

# 22



# THE MANDATE OF THE CNB

**TO MAINTAIN PRICE STABILITY,**

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**TO MAINTAIN FINANCIAL STABILITY AND  
SEE TO THE SOUND OPERATION OF THE  
FINANCIAL SYSTEM IN THE CZECH REPUBLIC,**

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**TO ISSUE BANKNOTES AND COINS,  
MANAGE THE CIRCULATION  
OF CURRENCY AND ADMINISTER  
CLEARING BETWEEN BANKS,**

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**TO SUPERVISE THE ENTITIES OPERATING  
ON THE FINANCIAL MARKET.**

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- Through monetary policy we seek to preserve price stability, i.e. low and stable inflation. Through macroprudential policy we foster financial stability and resilience of the financial system, which are necessary conditions for the maintenance of price stability. Through the joint action of monetary policy and macroprudential policy, we contribute to maintaining confidence in the value of the Czech koruna and safeguarding the stability of the macroeconomic environment.
- By supervising the financial market and creating prudential rules and rules of conduct towards clients we protect the clients of persons and institutions carrying on business on the financial market.
- By exercising powers in the area of resolution of banks, credit unions and some investment firms, we create conditions for the smoothest possible resolution without recourse to public funds.
- By managing the interbank payment system and issuing banknotes and coins we ensure smooth payments and cash circulation.
- As the bank of the state, we provide banking services to the state and the public sector.
- In line with our primary objective, we manage international reserves with professional care.
- We are a part of the European System of Central Banks and contribute to the fulfilment of its objectives and tasks.



# WHAT WE BUILD ON

## **INDEPENDENCE**

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Broad statutory independence of the central bank is a key condition for successful implementation of monetary policy, i.e. for sustained low-inflation growth of the economy, as well as for objective supervision of the financial market.

## **OPENNESS AND CREDIBILITY**

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A high degree of independence must go hand in hand with a high degree of accountability to the public for fulfilling our objectives. We inform the public and their elected representatives regularly and openly about our objectives and their fulfilment and about our opinions, plans and predictions. This makes our actions comprehensible, predictable and therefore credible.

## **PROFICIENCY**

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Proficient and competent employees are vital if the CNB is to succeed in enhancing its reputation as a credible and open institution at home and on the international stage.

# CONTENTS

2022 AT A GLANCE	8
REDUCING INFLATION IS THE PRIORITY	11

<b><u>1. MONETARY POLICY IN TURBULENT TIMES AND THE CNB'S FINANCIAL RESULTS</u></b>	<b><u>19</u></b>
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MONETARY POLICY	20
FINANCIAL MARKET OPERATIONS	25
INTERNATIONAL RESERVES MANAGEMENT	27
FINANCIAL REPORT	32

<b><u>2. THE FAILURE AND LIQUIDATION OF SBERBANK CZ</u></b>	<b><u>49</u></b>
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<b><u>3. THE CNB AND THE CZECH FINANCIAL SYSTEM: STRIVING FOR STABILITY AND COMPLIANCE</u></b>	<b><u>41</u></b>
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MACROPRUDENTIAL POLICY	50
REGULATION	55
EUROPEAN REGULATION	57
LICENSING, APPROVAL AND AUTHORISATION ACTIVITIES	58
SUPERVISION	61
ENFORCEMENT	67
RESOLUTION PROCEDURES	71

<b><u>4. SAFE AND SMOOTH MONEY CIRCULATION AND PAYMENTS</u></b>	<b><u>77</u></b>
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CURRENCY CIRCULATION	78
PAYMENT SYSTEM	81

<b><u>5. STATISTICAL AND RESEARCH SUPPORT FOR THE FULFILMENT OF THE CNB'S PRIMARY OBJECTIVES</u></b>	<b><u>87</u></b>
STATISTICS	88
ECONOMIC RESEARCH	90
FINANCIAL RESEARCH	92
<b><u>6. EUROPEAN AND INTERNATIONAL ISSUES IN THE YEAR OF THE CZECH EU PRESIDENCY</u></b>	<b><u>97</u></b>
<b><u>7. INSTITUTIONAL CHANGES AND THE PATH TO GREATER EFFICIENCY AND COST-EFFECTIVENESS</u></b>	<b><u>109</u></b>
REDUCTIONS IN OPERATING COSTS	110
MANAGEMENT AND ORGANISATION	112
ORGANISATIONAL CHART AS OF 31 DECEMBER 2022	116
HUMAN RESOURCES	118
<b><u>8. THE CNB AND THE PUBLIC</u></b>	<b><u>128</u></b>
COMMUNICATIONS	129
FINANCIAL AND ECONOMIC LITERACY	131
CNB VISITOR CENTRE	133
CONGRESS CENTRE	139
PROVISION OF INFORMATION UNDER ACT NO. 106/1999 COLL., ON FREEDOM OF INFORMATION	140
<b><u>FINANCIAL STATEMENTS AND AUDITOR'S REPORT AS OF 31 DECEMBER 2022</u></b>	<b><u>143</u></b>
ABBREVIATIONS	179

# 2022 AT A GLANCE

- The Czech economy was strongly affected by the war in Ukraine. The energy crisis and a marked deterioration in household sentiment caused it to enter a shallow recession in the second half of the year.
- Skyrocketing global energy prices – against the backdrop of a still overheated domestic labour market, lingering robust domestic demand and continued problems in global supply chains – resulted in an extraordinary rise in inflation. The average inflation rate for the year as a whole was 15.1%.
- In response to the exceptionally strong inflation pressures, which were reflected in escalating and broad-based price growth, the Bank Board increased the key interest rate in four steps by 3.25 percentage points to 7% in the first half of the year. At the same time, the CNB made occasional interventions in the foreign exchange market during the year to prevent excessive fluctuations of the koruna.
- The cyclical risks accumulated in the banking sector's balance sheet were elevated. New loans for house purchase were still being provided in large amounts at the start of the year. At the same time, growth in loans to non-financial corporations, especially in foreign currencies, remained relatively strong. The Bank Board therefore increased the countercyclical capital buffer rate to 2.5% in March with effect from 1 April 2023 and left it unchanged for the rest of the year.



- At its June and November meetings on financial stability, the Bank Board confirmed the caps on credit ratios for mortgages. This was due mainly to persisting high overvaluation of house prices and an effort to maintain the quality of the house purchase loan portfolio amid difficult financial conditions in the household sector.
- Russia's invasion of Ukraine led to a run on Sberbank CZ, which became unable to meet its obligations. On 28 February, the CNB issued a preliminary measure prohibiting Sberbank CZ from providing new loans and taking deposits, and restricting it from disposing of its assets. It also initiated the start of payment of insured deposits by the Financial Market Guarantee System. The CNB's decision to revoke the bank's licence took effect on 30 April. Sberbank CZ then went into liquidation in May and insolvency proceedings were opened in August.
- The conflict in Ukraine and the run on Sberbank CZ caused an extraordinary money circulation situation in early March. Around CZK 45 billion in cash was issued to banks in two weeks, and the amount of currency in circulation reached an all-time high of CZK 765.9 billion on 11 March. The situation soon calmed and a significant proportion of the cash (around CZK 18 billion) had been returned to the CNB's reserves by the end of March. Despite these developments, money circulation was not disrupted.
- The line-up of the CNB Bank Board changed with effect from 1 July 2022. The President of the Czech Republic appointed Aleš Michl as Governor, Eva Zamrazilová as Deputy Governor and Karina Kubelková and Jan Frait as Bank Board members. The Bank Board in its new line-up subsequently divided up the responsibilities for oversight of the CNB's activities among the members.



# REDUCING INFLATION IS THE PRIORITY

This is the first time I have introduced the Annual Report to you as Governor of the Czech National Bank. Throughout 2022, Russia's aggression in Ukraine caused irreversible loss of human life, thwarted hopes and huge economic damage. A generation that had thought it would never see a war in Europe realised its mistake.

Like elsewhere in Europe, the war manifested itself in the Czech Republic in an extreme rise in energy and food prices. A supply-side shock hit economies where too much money had been circulating. Growth in commodity prices, together with lingering problems in supply chains and international transport due to Covid lockdowns, caused inflation to rise sharply not only in our country, but around the world.

In mid-2022, the newly appointed Bank Board took over the management of the central bank at a time when inflation was at an all-time high – leaving aside the justified price growth that occurred during the Czech economy's transition from socialism to capitalism.

So, the absolute priority was and is to reduce inflation substantially.

In 2022, the CNB's key interest rates were therefore set at their highest level since 1999. In November 2022, in a speech I gave at the Faculty of Economics and Administration at Masaryk University, I set out the conditions under which our koruna will be strong again. At the end of 2022, the koruna appreciated to its strongest level in 14 years. The mix of monetary conditions

was thus the tightest in two decades at the end of the year. Coupled with tight settings of financial stability instruments, this fostered a sharp slowdown in lending, especially mortgage lending, and hence in the quantity of money in the economy. The downturn in lending contributed to the fact that core inflation, for example, started to decline in autumn 2022. In addition, the strong koruna made expensive imports of commodities and components cheaper. It is important for us to ensure that headline inflation, too, falls to our target of 2%. The government also holds a key to lowering inflation: a reduction in the state budget deficit would lead to slower growth in money in circulation and lower inflation. I would welcome it if the government had the ambition to balance the budget as soon as possible, as this would substantially reduce the inflation pressures, and quickly.

To defeat inflation in the long term, however, it will also be necessary to set things right in the economy in general. We have overindulged and used debt to do so. Over the past ten years, interest rates have been too low. For a long time they were at zero. In early 2017, interventions excessively increased the CNB's balance sheet – and the banking sector's excess liquidity – from CZK 1,300 billion (December 2016) to CZK 2,400 billion (April 2017). This created a surplus of money in the economy and greater room for lending. All that helped fuel inflation. A philosophy of “borrow, borrow, borrow, spend, spend, spend” became popular. I think we agree with the newly appointed Bank Board that, for some time, interest rates will remain higher than we have been used to over the last ten years. We want to motivate people and firms to save and invest. Take it as a return to traditional values, such as saving, not spending.

We've started with ourselves – with the CNB's operating expenses. Wage growth at the CNB is based on an agreement reached during collective bargaining. According to the collective agreement, wages at the CNB were to have been raised by the average annual inflation rate plus 2.5 percentage points in 2022 and 2023. This would have meant an increase in wages of 18.3% in 2022 and 11.6% in 2023 (under the collective agreement, the basis for calculating the increase is the inflation estimate contained in the Autumn 2022 Monetary Policy Report). In absolute terms, this would have caused a year-on-year increase in total personnel expenses of CZK 379 million in 2022 and

CZK 304 million in 2023 (+18.8% in 2022 and +12.7% in 2023). In December 2021, the previous Bank Board had approved an increase in the wage bill that corresponded to growth in the average wage of 8% in 2022. Wages were then to have been increased further depending on inflation. However, this would have been unacceptable while there was a risk of a wage-price spiral emerging. Linking wage growth to inflation also proved to be unacceptable from a macroeconomic perspective. Therefore, in agreement with the trade unions, the CNB amended the relevant provisions of the collective agreement. The trade unions at our bank proved to be responsible and pragmatic. On the basis of a new annex to the collective agreement, an increase in the average wage of 8.5% was agreed for 2022 and, as partial compensation, CNB employees received an increased benefit intended primarily for pension savings, valid only until the end of 2023. Ultimately, this meant a rise in personnel expenses of CZK 314 million (or 16%) in 2022. For 2023, the amended collective agreement lowered growth in the wage bill to 4.5%. In 2023, we therefore expect growth in personnel expenses to be at least 50% lower and substantially greater savings to be made than in 2022. Overall, the reduction in operating expenses due to the renegotiated collective agreement will exceed CZK 100 million over the two years.

However, the cost cutting at the CNB does not end there. The wages of the Bank Board members have been frozen until inflation is reduced. We have also frozen the wages of top management for 2023. We will focus on streamlining the bank's operations. We have commissioned an audit of all our areas of work, which will form the basis for potential staff cuts (the CNB workforce rose from 1,365 at the end of 2016 to 1,493 at the end of 2022).

Besides operating expenses, the challenges for the newly appointed Bank Board include the financial losses of the CNB as a whole. Due to sharp growth in interest rates in the first half of 2022 and a decline in asset prices on world markets, the CNB recorded a loss of CZK 411.9 billion in 2022, the largest in its history. CZK 159.6 billion of this was monetary policy-making expenses (the more the CNB raises interest rates, the higher interest it has to pay banks on deposits of excess liquidity), CZK 207.7 billion was the net loss on international reserves holdings, CZK 42.5 billion was a loss due to the koruna

appreciating, and CZK 3.04 billion was the cost of operations and new investment. I would like the CNB to be profitable one day. However, that will not happen quickly. We will focus on increasing the expected return on the bank's assets and on diversifying our international reserves. In addition, we will work to ensure that our operating expenses – more specifically personnel expenses – no longer rise as fast as in 2022. All this, however, must be subordinate to our statutory mandate of price stability. Therefore, when setting interest rates that affect monetary policy-making expenses, my Bank Board colleagues and I will put the emphasis on monetary policy objectives, not on the bank's profitability.

The financial sector remains stable. After the outbreak of the war, the CNB revoked the licence of Sberbank CZ after the latter experienced a run. The procedures for such situations proved to be well designed, and the safety net for the Czech financial market worked effectively. The stability of the financial system was not jeopardised and insured depositors were compensated very quickly. Still, I would like to stress: be careful who you entrust your money to, and diversify risk.

If we have savings and capital, we can use them to finance new investment and develop trade. So let's start saving, now. This applies equally to the state, firms and the public. Accumulation of capital and knowledge, hard work, and an entrepreneurial spirit, not debt, will ensure that the supply and potential of the country increase and the economy grows in a non-inflationary way. Above all, if there are more savings and less debt, the quantity of money in the economy will not grow too much. This is an important condition for reducing inflation. What we need to do is switch back to trade, and especially exports, as they are crucial to employment. Our koruna must be strong and able to compete with other currencies of advanced countries around the world. The result will be low inflation. However, the only way to achieve this is through hard work, an entrepreneurial spirit, and saving.

