concentration of liabilities	3,384,068	3,236,700

3.19. CONTINGENTS 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 2023 these costs amounted to CZK 0.1 million (2022: 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. In 2023, a Bank Board member was provided a loan with an exception to the usual terms and conditions; the exception was granted in accordance with internal regulations and related to the term of the loan.

3.21. SUBSEQUENT EVENTS

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 2023.

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 2023, and the income statement for the year then ended, and notes to the financial statements, including a material accounting policy 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 2023, 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 2023. 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

20 March 2024
Prague, Czech Republic