We at the CNB will set an example.

Aleš Michl, Governor



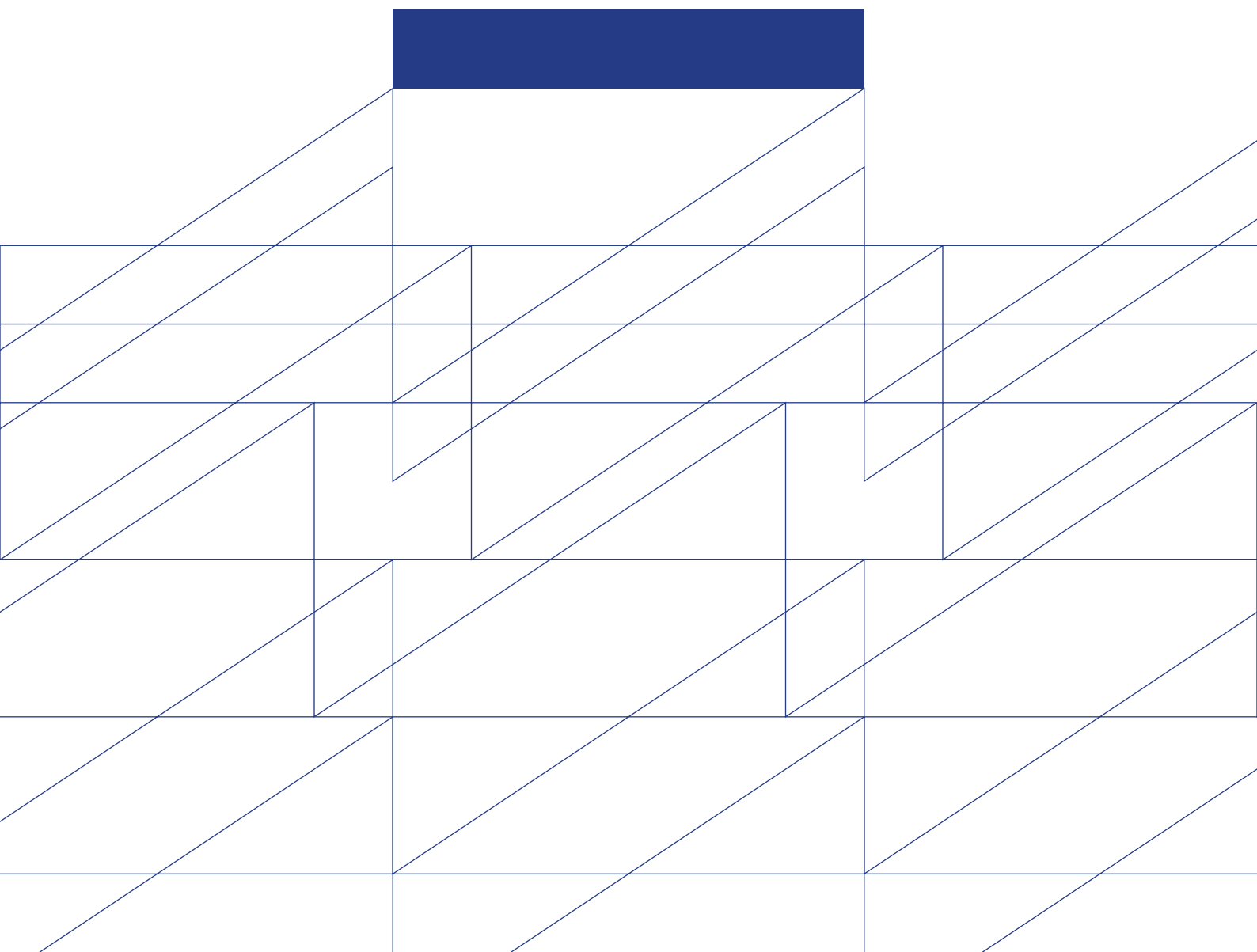


# 1





# **MONETARY POLICY IN TURBULENT TIMES AND THE CNB'S FINANCIAL RESULTS**





The Czech economy was strongly affected in 2022 by the war in Ukraine, which, after the coronavirus pandemic, came as another external shock with far-reaching economic impacts. As early as autumn 2021, there had been a sharp rise in electricity and natural gas prices on world exchanges. This started to intensify after the outbreak of the war in Ukraine in late February 2022. Rising consumer prices and growing uncertainty led to a marked deterioration in household sentiment. The post-Covid recovery gradually slowed and the Czech economy entered a shallow recession in the second half of 2022.

Czech firms faced rapid growth in costs, due mainly to import prices, but also to solid nominal wage growth, which reflected continued labour market tightness. However, the wage growth lagged behind consumer price inflation, so households' purchasing power fell significantly. Despite a gradual decrease in domestic demand-pull factors, inflation surged to 18% in September 2022 as a result of the pass-through of price pressures from abroad, and exceeded long-term highs. Inflation slowed markedly in the fourth quarter due to government measures to curb energy price growth.

In response to the exceptionally strong inflation pressures, and in an effort to return inflation to the 2% target, the CNB continued to tighten monetary conditions. In June 2022, the key interest rate rose to 7%, the highest level since 1999. It then remained at this level for the rest of the year. In addition, the CNB made occasional interventions in the foreign exchange market during 2022 to prevent excessive fluctuations of the koruna.

Open market monetary policy operations in an environment of higher interest rates, and international reserves management amid falling bond and equity prices, contributed to the CNB's accounting loss of CZK 412 billion, which was increased by appreciation of the koruna at the close of the year.

# MONETARY POLICY

The primary objective of monetary policy is to maintain price stability. Since January 1998, i.e. for a quarter of a century, the CNB has been applying an inflation targeting regime in which it endeavours to keep inflation close to a declared target in terms of year-on-year growth in the consumer price index. The inflation target is set at 2% with a tolerance band of  $\pm 1$  percentage point. This target is in line with the practice in advanced economies.

## 2.4%

DOMESTIC ECONOMIC  
GROWTH IN 2022



MONETARY  
POLICY



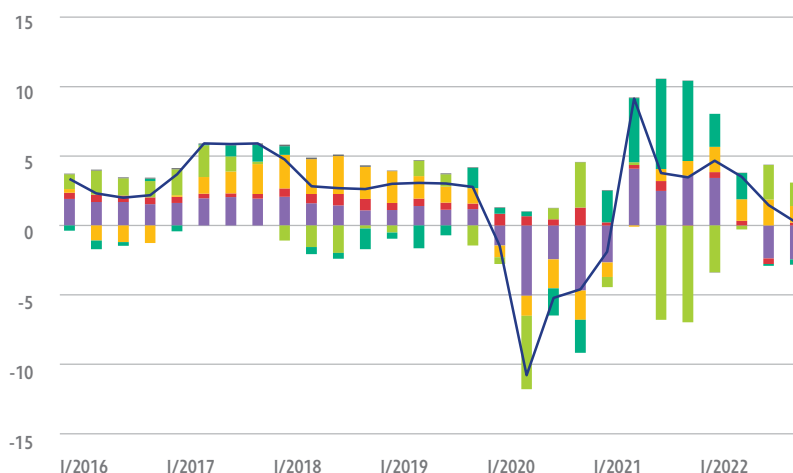
INFLATION  
TARGETING

CNB monetary policy faced a combination of several economic shocks in 2022, the most important being the outbreak of the war in Ukraine and the related energy crisis. At the start of the year, economic growth was driven by firms' investment

**Annual real GDP growth  
and its structure in 2016–2022**

(GDP growth in %; contributions in pp)

- Expenditure of non-profit institutions
- Change in inventories
- Net exports
- Gross fixed capital formation
- Government consumption
- Household consumption
- GDP



INFLATION  
TARGET

INFLATION  
TARGETS OF  
SELECTED  
CENTRAL BANKS

DEVELOPMENTS  
IN THE  
EUROPEAN  
NATURAL GAS  
MARKET

activity and strong consumer appetite of households, who benefited from a good income situation due to the tight labour market and from government support. After Russian troops invaded Ukraine, however, household sentiment deteriorated sharply. Combined with the exhaustion of the buffer of pandemic-related forced savings, sharply rising energy prices and monetary policy tightening, this led consumer demand to fall for the rest of the year. By contrast, corporate investment remained solid despite the high energy prices. The growth of the Czech economy was dampened slightly by fiscal policy in 2022 as a whole, mainly via its effect on household consumption. This was because a large part of the pandemic-related support programmes ended. This had a restrictive impact on the economy as a whole that was partly offset by other measures on the revenue and expenditure sides of the public budgets. External demand was also adversely affected by the war in Ukraine, the effect of which was exacerbated by problems in global value chains. Czech exports thus remained temporarily subdued and firms were forced to make increased additions to inventories in the first half of 2023. In the second half of the year, the economy started to lose steam gradually and entered a shallow recession. In 2022 as a whole, the Czech economy expanded by 2.4%.

Domestic inflation in 2022 was significantly affected by exceptionally strong inflation pressures from abroad. The latter were driven mainly by a sharp rise in natural gas and electricity prices, which started in late 2021. We continued to see a significant increase in global energy prices in February as a result of Russia's aggression in Ukraine. Another similar

shock came in the summer months when Russian gas supplies to Europe, which was quickly filling its storage tanks ahead of the winter, came to a halt. The growth in external inflation pressures was exacerbated by ongoing problems in global value chains.

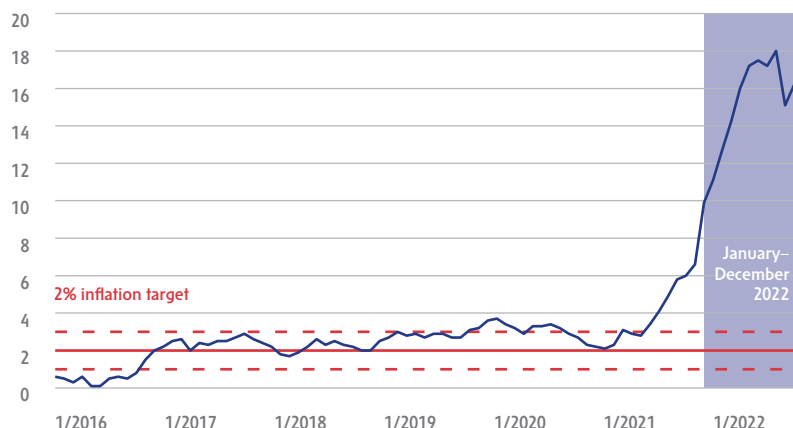
A large part of the inflation pressures also stemmed from the domestic economy, where consumers remained willing to accept rising prices given the good income situation of households. Persisting labour market tightness and related solid nominal wage growth also had an inflationary effect. Despite the rapid integration of many tens of thousands of Ukrainian refugees into the workforce, the unemployment rate remained very low and businesses faced labour shortages for most of the year. Even in these circumstances, however, wage growth was unable to keep pace with the high inflation and thus remained deeply negative in real terms. Growth in import prices peaked in mid-2022 and then slowed for the rest of the year owing to gradually receding difficulties in global value chains and a slight decline in global energy prices. The easing of inflation pressures was also fostered by a decrease in domestic demand effects, partly as a result of falling real household income and previous monetary policy tightening. In the summer, growth in the cost of owner-occupied housing, which is recorded in the form of imputed rent, also started to slow. Imputed rent started to reflect the CNB's previous interest rate increases, which slowed growth in house purchase loans and hence in house prices.

Annual consumer price inflation averaged 15.1% in 2022. Consumer prices recorded high and still sharply rising growth across the board, driven predominantly by core inflation. However, food prices and households' housing-related monthly bills also rose increasingly quickly. In addition, year-on-year growth in fuel prices stayed unusually high almost until the end of the year. A slight decline in inflation at the end of the year was due to government measures to curb energy price growth, specifically the introduction of an energy savings tariff and the waiver of the renewable sources fee. A cooling of the domestic economy had the same effect.

**15.1%**

AVERAGE INFLATION IN 2022

**Inflation by comparison with the inflation target  
in 2016–2022**  
(headline inflation in %)



CONTINUED  
MONETARY  
POLICY  
TIGHTENING

The exceptionally strong inflation pressures, which were reflected in escalating and broad-based price growth, created a need for the CNB to tighten monetary policy further. It was necessary to limit the pass-through of these inflation pressures from the foreign and domestic economies to prices in the longer run and to prevent an increase in long-term inflation expectations, which could lead to a wage-price or profit-price spiral. The Bank Board therefore continued to raise interest rates in the first half of the year. By early summer, the policy rate (the two-week repo rate) had climbed to 7%. The timely and sharp tightening of monetary policy up to then, as well as the Bank Board's decision to temporarily disregard inflation caused directly by strong external price shocks, led to interest rates being left unchanged in the second half of the year.

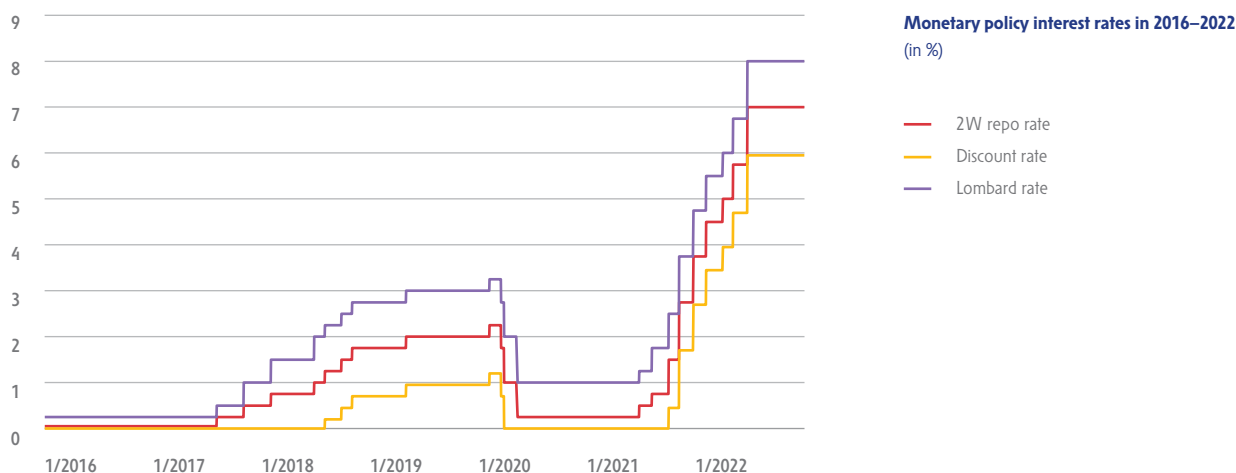
**7%**

TWO-WEEK REPO RATE  
AT THE END OF 2022

**Česká národní banka**
  
@CNB\_\_cz

At its meeting today, the #CNB Bank Board kept interest rates unchanged. The two-week repo rate (2W repo rate) thus remains at 7%, the discount rate at 6% and the Lombard rate at 8%. #interestrates

4 August 2022 CNB keeps interest rates unchanged	7.00% 2W REPO RATE	6.00% DISCOUNT RATE	8.00% LOMBARD RATE
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The koruna weakened sharply following the outbreak of the war in Ukraine in late February, and exceeded CZK 25.5 to the euro in early March. The CNB prevented excessive exchange rate volatility and a further weakening of the koruna by making foreign exchange market interventions, which soon returned the koruna to its previous level of around CZK 24.5 to the euro. The CNB started to intervene again in May, and the need for such interventions persisted until October. In the fourth quarter, the CNB was only marginally active in the market but continued to declare its readiness to prevent excessive fluctuations of the koruna. At the close of the year, the koruna firmed gradually to around CZK 24 to the euro owing to market factors, reaching its strongest level since 2011. In a context of high inflation, the appreciation of the Czech koruna was very welcome, as it helped dampen the inflation pressures by hindering growth in prices of imported goods, including energy commodities.





# FINANCIAL MARKET OPERATIONS

The CNB implements monetary policy through operations on the interbank market. The bulk of this activity consists of two-week repo operations, through which the central bank absorbs liquidity from the banking sector. The price limit for these operations is the two-week repo rate, which is the key monetary policy rate. This rate is reflected in market interest rates and subsequently in other economic variables. The volume of monetary policy repo operations is set so that sufficient reserves are available in the money market to enable banks to comply with the reserve requirements and invest their excess liquidity effectively. The CNB compiles daily forecasts of liquidity in the banking sector and publishes them on its website. In this way, it informs banks about the current market situation, enabling them to optimise their liquidity planning. In 2022, effective liquidity management resulted in a 33% year-on-year decrease in the average amount of excess reserves and a minimal number of cases of non-compliance with the reserve requirements.

The Bank Board decided to suspend the programme of sales of part of the income on international reserves while the foreign exchange market interventions were going on.

In addition to changes in the CNB's key interest rates and foreign exchange interventions, other extraordinary factors affected the banking sector's liquidity in 2022, especially the war in Ukraine and a related unexpected decline in currency in circulation, which is discussed in more detail in section 4 of this report.



**Structural liquidity surplus in 2022**  
(in CZK billions)

Under the Act on the Czech National Bank and the Act on Budgetary Rules, the central bank provides banking services to the state. These services include maintaining accounts and providing payment services and services relating to liquidity management of the Single Treasury Accounts. The CNB currently maintains two Single Treasury Accounts, one in koruna and the other in euro. The liquidity of the Single Treasury Accounts is managed in close cooperation with the Ministry of Finance on a day-to-day basis. A forecast of the revenues and expenditures of all entities subordinated to the Single Treasury Accounts determines how much the Ministry can invest in the market. The CNB conducts operations on the Ministry's behalf. On average, EUR 380 billion was deposited on the market each day in 2022.

# INTERNATIONAL RESERVES MANAGEMENT

**CZK 3,165.8 BILLION**

INTERNATIONAL RESERVES AT  
THE END OF 2022

SIZE OF THE  
INTERNATIONAL  
RESERVES

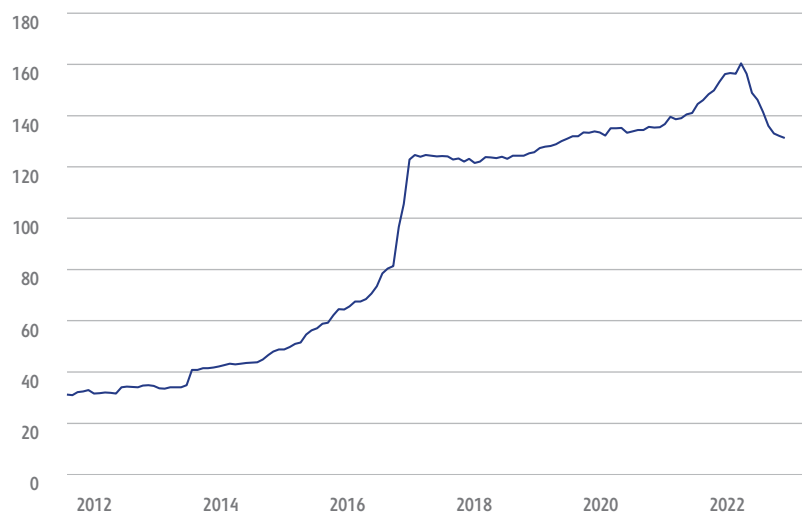
STRUCTURE  
OF THE  
INTERNATIONAL  
RESERVES

QUARTERLY  
INFORMATION  
ON THE  
INTERNATIONAL  
RESERVES

The CNB manages its international reserves, which are used mainly to support independent monetary policy-making. The main function of the international reserves is to provide enough foreign currency liquidity for the CNB's open market operations.

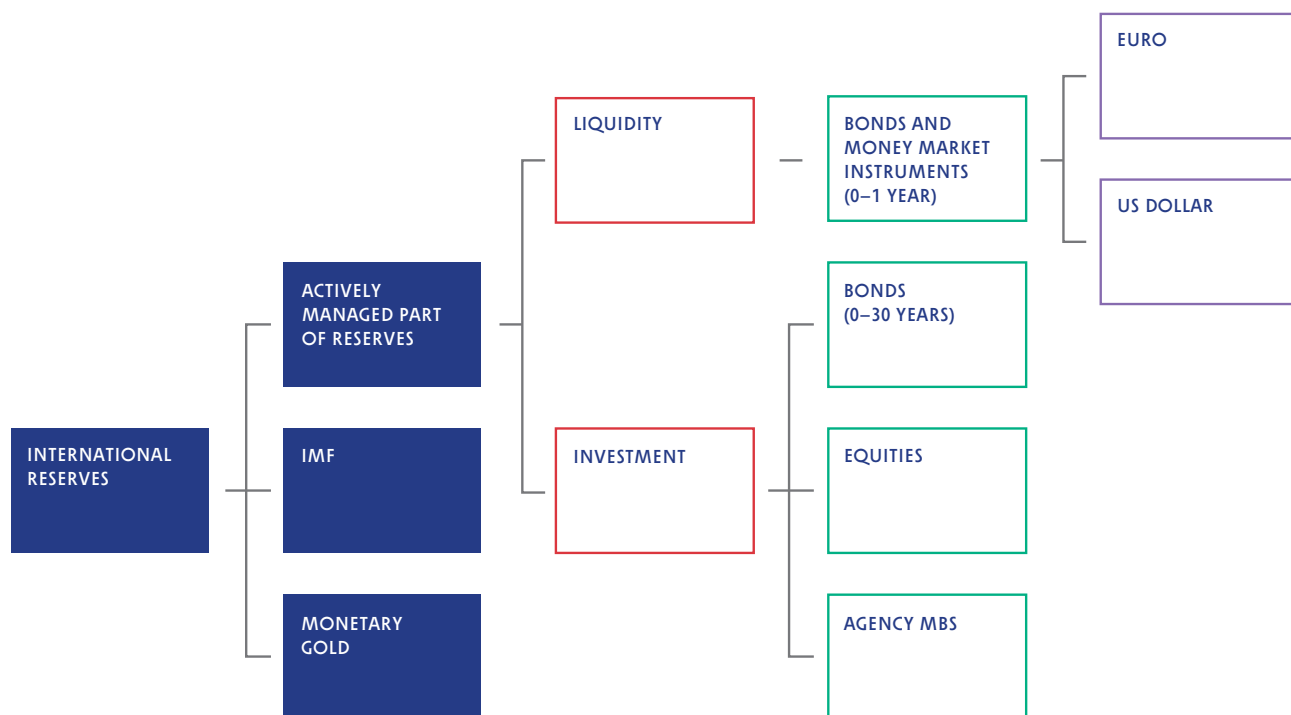
The international reserves consist of external assets in selected convertible currencies, monetary gold, special drawing rights (SDR) and reserve positions with the International Monetary Fund (IMF) and other short-term external assets. The reserves amounted to CZK 3,165.8 billion (EUR 131.3 billion) at the end of 2022. The CNB regularly publishes the size and structure of the reserves on its website.

The principles applied in international reserves management take into account the function performed by the reserves and pay due regard to their security, liquidity and returns. The largest part of the reserve portfolio is invested in debt securities issued by governments of economically advanced countries, selected government-guaranteed bonds and other bonds of top-rated issuers (such as multinational development banks). The CNB invests part of its reserves in publicly traded shares. It mainly uses repos, deposits with central banks and securities with maturities of up to one year to manage its liquidity portfolios. All creditor positions with private counterparties (banks and other financial institutions) are backed by financial collateral in the form of cash or high-quality government securities.



**Volume of the international reserves in 2012–2022**  
(in EUR billions)

**Structure of the international reserves portfolios in 2022**



## EUR 25.5 BILLION

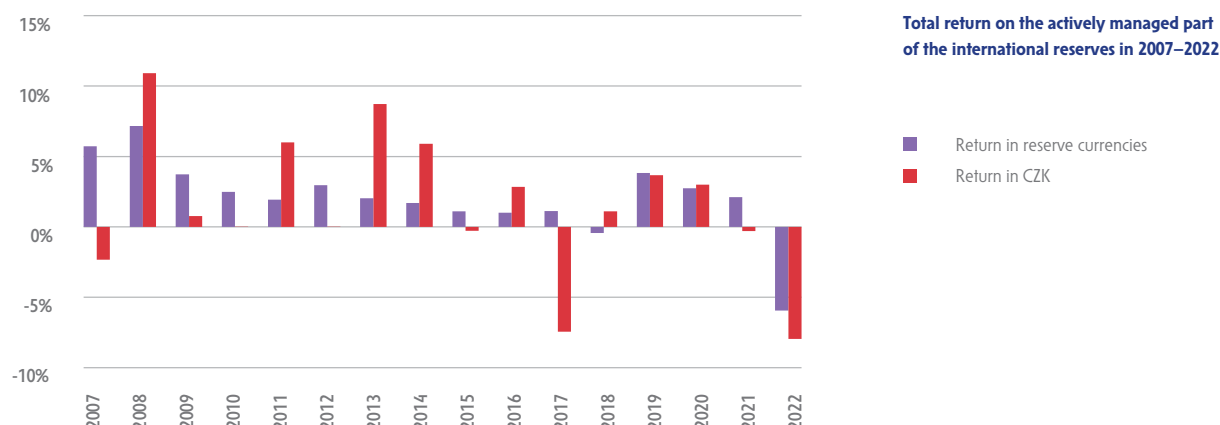
VOLUME OF FOREIGN  
EXCHANGE INTERVENTIONS  
IN 2022

CNB FOREIGN  
EXCHANGE  
TRANSACTIONS

The structure and size of the CNB's international reserves in 2022 was affected most of all by foreign exchange interventions to support the stability of the koruna. These operations represented sales totalling EUR 25.5 billion for the year as a whole. The interventions had a significant effect not only on the size of the reserves, but also on their currency and liquidity structure. The CNB took the foreign currency liquidity necessary for the interventions exclusively from the euro liquidity portfolio. This resulted in a drop in the share of the euro in the currency structure of the international reserves from 56.8% to 51.3% and a decrease in the size of the liquidity tranche to 24.7% of the actively managed part of the reserves. The share of the Chinese portfolio rose slightly further to 1.8%.

The target size of the equity portfolio is 20% of the investment tranche. At the end of 2022, equities accounted for 23.1% of the investment tranche and 17.5% of the total actively managed international reserves portfolios. The equity investment structure was unchanged from the past. The CNB invests in publicly traded shares with high market capitalisation, and the following main global stock indices are still the portfolio benchmarks: European (MSCI Euro), US (S&P 500), UK (FTSE 100), Japanese (Nikkei 225), Canadian (S&P TSX) and Australian (S&P ASX 200). In the past, the equity portfolios were managed for the CNB exclusively by external managers, specifically BlackRock and State Street Global Advisors. A switch to internal management at the CNB started in 2021, when an internal equity portfolio in British pounds was established. This process continued in 2022, when a significant proportion of the euro, US dollar and Australian dollar portfolios was transferred to internal management. The share of equity portfolios managed by external managers thus dropped to less than 43% in 2022.

The total loss on the actively managed part of the international reserves (expressed as the weighted average of the returns on the portfolios measured in their own currencies) was 5.95%. The portfolio returns were negatively affected by rising interest rates on bond markets and weakening stock markets. Changes in the exchange rate of the koruna against the reserve currencies increased the loss further to 7.95%.



The liquidity tranche recorded a return of 0.65% and the investment tranche a loss of 8.51% in 2022. Among the individual international reserves portfolios, only the liquidity portfolios and the Chinese renminbi investment portfolio recorded positive returns in 2022.

**Aggregate portfolio returns and losses broken down by portfolio currency (excluding exchange rate effects) in 2022**

Tranche	Euro	US dollar	Canadian dollar	Australian dollar	British pound	Japanese yen	Swedish krona	Chinese renminbi	Total
Liquidity	+0.03%	+1.84%	---	---	---	---	---	---	+0.65%
Investment	-7.90%	-12.04%	-6.69%	-6.64%	-6.76%	-7.68%	-5.27%	+3.18%	-8.51%

The CNB is guided by economic and financial factors when making investment decisions. However, part of its investments can be described as investments to improve the environment, social conditions and governance in conformity with the “due care” principle, also collectively referred to as socially responsible or environmental, social and governance (ESG) investments. The share of these investments in the portfolios managed fell modestly to 3.62% in 2022 (from 3.69% in 2021).

#### Socially responsible investments in 2022

Bond category	Amount (in EUR millions)	Share in international reserves
Environment	925.32	0.78%
Social area	255.13	0.22%
Sustainable development	577.31	0.49%
Multinational development banks	2,512.98	2.13%
Overall ESG	4,270.74	3.62%

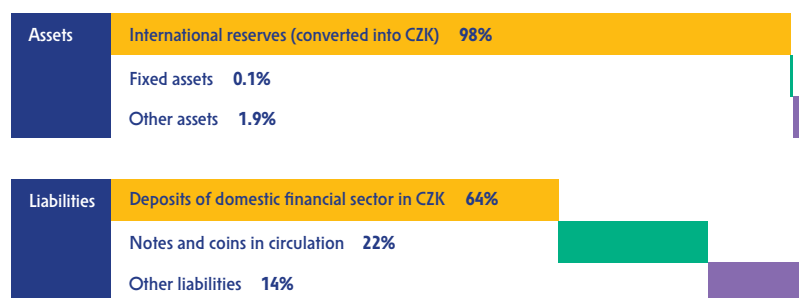
Part of the reserves consists of monetary gold and the part of the claim on the IMF that has been paid or is maintained in a foreign currency, i.e. the reserve position with the IMF, SDR holdings and an IMF bilateral loan. This non-koruna financial position vis-à-vis the IMF amounted to SDR 3.1 billion at the end of 2022.

Part of the gold held by the CNB was used for the production of commemorative coins in 2022. However, the CNB also bought some gold in line with the gold reserve holdings procedure approved in 2019, which is aimed primarily at maintaining the amount of the gold held by the CNB at a certain minimum level. The CNB thus had around 12 tonnes of gold at the end of 2022, approximately 13% more than at the end of 2021. The possibility of increasing the amount of gold in the international reserves was analysed in 2022.

# FINANCIAL REPORT

The CNB's financial performance is divided into three areas – monetary, operations and currency issuance. The monetary area is the most important for its overall profit/loss. It is also the most volatile and is subordinate to the fulfilment of the CNB's statutory objectives.

International reserves – invested on foreign financial markets – make up the majority (98%) of the CNB's assets, while liabilities are dominated by koruna deposits (reserves) of the domestic financial sector (64%) and currency in circulation (22%).



CNB balance sheet

The profit/loss for the monetary area is determined by income on assets (international reserves), expenses on liabilities (expenses on monetary operations, which rise as the CNB's key rate increases) and the exchange rate used to revalue the returns on the reserves to koruna. The balance of these three factors is volatile as a result of cyclicity and exogenous shocks. The volatility of the financial result was amplified by growth in the balance sheet total, which almost tripled during the exchange rate commitment in 2013–2017.



By contrast, currency in circulation is not remunerated and plays a key role in the long run by creating room for achieving future positive levels of equity.

In 2022, the global economy faced a combination of exceptionally strong inflation pressures and rising geopolitical tensions, which led to uncertainty about future economic developments and significant market volatility. Amid fast-rising inflation, almost all central banks – including the CNB – tightened monetary conditions. The rise in monetary policy and market rates led to a fall in prices of bonds traded on financial markets, with asset holders incurring capital losses as a result. The increased risk premium also affected stock markets, which fell sharply due to sell-offs.

The financial market developments were reflected in a decline in the performance of the international reserves. In this area, the CNB recorded a total accounting loss of CZK 208 billion in 2022. The contribution of the exchange rate, which was affected by movements in the koruna exchange rate, was mixed during the year. The koruna appreciated fairly markedly at the close of the year, causing the loss to widen by a further CZK 42 billion.

The bond asset class, in which the largest part of the international reserves is invested, closed the year with a total loss of CZK 151 billion, driven by the capital component. The interest rate component of the portfolio recorded a better result than a year earlier. The equity portfolio had accounted for a significant part of the returns in previous years, when very low interest rates had prevailed. Despite persisting complications, the main stock indices followed an upward trend until the end of 2021. Rising inflation, accompanied by the tightening of monetary conditions by major central banks and growing geopolitical tensions, which caused the main stock markets to decline, caused a major turnaround. The equity portfolio thus recorded a total accounting loss of CZK 65 billion as a result of capital losses. By contrast, increases in monetary policy and market interest rates had a positive impact on the performance of money market instruments, which had been loss-making for several years owing to negative rates in the euro area.

The CNB started to tighten domestic monetary conditions in June 2021. Monetary policy rates rose significantly in the course of one year (the two-week repo rate, for example, went up by 6.75 percentage points). The increase in these rates, coupled with the volume of sterilisation liabilities, had a very significant negative effect on the financial result. Monetary policy-making expenses (the interest that the CNB pays banks on their deposits of excess liquidity and required reserves) increased by CZK 135 billion year on year, totalling CZK 160 billion at the end of 2022. The banking sector deposited its excess liquidity predominantly through liquidity-absorbing two-week repo operations. The CNB sterilised CZK 2,564 billion on average in this way, at a total annual cost of CZK 151.7 billion. The average monthly value of the deposit facility declined to CZK 29 billion year on year, with total annual costs of CZK 1.3 billion. Commercial banks' minimum reserves deposited with the central bank had a negative impact of CZK 6.6 billion on the financial result.

Furthermore, the CNB cut costs to offset the growth in its operating expenses, the causes of which are explained in section 7.

Overall, the CNB ended 2022 with an accounting loss of CZK 412 billion. The 2022 loss was due mainly to a combination of a decline in prices of the fixed-rate bond portfolio and the equity portfolio and an increase in the remuneration of the domestic banking sector's excess liquidity. The record-high accounting loss was amplified by exchange rate movements at the end of the year.

#### The CNB's income and expenses in 2021 and 2022

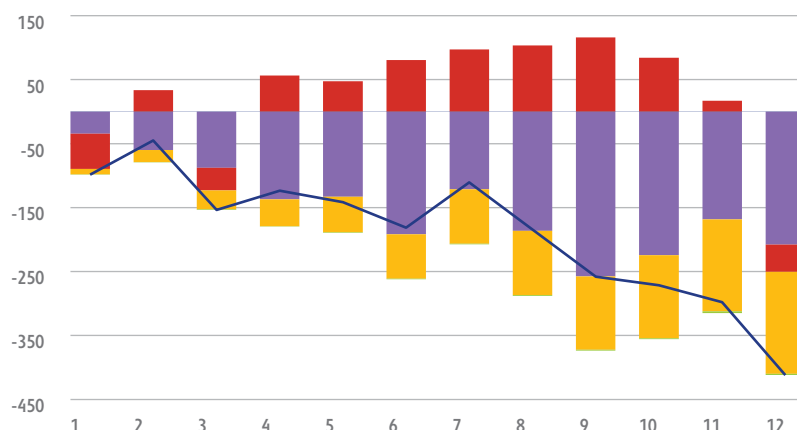
(in CZK millions)

	2022	2021	Y-o-y change
<b>1. Total</b>	<b>-411,855</b>	<b>-37,739</b>	<b>-374,116</b>
<b>2. Monetary area</b>	<b>-408,456</b>	<b>-34,519</b>	<b>-373,937</b>
2.1. Monetary policy-making	-159,630	-24,403	-135,227
2.2. International reserves management	-207,690	79,786	-287,476
2.3. Valuation changes	-42,475	-91,433	48,958
2.4. Client operations	1,334	1,508	-174
2.5. Other operations	5	23	-18
<b>3. Currency issuance</b>	<b>-359</b>	<b>-605</b>	<b>246</b>
<b>4. Operations</b>	<b>-3,040</b>	<b>-2,615</b>	<b>-425</b>

### The CNB's income and expenses in 2022

(in CZK billions; x-axis: individual months of the year)

- International reserves management
- Valuation changes
- Monetary policy-making
- Other activities
- Profit/loss

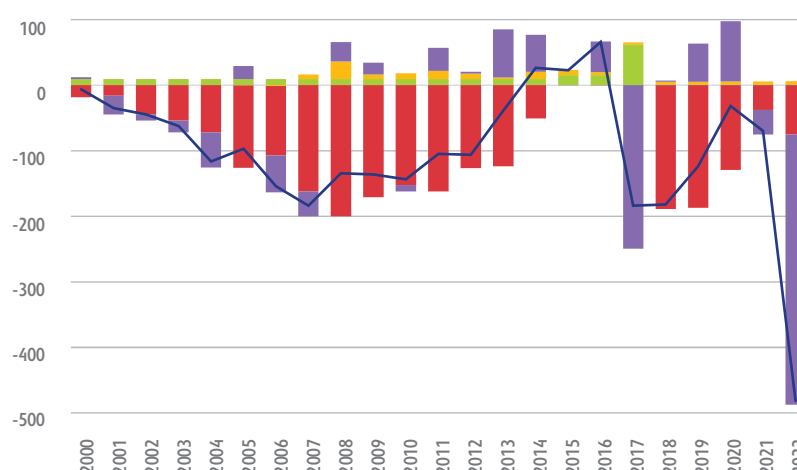


The CNB has had negative equity since 2017. It has gradually succeeded in reducing its negative equity due to profits made, and even recorded positive equity in the course of 2021. The losses recorded in 2021 and 2022 moved the equity back into negative territory at minus CZK 481 billion. As indicated above, the profit/loss is based on the balance sheet. The current balance sheet is much larger than in the past. At the end of 2022 the absolute value of equity stood at 15% of the balance sheet total, whereas in July 2008, for example, the share had been significantly higher (40%). Even in that situation, neither the financial independence of the domestic monetary authority nor the fulfilment of its statutory mandate had been impaired.

### The CNB's equity in 2000–2022

(in CZK billions)

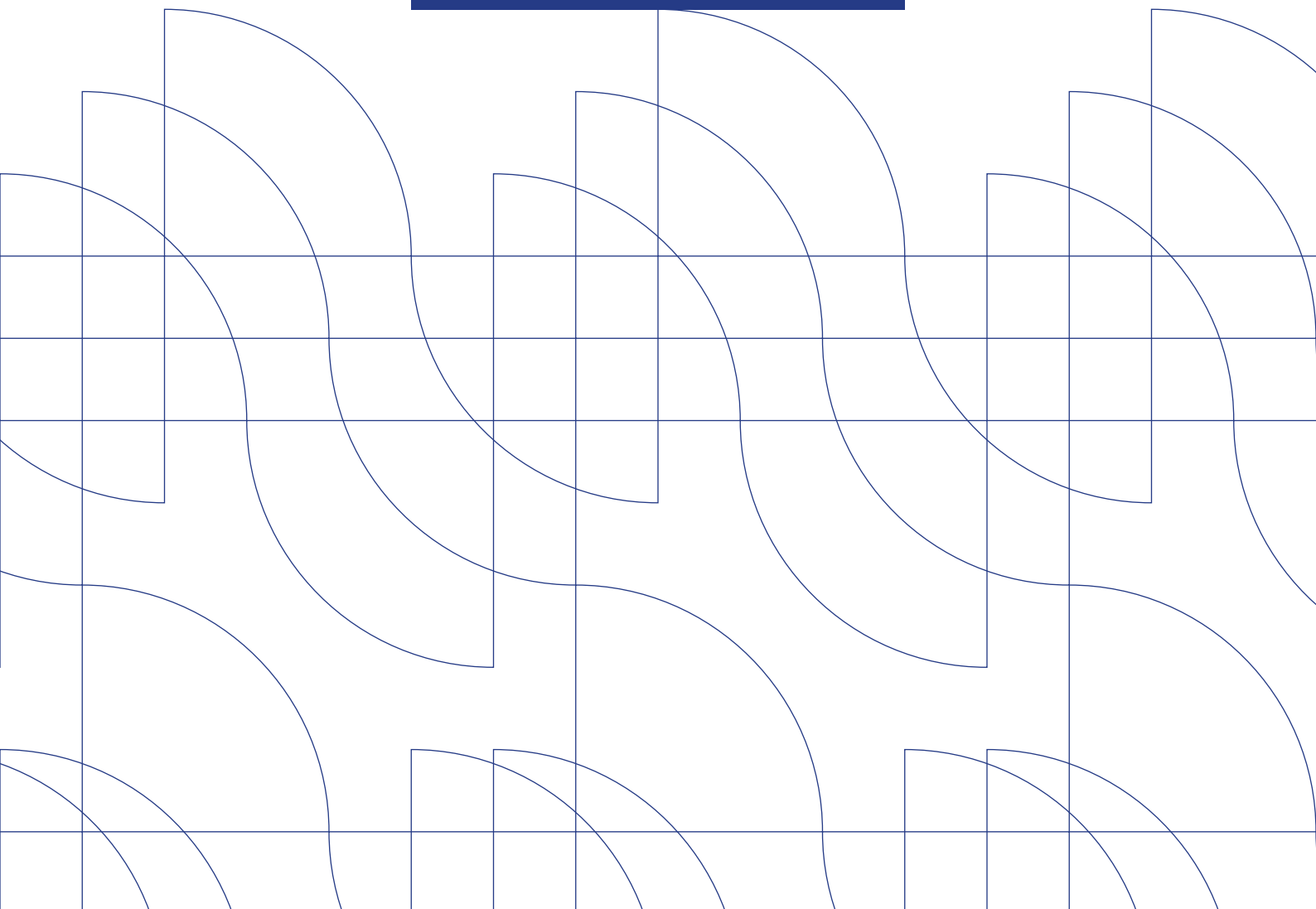
- Share capital and funds
- Revaluation reserve
- Accounting loss from previous periods
- Profit/loss
- Total capital



# 2



# THE FAILURE AND LIQUIDATION OF SBERBANK CZ





On 28 February 2022, the CNB opened administrative proceedings against Sberbank CZ, a.s. (hereinafter referred to as "Sberbank CZ") to revoke its banking licence. A preliminary measure simultaneously prohibited the bank from providing new loans and taking deposits and restricted it from disposing of assets. This was because Sberbank CZ had become unable to meet its obligations to its clients after its liquidity situation deteriorated. The deterioration had been caused by a run on the bank in response to Russia's attack on Ukraine. The CNB's decision to revoke the banking licence of Sberbank CZ took effect on 30 April. During spring 2022, the CNB repeatedly explained to the public that Sberbank CZ was a specific case caused by geopolitical developments. However, the Czech financial system as a whole is prepared for such cases. The CNB's financial stability findings and regular stress tests repeatedly confirm that Czech banks are stable, strong and sound. Their stability is significantly boosted by the fact that they are exceptionally well capitalised, even by European standards.

Until Russia's aggression against Ukraine began on Thursday 24 February 2022, Sberbank CZ was a Czech bank meeting the banking regulation requirements. On Friday 25 February, Russia's aggression led to a run on the bank. The bank became unable to meet its obligations and therefore failed.

Procedures for such situations are set out mainly in the Act on Banks, the Recovery and Resolution Act and the related European crisis management framework based on the Bank Recovery and Resolution Directive.

## ASSESSMENT OF CONDITIONS FOR RESOLUTION MEASURES

As Sberbank CZ was failing, the CNB conducted an assessment of the fulfilment of the conditions for the application of resolution measures. It evaluated whether resolution was in the public interest, whether the application of resolution measures was necessary and reasonable to achieve one or more of the resolution objectives, and whether the potential liquidation or winding up of the bank under insolvency proceedings would achieve the said objectives to the same extent.

The assessment of the public interest also includes an assessment of the credibility and feasibility of liquidation. The CNB found that the resolution of Sberbank CZ through liquidation was both credible and feasible. This meant that the Financial Market Guarantee System and the Deposit Insurance Fund had enough liquidity to pay out covered deposits and

**98 %**

OF COVERED DEPOSITS  
OUT OF THE TOTAL  
OF CZK 26 BILLION HAVE  
BEEN PAID OUT TO CLIENTS  
OF SBERBANK CZ BY THE  
DEPOSIT INSURANCE FUND  
(AS OF MARCH 2023)



that Sberbank CZ was able to submit to the Financial Market Guarantee System data on clients to whom the Financial Market Guarantee System would have to pay compensation for covered deposits.

Based on an assessment of objective criteria, the CNB concluded that the public interest was not present.

The CNB also evaluated the existence of alternative measures that could avert the failure of Sberbank CZ within a reasonable period of time and noted that there were no such measures at the time of the failure.

As not all the legal conditions for the application of resolution measures were met, the procedure set out in the Act on Banks was followed.

Other European banks from Sberbank Europe AG also failed for liquidity reasons. As it was a cross-border banking group, the CNB coordinated the procedures during the weekend of 26–27 February in a resolution college, in particular with the group supervisor (the European Central Bank and the Single Supervisory Mechanism) and the group resolution authority (the Single Resolution Board). Decisions were made in a coordinated manner so that further action could be taken on the morning of Monday 28 February before the financial markets opened.

## LICENCE REVOCATION

On Monday 28 February, the CNB opened administrative proceedings to revoke the licence of Sberbank CZ, as the bank had become unable to meet its obligations to its creditors. The CNB simultaneously issued a preliminary measure requiring Sberbank CZ to refrain from (i) action consisting in providing, drawing and extending the maturity of loans, (ii) action consisting in taking deposits, (iii) action leading to the acquisition (purchase) of assets, with some exceptions, and (iv) the disposal of assets or the encumbrance thereof with the rights of third parties.

START  
OF THE LICENCE  
REVOCATION  
PROCESS

<b>25 FEB</b> run on bank	<b>26–27 FEB</b> coordination of procedures in resolution college	<b>28 FEB</b> commencement of proceedings to revoke licence, issuance of preliminary measure and activation of Financial Market Guarantee System	<b>9 MAR</b> payout of covered deposits commences	<b>14 APR</b> decision to revoke licence	<b>30 APR</b> decision takes effect
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On the same day, the CNB notified the Financial Market Guarantee System of the inability of Sberbank CZ to meet its obligations under the statutory and contractual conditions (“the record date for the payout of compensation”). The Financial Market Guarantee System then started to pay out deposits within the statutory time limit of seven working days. The insured deposits (up to an equivalent of EUR 100,000) are being paid out through Komerční banka, a.s. Approximately 98% of covered deposits out of a total of around EUR 26 billion had been paid out as of the cut-off date for the information presented in this report.

On 14 April, the CNB decided to revoke the banking licence of Sberbank CZ; this decision took effect on 30 April. Upon the CNB’s petition, Sberbank CZ was dissolved with liquidation as of 2 May by ruling of the Municipal Court in Prague. The Court also appointed a liquidator, Jiřina Lužová, who started to take action to settle the obligations and claims of Sberbank CZ. The liquidator had to deal with a difficult situation in the area of international sanctions, in particular those imposed by the US government and enforced by the US Office of Foreign Assets Control.

## LIQUIDATION AND SUBSEQUENT INSOLVENCY

In the liquidation process, the liquidator tried to sell the bank’s loan portfolio and offered it to Czech banks. At this stage, however, she was unable to sell the assets of Sberbank CZ, because no bidder submitted a binding offer.



On the basis of an insolvency test, the liquidator assessed that Sberbank CZ was insolvent on 30 June. On 29 July, she submitted a petition to open insolvency proceedings to the Municipal Court in Prague. On 2 August, the Municipal Court in Prague issued a ruling appointing Jiřina Lužová as the preliminary insolvency trustee of Sberbank CZ. On 26 August 2022, the Municipal Court in Prague issued a ruling declaring Sberbank CZ bankrupt, and the liquidator Jiřina Lužová became insolvency trustee with full powers under the Insolvency Act.

With the agreement of the members of the interim creditors' committee, the insolvency trustee reiterated her intention to sell the assets of Sberbank CZ, this time at the stage of insolvency proceedings. The best bid to buy part of the business was made by Česká spořitelna, with which the insolvency trustee signed an agreement to agree on 7 November. The CNB approved this sale on 25 November. The transaction was also approved by the Office for the Protection of Competition. Settlement is expected to take place in the first half of 2023 and satisfaction on account of insolvency by the end of 2023. Preparatory work on the transfer of assets is currently underway.

The insolvency trustee also successfully applied for an extension of the exemption from US sanctions, primarily because the entire transaction process with Česká spořitelna was running smoothly.

## LESSONS LEARNED

The story of the demise of Sberbank CZ is not entirely over yet, but some lessons can already be drawn. First, the licence revocation and liquidation and insolvency of this small bank did not jeopardise the stability of the financial market as a whole. Payments, deposit-taking and lending are going on out without the problems of Sberbank CZ having been transmitted to other financial market entities in the Czech Republic and without there having been any shocks.

Secondly, the process is taking place without any entitlement to resources from the state budget. Funds of state-linked entities (such as municipalities) are not state budget funds, and such entities use these funds on the basis of their own business decisions.

Third, the Financial Market Guarantee System and the Deposit Insurance Fund proved to function smoothly. The latter, after having been activated by the CNB, ensured that around 100,000 insured depositors were compensated (deposits up to an equivalent of EUR 100,000) in record time, in a very large amount of CZK 26 billion and without any operational issues.

Fourth, large depositors (natural persons with deposits exceeding EUR 100,000, businesses and municipalities) are highly likely to receive a large percentage of their deposits back in the event of a successful insolvency process. If everything goes smoothly, this could happen in the second half of 2023. This is dependent on there being no legal disputes challenging the sale process at the time the transaction is settled.

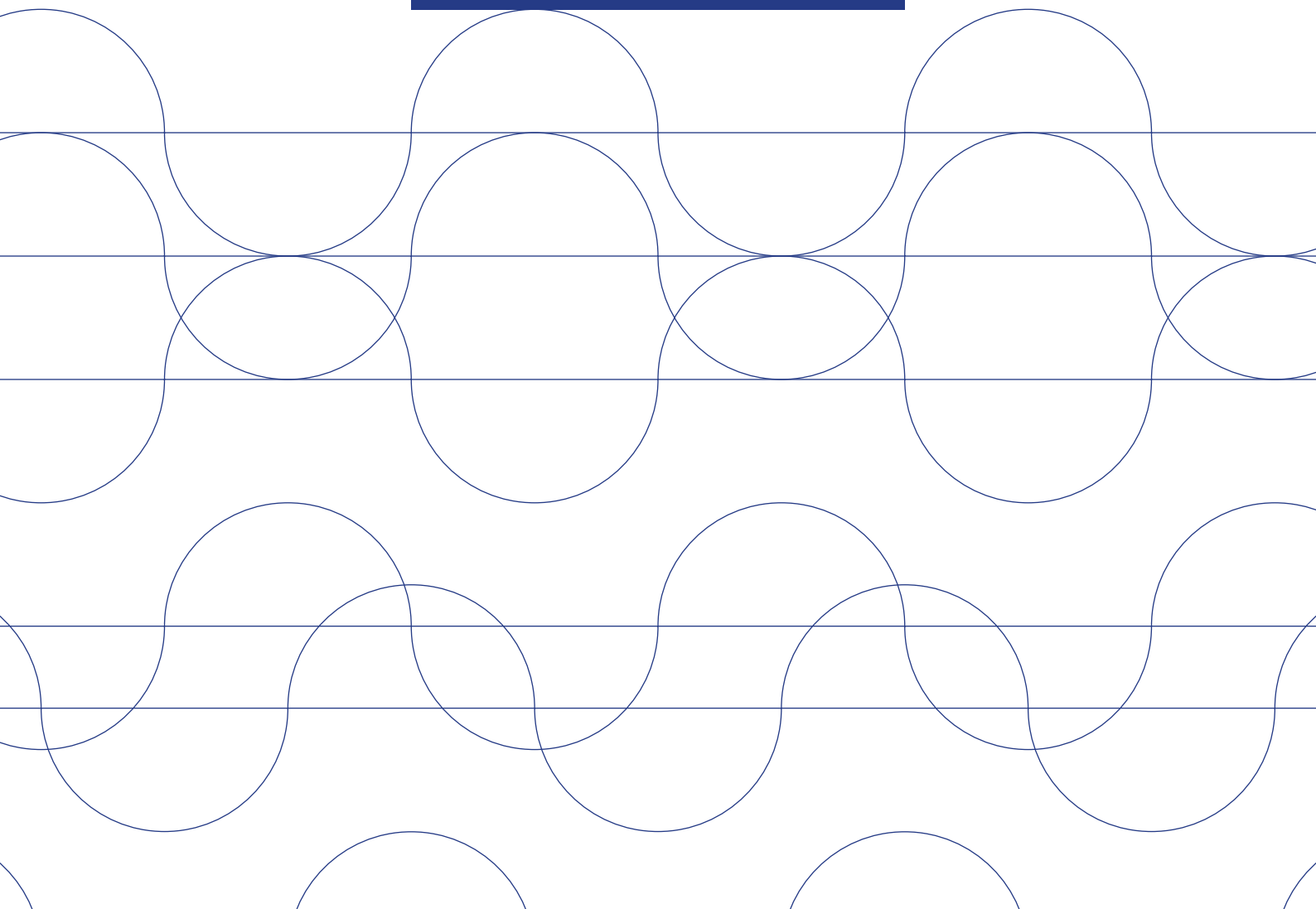
Another important lesson concerns investment risk and deposit insurance. Some creditors, in particular businesses and municipalities, assume that bank deposits are risk-free investments. However, this is not the case: even the mere depositing of money on a bank account entails risk. Deposit insurance only reduces that risk.



3



# **THE CNB AND THE CZECH FINANCIAL SYSTEM: STRIVING FOR STABILITY AND COMPLIANCE**







Maintaining financial stability and seeing to the sound operation of the financial system in the Czech Republic are among the central bank's main objectives. The CNB identifies, monitors and assesses risks jeopardising the stability of the financial system. It uses its powers to set relevant macroprudential tools to prevent or mitigate those risks. In doing so, it creates macroprudential policy and contributes to the resilience of the financial system and the maintenance of financial stability. Supervising the financial market helps it to keep the financial sector strong and sound and to protect the clients of institutions carrying on business on the financial market.

The taking-on of new cyclical risks in the banking sector's balance sheets started to slow in 2022 but remained elevated. The CNB responded by increasing the countercyclical capital buffer rate to 2.5% from 1 April 2023. The caps on credit ratios for mortgage loans were kept unchanged at the previously approved levels. This was due mainly to persisting high overvaluation of house prices and an effort to maintain the quality of the house purchase loan portfolio amid difficult financial conditions in the household sector.

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FINANCIAL  
STABILITY  
REPORTS

The financial market and its various sectors faced not only the aftereffects of the coronavirus pandemic, but also the consequences of the current geopolitical and economic situation. Owing to global economic developments and Russia's invasion of Ukraine, the financial market was exposed to an unprecedentedly high degree of uncertainty and extraordinary external factors. This had to be reflected appropriately in the CNB's supervisory work. Alongside its standard supervisory activities, the CNB therefore used ad hoc supervisory tools in justified cases to respond flexibly to the unfolding situation (such as extraordinary daily monitoring of the liquidity of banks and credit unions after the start of the Russian invasion).

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FINANCIAL  
MARKET  
SUPERVISION  
REPORTS

More detailed information on the CNB's activities in the area of financial stability and financial market supervision can be found in specialised regular publications, namely the Financial Stability Report and the Financial Market Supervision Report.

# MACROPRUDENTIAL POLICY

The Bank Board usually takes macroprudential policy decisions four times a year. The spring and autumn meetings are based on the analyses and expert conclusions contained in the CNB's Financial Stability Reports, which are then made available to the public (usually in June and December). At the other two meetings, the Bank Board decides on the countercyclical capital buffer rate.

The household and non-financial corporate sectors – and indirectly the financial sector – faced a combination of economic and financial shocks in 2022. These were linked mainly with the difficult situation caused by the energy crisis associated with the war in Ukraine. The CNB's concerns of an increase in the risks to financial stability related mainly to a potential rise in the default rate of indebted entities, whose financial soundness might have worsened due to higher energy prices coupled with tighter monetary conditions. Analyses of these risks indicated a slight rise in defaults by households and non-financial corporations, but the increase was not systemic. Owing to the considerable financial market volatility and the uncertainty regarding the global and domestic economy throughout last year, the CNB conducted stress tests simulating strong adverse shocks. These demonstrated that the institutions under supervision were able to withstand increased stress.

The banking sector was aided in achieving a high degree of resilience by a capital buffer gradually created for worse times, specifically the countercyclical capital buffer (CCyB). The Bank Board increased the CCyB rate to 2.5% last spring,

"At a time when our primary objective is to reduce inflation substantially, we have to be very firm and unrelenting in requiring banks and their clients to create less debt."

**ALEŠ MICHL, GOVERNOR**



MACROPRUDENTIAL  
POLICY



DECISIONS ON  
MACROPRUDENTIAL  
POLICY



STRESS TESTING

47%

SHARE OF  
EURO-DENOMINATED  
LOANS IN NEW LOANS  
TO NON-FINANCIAL  
CORPORATIONS IN 2022

**Countercyclical capital buffer rates  
in European countries in 2022 and 2023**  
(in % of total risk exposure; source: ESRB)

■ Applicable rate as of 12/2022  
■ Pending rate as of 2/2023



The resilience of key banking sector institutions is also strengthened by the capital buffer for other systemically important institutions. In accordance with an assessment conducted last year, the CNB expanded the list of systemically important institutions operating in the Czech Republic from five to six based on the scores resulting from the assessment. With effect from 2023, the buffer rates for these six institutions were set at between 0.5% and 2.5% of their risk-weighted assets depending on their systemic importance.



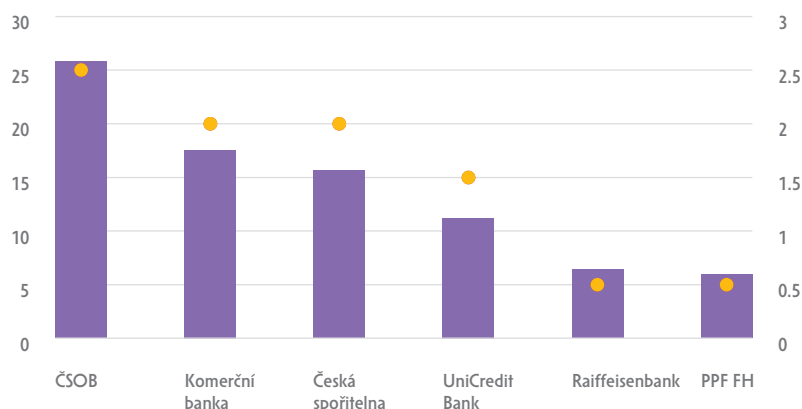
COUNTERCYCLICAL  
CAPITAL BUFFER



ESRB WARNING



CAPITAL  
BUFFER  
FOR OTHER  
SYSTEMICALLY  
IMPORTANT  
INSTITUTIONS



#### Buffer rates for other systemically important institutions in 2022

(systemic importance score of institution in %; right-hand scale: rate in % of total risk exposure)

- Systemic importance score
- Rate (right-hand scale)

In the financial stability area, the CNB focuses intensively on risks associated with the relationship between property prices and house purchase loans. To mitigate the risks stemming from this relationship, the CNB sets limits on the loan-to-value (LTV), debt-to-income (DTI) and debt service-to-income (DSTI) ratios. In response to sharp growth in residential property prices in the Czech Republic and a significantly increased amount of new house purchase loans provided in 2021 and early 2022, the CNB capped the LTV ratio at 80% (or 90% for applicants under 36 years for financing owner-occupied housing), the DTI ratio at 8.5 times (or 9.5 times) the applicant's net annual income and the DSTI ratio at 45% (or 50%) of the applicant's net monthly income with effect from 1 April 2022. Despite a rapid decline in new loans for house purchase and slower growth in residential property prices, especially in the second half of the year, the Bank Board confirmed the caps at these levels at its June and November meetings on financial stability. This was due mainly to persisting high overvaluation of house prices and an effort to maintain the quality of the banking sector's loan portfolio in a situation of a sizeable decline in real income amid sharp growth in the costs of households potentially seeking house purchase loans.




UPPER LIMITS  
ON CREDIT RATIOS

## 57%

DECLINE IN PURE NEW BANK  
LOANS FOR HOUSE PURCHASE  
FOR 2022 RELATIVE TO 2021 AS  
A WHOLE

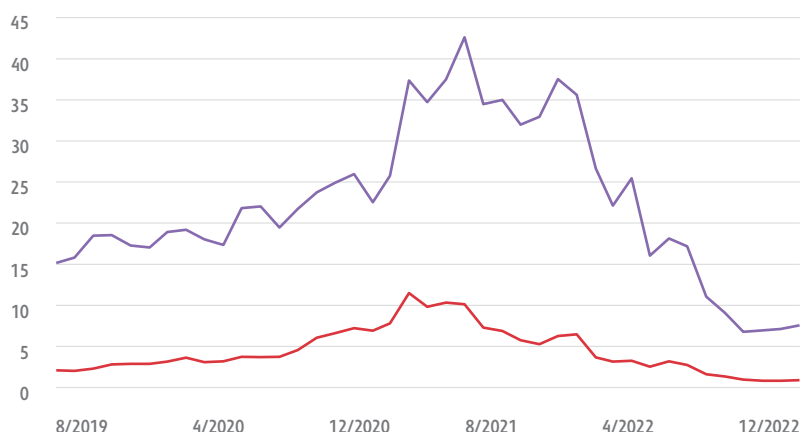
"Despite the current decline in mortgage lending activity, further application of the LTV, DSTI and DTI limits is important for maintaining the long-term stability of banks and households."

**KARINA KUBELKOVÁ,**  
CNB BANK BOARD MEMBER

 <b>LIMITS ON MORTGAGE RATIOS</b> UNCHANGED AFTER BANK BOARD MEETING ON 30 NOVEMBER 2022		
<b>DTI</b>	<b>8.5</b>	<b>9.5</b>
<b>DSTI</b>	<b>45%</b>	<b>50%</b>
<b>LTV</b>	<b>80%</b>	<b>90%</b>
Applicable since 1 April 2022		for applicants under 36 years where loan is to be used to buy owner-occupied housing

**Pure new loans for house purchase in 2019–2022**  
(monthly volumes in CZK billions)

— Pure new loans and increases  
— Refinanced loans



TAKING ENVIRONMENTAL  
FACTORS INTO  
ACCOUNT



CLIMATE STRESS  
TEST IN THE  
AUTUMN 2022  
FINANCIAL  
STABILITY REPORT

One of the sources of systemic risks currently being discussed is the transition to a sustainable economy. The effects of climate change and of economic policy measures designed to mitigate them are generating some concerns. Both climate change and the said measures will directly or indirectly affect the main activities of financial institutions. For this reason, the CNB conducted a survey among banks, insurance companies and pension management companies in the first half of 2022 to determine the degree of implementation of environmental factors in their governance, strategy and product policy processes. The results revealed that financial institutions already take into account environmental risks that they consider significant for their core business from the long-term perspective, or plan to do so before 2024. Starting last year, climate risks became part of the CNB's stress scenarios. The banking sector was tested using the first adverse scenario involving climate elements in the autumn. An analysis of potential channels of the impact of climate

risks was also conducted in the insurance sector last year. The risks associated with the transition to a sustainable economy are gradually gaining in importance and will therefore require increased attention in the years ahead.

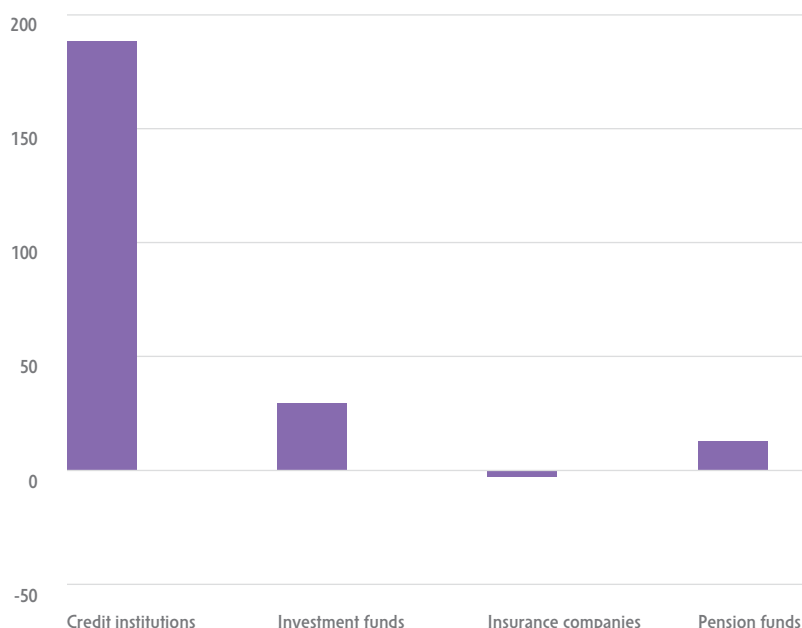
The continuing Czech general government deficit in 2022 increased the national borrowing requirement. A large part of the increase in government debt ended up in the balance sheet of the domestic banking sector. The amount of Czech government bonds held by domestic banks increased again, strengthening the direct link between the two sectors and also the risk to financial stability stemming from this relationship. The CNB assesses the risks of concentration of domestic banks' exposures to government bonds in a public finance stress test every year. In 2022, the key sovereign risk indicator in the tested scenario increased but remained below the supervisory thresholds. The CNB will therefore not require banks to meet an additional capital requirement to cover the risk of concentration of these exposures over the next three years. However, additional analyses indicate that a combination of negative economic developments and insufficient credibility regarding a return to a more structurally balanced budget in the years ahead could lead to a reduction in the still robust investor confidence in Czech public finance sustainability. Increased attention will therefore continue to be paid to sovereign risk in 2023.



PUBLIC FINANCE  
STRESS TEST IN  
THE SPRING 2022  
FINANCIAL  
STABILITY REPORT

**67%**

SHARE OF CZECH GOVERNMENT  
BONDS HELD BY DOMESTIC  
FINANCIAL INSTITUTIONS  
IN TOTAL GOVERNMENT  
BONDS ISSUED




**Year-on-year change in Czech government  
bond holdings by selected sectors in 2022**  
(change between December 2021 and 2022  
in CZK billions)

# REGULATION



FINANCIAL  
MARKET  
REGULATIONS

Last year, the CNB was actively involved in preparing a number of financial market laws, mainly in cooperation with the Ministry of Finance. It prepared implementing decrees, issued a series of explanatory opinions and replied to questions from financial market participants on the application of regulations. As part of its FinTech contact point, it also organised two round tables on the introduction of innovative technologies in the area of financial products and services. In November 2022, the CNB also published the first comprehensive report on digital central bank money in the Czech Republic.



**Česká národní banka**   
@CNB\_cz

...

We are publishing the first comprehensive document on central bank digital currency (CBDC). The document was produced by a CNB working group led by Board Member Oldřich Dědek. Details and publication for downloading:

**CENTRAL  
BANK**

**DIGITAL  
CURRENCY**



In 2022, the CNB was involved in the preparation of the following pieces of regulation in particular (more detailed information will be available in the Financial Market Supervision Report for 2022):

- a draft law amending certain laws in the financial market area. The proposal introduces a review of the law governing the capital requirements for investment firms and new rules for the issuance of covered bonds and the cross-border marketing of investment funds. It takes into account the EU rules on sustainable finance and crowdfunding;
- an amendment to the Act on the Register of Beneficial Owners, which amends the definition of beneficial owner;
- amendments to regulations connected with the development of the capital market, which, above all, will introduce a discounted account for long-term investments and will also, among other things, amend the rules for early repayment of mortgage loans for house purchase in the Consumer Credit Act;
- an amendment to the Consumer Protection Act and the Civil Code. In the Consumer Protection Act, the amendment expands the supervisory powers of the CNB, which will newly supervise the compliance by supervised entities with the prohibition of listed unfair terms in consumer contracts, the content of which the consumer could not influence because they were drawn up in advance (typically form contracts);
- an amendment to the Insurance Act transposing changes made to the directive on the taking-up and pursuit of the business of insurance and reinsurance aimed, among other things, at strengthening the powers of the EIOPA. Another objective of the amendment to the Insurance Act was to adapt the existing legislation to Commission Delegated Regulation (EU) 2015/35, especially in the area of remuneration of persons;
- a draft law on the Pan-European Personal Pension Product (PEPP) adapting Czech law to the relevant PEPP regulation. The law regulates the areas necessary for the functioning of the regulation in practice, in particular the CNB's areas of competence, infringements, and the rights and obligations of PEPP providers, distributors and savers.



# EUROPEAN REGULATION

Throughout the year, the CNB continued to help prepare opinions and comments on proposals for EU legal acts discussed in EU Council working groups and in trialogue negotiations with the European Parliament. In the second half of 2022, the CNB also supported the work of the Czech Presidency of the EU Council in certain areas of financial market regulation.

Of the EU legislation adopted, this mainly concerned the following:

- a regulation on a pilot regime for market infrastructures based on distributed ledger technology, which aims to introduce rules for market infrastructures based on this technology;
- a regulation on digital operational resilience for the financial sector, which affects almost all financial market entities and contains information and communication technology (ICT) risk management requirements, including the use of third-party ICT services, reporting of major ICT-related incidents and testing of digital operational resilience. In addition, the regulation lays down requirements for contractual arrangements between ICT third-party service providers and financial market entities and establishes a framework for the supervision of critical providers of such services;
- a Commission implementing regulation for the regulation on sustainability-related disclosures in the financial services sector, which specifies the content and structure of certain mandatory disclosures.

# LICENSING, APPROVAL AND AUTHORISATION ACTIVITIES

As a financial market supervisory authority, the CNB grants authorisations (licences, permits and registrations) to the majority of service providers on the financial market. It also issues other permissions and approvals, for example consents to the acquisition of qualifying holdings in regulated entities, approvals for senior officers, approvals of securities prospectuses and approvals of the publication of takeover bids.

## Numbers of selected supervised entities in 2022

Categories of financial entities <sup>1)</sup>	As of 31 December 2021	Entries in 2022	Exits in 2022	As of 31 December 2022
Credit institutions	52	2	4	50
Insurance sector (insurance and reinsurance companies, Czech Insurers' Bureau and Exportní garanční a pojišťovací společnost, a.s.)	42	0	0	42
Pension management companies and retirement funds	51	2	0	53
Management companies and investment funds <sup>2)</sup>	511	89	18	582
Investment firms	75	5	10	70
Payment institutions and electronic money institutions	42	5	4	43
of which: payment account information administrators	3	0	0	3
Small-scale payment service providers and small-scale electronic money issuers	89	0	17	72
Processors of domestic banknotes and coins	5	0	0	5
Non-bank consumer credit providers	83	1	3	81
Issuers of securities admitted to trading on a regulated market in the Czech Republic	110	10	15	105
Market infrastructure <sup>3)</sup>	10	0	0	10
Accredited entities <sup>4)</sup>	78	4	9	73
Bureaux de change	863	22	25	860

<sup>1</sup> – Including branches of foreign companies. <sup>2</sup> – Management companies, branches of foreign management companies, main administrators, investment funds with legal personality and mutual funds.

<sup>3</sup> – The role of entities in the position of a regulated market operator, a multilateral trading facility operator, an organised trading system operator, an operator of a settlement system with settlement finality, a central depository and a benchmark administrator. <sup>4</sup> – Entities accredited by the CNB to organise professional examinations to test expertise under four laws: the Insurance and Reinsurance Distribution Act, the Supplementary Pension Savings Act, the Consumer Credit Act and the Capital Market Undertakings Act. One accredited entity may hold one to four accreditations.

## **MOST IMPORTANT EVENTS IN THE LICENSING, APPROVAL AND AUTHORISATION AREAS BY SECTOR**

In the credit institution sector, the CNB issued consent to the acquisition of a qualifying holding by Bank CREDITAS a.s. in Expobank CZ a.s. (Max Banka a.s. since 4 October 2022). Individual administrative proceedings relating to the acquisition of Moneta Money Bank by the PPF group were ongoing during the year. The acquisition was suspended in 2022. Following the revocation of the banking licence of Sberbank CZ, a.s., the CNB granted consent to the transfer of the business of Sberbank CZ, a.s., v likvidaci, to Česká spořitelna a.s.

In the insurance sector, the CNB extended the authorisations of DIRECT Pojišťovna a.s. (reinsurance activity) and Credendo – Short-Term EU Risks úvěrová pojišťovna, a.s. (insurance against damage to railway vehicles).

In the non-banking investment firm sector, the CNB granted investment firm licences to RUBIKONFIN a.s. and Aisa International s.r.o.

In the payment services sector, growth in licence applications continued to slow in 2022. The CNB issued an electronic money institution licence to ThePay.cz, s.r.o.

In the management company and investment fund sector, the CNB granted licences to RSJ Asset Management investiční společnost, a.s., Versute investiční společnost, a.s., and MINT investiční společnost, a.s., and to one autonomous investment fund (Evermore Capital Management a.s., SICAV).

Authorisations were granted under the Supplementary Pension Savings Act to the establishment of two participation funds managed by Conseq penzijní společnost, a.s., and ČSOB Penzijní společnost, a.s. in 2022.

In the area of securities issues, the CNB issued 108 decisions on the approval of documents connected with securities issues (securities prospectuses and supplements thereto) in 2022. These mostly involved bond prospectuses.

Securities of 10 issuers (bonds in seven cases, shares in three cases) were newly admitted to trading on a regulated market. By contrast, securities of 15 issuers were excluded from trading (three share issues and 12 bond issues).

During the year, the CNB approved two changes to the rules of the Central Securities Depository settlement system in connection, among other things, with the application of settlement discipline and the granting of eligibility for Eurosystem credit operations by the European Central Bank (ECB). In addition, the CNB conducted nine proceedings with the Prague Stock Exchange concerning the suspension of exemptions from the market transparency obligation under the markets in financial instruments regulation and assessed changes in trading rules. The CNB also conducted its regular review and assessment of compliance of the Central Securities Depository with the regulation on central securities depositories.

In addition to the entities listed in the previous table, the CNB registers and lists tens of thousands of other entities. They mostly include intermediaries of financial products such as insurance, consumer credit and investment services.

# SUPERVISION

In its supervisory work, the CNB monitored the activity and financial performance of individual financial market entities and assessed the evolution of the market as a whole and its segments in the form of both off-site surveillance and on-site examinations in the areas of prudence, conduct of business, consumer protection and anti-money laundering.

## CREDIT INSTITUTIONS

In this sector, in addition to monitoring credit portfolio quality, capital adequacy and provisioning, the CNB focused on the adequacy of interest rate risk management in an environment of elevated interest rates on client loans and credit risk management due to growth in the costs of bank credit clients. Given the interest rate differential between the koruna and the euro, which caused growth in foreign currency loans, the CNB examined whether credit institutions were adequately managing the related risks. In the CNB's view, the banking sector remains stable and profitable, maintains very good capitalisation and has high liquidity. In the period ahead, however, banks will face challenges associated with the effect of the macroeconomic environment on the quality of their loan portfolios. The CNB will pay increased supervisory attention to the way banks deal with this situation.

In the area of conduct of business and consumer protection in 2022, the CNB comprehensively examined credit institutions' compliance with information duties to clients (including those relating to sustainable financing), compliance with

duties linked with maintaining payment accounts, product management and risk management in relevant areas, including the related internal procedures of individual institutions. An extraordinary event which the CNB coped with in the period under review was the failure of Sberbank CZ, a.s. In particular, the CNB provided clients with information about the extent of the bank's obligations following its failure and about what clients should do in typical situations, verified the settlement of some client transactions in the critical period, and aided the process of transferring investment instruments owned by clients to other investment service providers.

## **INSURANCE COMPANIES AND PENSION MANAGEMENT COMPANIES**

In response to extraordinary external factors, the CNB continued to pay increased attention to insurance companies' capital positions and the management thereof, and more closely monitored financial market developments and assessed the impacts of external factors on the assets administered by insurance companies. To monitor the current situation, the CNB introduced extraordinary reporting requirements, which it continually updated and supplemented to reflect new risks associated with the impacts of Russia's invasion of Ukraine and with adverse economic developments. In the context of geopolitical developments, the CNB paid increased attention to the potential risk exposures of insurance companies and also to insurance sectors that are more affected by external factors.

Supervisory investigations and the annual collection of data on consumer trends revealed, among other things, a number of new tendencies in the insurance sector. These include technological innovation and digitalisation and efforts by insurance companies to streamline their processes and exploit synergies within groups, which are resulting in the outsourcing of many activities. Given the potential pass-through to the quality of services provided to clients, the CNB placed increased demands on insurance companies to manage and reduce risks in the areas of conduct of business and consumer protection. It also focused on the gradually increasing demands regarding product governance and the new European sustainable finance regulation. The CNB also

significantly incorporated into its supervisory work numerous activities covered by the European Insurance and Occupational Pensions Authority (EIOPA), such as a methodology for assessing insurance-based investment products in terms of their value for money and a thematic survey on bank insurance.

In the pension management companies (PMCs) and retirement funds sector, the CNB focused its attention on PMCs' capital adequacy and assessed their capital management systems, especially in the context of rising interest rates, which are negatively affecting the revaluation reserve for securities owned by transformed funds.

## CYBER SECURITY

Enhancing the cyber resilience of the financial sector as a whole is essential for ensuring the smooth functioning of the financial market. In this context, the CNB prioritised, for example, the ability of credit institutions to manage third party-related cyber risks, including contingency planning for cyber-attacks and the failure of key IT suppliers. Given the continued digitalisation of financial service provision, the CNB also emphasised the need to take preventive measures against cyber-attacks and internet fraud targeted at individual clients.



WARNINGS  
AGAINST PAYMENT  
FRAUD

## ANTI-MONEY LAUNDERING AND INTERNATIONAL SANCTIONS

The CNB's supervisory priorities have long included anti-money laundering and compliance with sanctions. This activity was significantly affected in 2022 by European sanctions against Russia and Belarus, which were adopted to an unprecedented extent. The CNB placed considerable emphasis on effective compliance by supervised entities. In this respect, it issued, among other things, an updated supervisory benchmark regarding the requirements for selected procedures for the implementation of international sanctions.



SUPERVISORY  
BENCHMARK  
REGARDING THE  
IMPLEMENTATION  
OF INTERNATIONAL  
SANCTIONS

## CONSUMER CREDIT PROVIDERS

In this area, the CNB completed examinations of non-bank companies providing loans secured by residential property. It identified shortcomings mainly in the assessment of consumer credit collateral, with estimates in some cases having been made by persons with no professional qualifications, and partly also in the assessment of creditworthiness. In the area of consumer credit negotiation, it found a number of contractual arrangements that made consumer credit more expensive. Such arrangements fall outside the Consumer Credit Act and therefore require consumers to be more cautious.

The CNB's supervisory examinations of non-bank consumer credit providers revealed that providers were allowing borrowers to postpone instalments even after the loan moratorium had ended. However, the number of such applicants was a few thousand lower than when the moratorium was in effect.

## OTHER ENTITIES

The total number of clients in the non-bank investment firms sector increased year on year from 860,000 to 977,000. Despite adverse financial market factors, client assets remained almost unchanged year on year, amounting to CZK 1.315 trillion at the year-end. Following Russia's invasion of Ukraine and its impacts on Sberbank CZ, a.s., the CNB focused on examining the impacts of international sanctions not only on investment firms' activities in terms of their trading book exposures and ownership structures, but also on the protection of client assets. The CNB also analysed the capitalisation of individual firms in this context. Supervision was also affected by the completion of the transposition of the directive on the prudential supervision of investment firms, which lays down new requirements in the areas of internal capital and liquid assets, for example. The supervisory review and evaluation process (SREP), which provides the basis for determining the risk profiles of individual investment firms, was also reconfigured.



As regards management companies and investment funds, supervision was focused on monitoring the impacts of Russia's invasion of Ukraine on the fund sector, the valuation of investment funds' assets, IFRS reporting of financial instruments and the sector's adaptation to sustainability-related disclosures in the financial services industry. In 2022, the CNB participated in a common supervisory action of the European Securities and Markets Authority (ESMA) in the area of valuation of investment funds' assets. Special attention was paid to the valuation of less liquid assets. The CNB's examination revealed that the degree of knowledge of the requirements laid down in European and national legislation and their implementation in the Czech Republic was acceptable. It identified minor shortcomings in specific management companies and differences in practice in actual compliance with specific requirements arising from the legislation and internal regulations.

Supervision of non-bank payment service providers was focused on compliance with the duties laid down in the legislation governing information security and the management of information and communication technology and security risk. In its off-site surveillance, focusing mainly on systemically more important payment institutions, the CNB put an emphasis not only on compliance with the legislative requirements, but also on practical risk management as regards the benefits for companies themselves. In selected cases, on-site inspections also focused on risk management, in particular the management of information and communication technology and security risk, with the aim of checking practical aspects of the configuration of processes and the actual application of the security measures described in the documents submitted in licensing proceedings. On-site inspections also examined the configuration of control and risk management systems in the area of anti-money laundering and combating the financing of terrorism. Following an amendment of the Payment System Act, the CNB conducted an examination focused on the manner of reporting commissions and exchange rates in cases where the payer is offered dynamic currency conversion using a payment terminal or gateway.

In its supervision of bureaux de change, the CNB focused on examining the systemic configuration of, and compliance with, preventive measures against money laundering and terrorist financing. In mystery shopping inspections, it checked compliance with the duties relating to withdrawal from exchange transaction agreements and the publication of complete and correct information on exchange rate lists. Supervisors also focused on verifying the trustworthiness of the managers and actual owners of bureaux de change.

In 2022, retail distributors submitted information to the CNB using a new statement for financial services intermediaries for the first time. The reported data were used in a number of follow-up thematic surveys and for risk-oriented classification of retail distributors, among other things. The CNB also checked compliance with the legal requirements relating to expertise and trustworthiness and product governance by means of on-site inspections and other supervisory activities. It also issued a supervisory communication on the duties of insurance distributors in the area of product supervision and governance.

# ENFORCEMENT



FINAL DECISIONS

In the enforcement area, the CNB mainly investigated petitions for the opening of ex officio proceedings and conducted proceedings in which it imposed fines and remedial measures or revoked licences. Where the law so allows, the CNB also conducted proceedings with entities that had provided financial services without having the relevant licence. In the areas of supervision where disclosure is prescribed by law, the CNB discloses final decisions on its website.

In 2022, the CNB issued a total of 188 decisions, 154 of which became final and conclusive. Appeals were lodged against decisions in 26 cases. In 136 cases, the CNB had issued decisions on the appeals by the end of 2022. In 12 cases it rejected the appeal and confirmed the first-instance decision, in two cases it reviewed a part of the decision but confirmed its other parts, and in two cases it discontinued the proceedings.

The CNB issued the highest number of decisions (49) in the collective investment area in 2022. The second most strongly represented area was payment services (23 decisions issued).

## Statistics on penalty proceedings conducted in 2022, broken down by legislation

Legislation	No. of proceedings continuing from 2021	No. of proceedings opened in 2022	No. of proceedings closed by final ruling in 2022	Total fines imposed in 2022 (in CZK thousands)
Act on Banks and Act on Credit Unions	8	5	10	2,450
Insurance Act and Insurance and Reinsurance Distribution Act	6	8	11	1,520
Capital Market Undertakings Act	6	22	24	14,965
Act on Management Companies and Investment Funds	6	52	49	7,820
Bureau de Change Act	1	6	7	230
Consumer Protection Act	1	0	0	0
Payment System Act	12	24	23	1,765
Banknote and Coin Circulation Act	0	2	2	350
Consumer Credit Act	20	13	18	36,830
Act on Certain Measures against Money Laundering and Terrorist Financing	2	4	2	450
Act on the Czech National Bank	0	11	8	300
Financial market supervision, total	62	147	154	66,680

## THE MOST IMPORTANT PENALTY DECISIONS ISSUED IN 2022

Company names can be given only for decisions issued in areas where publication of decisions is permitted by law.

The CNB revoked several dozen licences in 2022. The most important such decision was the revocation of the licence of Sberbank CZ, a.s. Other important decisions in this respect included the revocation of the licence of Arca Capital CEE, uzavřený investiční fond, a.s.

Besides revoking licences, the CNB imposed fines. It imposed the highest fine of all in the consumer credit sector in 2022. UniCredit Bank Czech Republic and Slovakia, a.s. was fined CZK 10 million for not deducting interest costs from total consumer credit costs for consumers who had repaid their consumer credit for house purchase early. High fines of CZK 5 million and CZK 7.5 million respectively were imposed for the same infringement on Modrá pyramida stavební spořitelna, a.s. and Komerční banka, a.s.

In the consumer credit sector, the CNB imposed fines on non-bank consumer credit providers as well. It imposed the largest fine of CZK 5.4 million on HELP FINANCIAL s.r.o. The second-

highest fine, amounting to CZK 2.5 million, was imposed on ACEMA Credit Czech, a.s. The most serious violation consisted in incorrect assessment of loan applicants' creditworthiness.

The highest fine under the Act on Banks – CZK 1 million – was imposed on Československá obchodní banka, a.s. for failure to introduce a governance system containing prerequisites for sound corporate governance.

In the insurance area, the CNB imposed the highest fine – CZK 400,000 – for failure to introduce an effective governance system in the risk management area and check compliance with legal rules.

The CNB imposed several fines on securities issuers for publicly offering bonds without publishing a securities prospectus, the highest of which being CZK 2 million on Energy financial group a.s.

In the retail distributors sector, the CNB imposed the highest fine – CZK 250,000 – on Lucrum Credit Czech s.r.o. for offering consumers the possibility to arrange consumer credit via a web application without having the relevant licence. The highest fine in the insurance and reinsurance distribution area – CZK 400,000 – was imposed on Klikpojisteni.cz, s.r.o., for failing to ensure that all its employees brokering insurance were trustworthy. In the area of investment intermediation, the CNB imposed a fine of CZK 3.5 million on IMPERIUM FINANCE s.r.o. for failure to provide key information to clients, for carrying on unauthorised business in relation to derivatives and for shortcomings in its records.

In the bureau de change area, the highest fine in 2022 – CZK 100,000 – was imposed on UAF, CZ s.r.o. for failure to report a change in the information provided in its application for a bureau de change licence, non-compliance with the information duty, and breach of the operator's duty to provide the requested information and necessary explanations to supervisors.

The highest fine under the Act on Certain Measures against Money Laundering and Terrorist Financing totalled CZK 250,000.

A fine of CZK 100,000 was imposed under the Payment System Act on UniCredit Bank Czech Republic and Slovakia, a.s., for failure to have an application interface enabling communication with users and persons authorised to provide payment services without barriers in the provision of payment services.

# RESOLUTION PROCEDURES

The CNB regularly sets a minimum requirement for own funds and eligible liabilities (MREL) for banks. This requirement is another important indicator, alongside the capital requirement, aimed at increasing banks' ability to withstand shocks and, where necessary, resolving crises in banks without recourse to public funds. The MREL allows clients, analysts and investors to compare individual banks and their evolution over time, and is an important indicator for assessing the stability and resilience of banks.

All banks meet the MREL using either own funds or a combination of own funds and eligible liabilities. In 2022, banks issued eligible liabilities (mainly in the form of bonds) even in an environment where markets were not very active and investors were cautious. However, banks are gradually succeeding in building their capacity and are on track to meet the final MREL objective by the end of 2023.

The CNB updated the resolution plans for all large and medium-sized banks and notified them of the updated MREL. In the case of banks which are members of cross-border banking groups, resolution colleges will be established for joint decision-making on plans and the relevant MREL. In 2022, the CNB was a member of five colleges chaired by the Single Resolution Board (SRB) and one which it chaired itself.

In the area of increasing resolvability, the CNB continued to work in collaboration with banks under its "expectations for banks" policy. The CNB's approach is based on the expectations published by the SRB. The expectations are

focused on all relevant areas of the planning process and are aimed at gradually increasing banks' resolvability. Banks are incorporating these expectations into their internal policies and processes so as to meet all the expectations by the end of 2024.

In the area of resolution financing, the CNB required banks to make another regular contribution of CZK 5 billion to the Resolution Fund in 2022. The fund currently has around CZK 27 billion in contributions and its target level for the end of 2024 should be around CZK 37 billion.

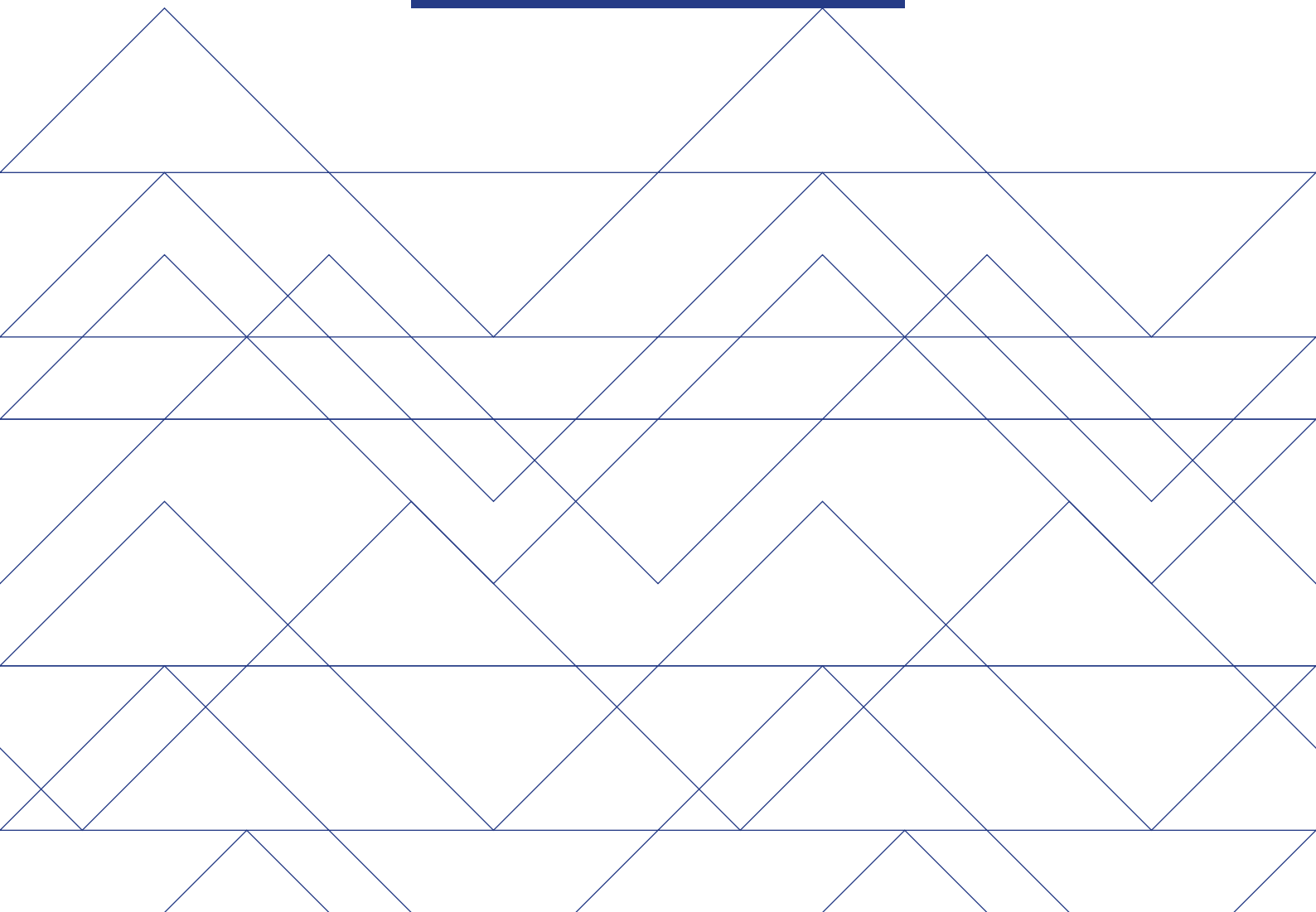




4



# **SAFE AND SMOOTH MONEY CIRCULATION AND PAYMENTS**







CASH  
CIRCULATION

Currency in circulation amounted to CZK 709.5 billion as of 31 December 2022, having declined by CZK 21.6 billion during 2022. This was only the second year in the history of the Czech currency to record a drop in money in circulation. The first was 2009, during which the quantity of circulating currency decreased by CZK 11.9 billion.

In March 2022, currency in circulation was affected by the run on Sberbank CZ. The amount of currency in circulation surged by CZK 45.5 billion between 28 February and 11 March, reaching an all-time high of CZK 765.9 billion. This was followed by a gradual decline, due initially to a calming of the situation around Sberbank CZ and later also to high interest rates and falling economic activity.

In 2022, the CNB continued to contribute to the smooth running of the payment system as the operator of the ABO and CERTIS payment systems. In interbank payments, the strong upward trend in the use of instant payments continued.

# CURRENCY CIRCULATION

On 30 June 2022, the CNB terminated the validity of the older 1995–1999 version banknotes with a thin silvery thread in all denominations except CZK 5,000. These can still be exchanged for valid notes at all banks. From 1 July 2024, this will be only possible at the CNB's cash offices.

The Czech currency remains safe and seldom counterfeited. A total of 1,120 counterfeit and altered Czech banknotes and coins and 860 counterfeit and altered foreign banknotes and coins were seized in 2022, i.e. 1,980 pieces in total (4,856 fewer than in 2021). In all, 3,593 imitations were also seized.



END OF VALIDITY  
OF OLD VERSION  
BANKNOTES

## HOW TO IDENTIFY INVALID BANKNOTE VERSIONS



### BRIEFLY FROM THE CNB

TERMINATION  
OF VALIDITY OF  
OLDER BANKNOTE  
VERSIONS



0:00 / 3:12





NUMISMATICS

## NUMISMATIC ACTIVITY

The CNB issued six commemorative coins and one commemorative banknote in 2022. As part of the Municipal Heritage Sites cycle, it issued two CZK 5,000 gold coins, one dedicated to Mikulov and the other to Litoměřice. The first-ever Czech coin with colour enamelling – a CZK 500 silver coin with a motif of the Jawa 250 motorcycle – was issued. The CNB also issued three CZK 200 commemorative silver coins. The CNB's second-ever commemorative banknote was a CZK 100 note bearing a portrait of Karel Engliš, the second governor of the National Bank of Czechoslovakia.



### KAREL ENGLIŠ – COMMEMORATIVE BANKNOTE MARKING THE ESTABLISHMENT OF THE CZECHOSLOVAK CURRENCY



## SUPERVISION OF COMPLIANCE WITH THE ACT ON THE CIRCULATION OF BANKNOTES AND COINS

Cash circulation, together with the related rights and duties of the CNB, banks, handlers of domestic banknotes and coins, legal entities and natural persons, is regulated by the Act on the Circulation of Banknotes and Coins. In 2022, the CNB conducted a number of inspections of these entities, during which it tested, among other things, domestic and euro banknote-processing machines, cash machines and slot machines. In mystery shopping inspections, it focused on the acceptance and exchange of damaged banknotes.



SUPERVISION  
OF CURRENCY  
CIRCULATION

### Inspections conducted as part of supervision of currency circulation in 2022

Entities	Number of inspections	Number of establishments inspected	Number of devices and exchange rates checked	Number of mystery shopping inspections
Banks	3	32	155	85
Handlers of domestic banknotes and coins	1	8	72	---
Operators of anonymous devices	3	15	49	30
Non-bank ATM operators	1	8	8	---
Persons authorised to organise courses	2	---	3	---
Casino operators	2	19	22	---

In the course of its supervision of currency circulation, the CNB is increasingly dealing with refusals to accept cash, especially by retailers. As the obligation to accept cash is stipulated by law, the CNB will continue to pay increased attention to this area.



OBLIGATION  
TO ACCEPT CASH



# PAYMENT SYSTEM

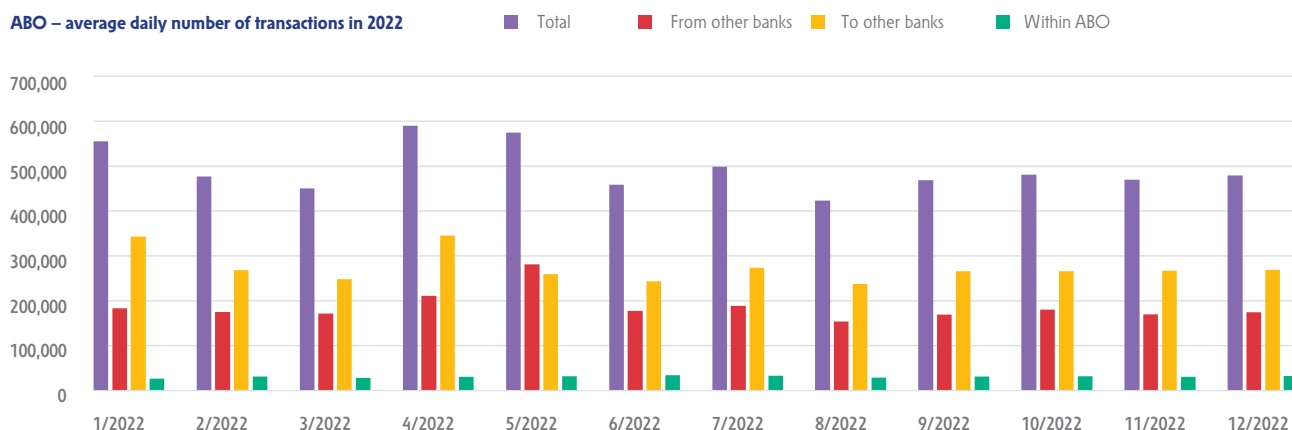
## ABO

The CNB operates the ABO payment system, which was maintaining 25,141 accounts as of 31 December 2022 – 4,000 of them internal accounts, 4,915 employee accounts and 16,226 accounts of legal entities.

The majority of the accounts of legal entities are subordinated to the Single Treasury Accounts. A total of 15,610 accounts are maintained in the Czech currency and 300 in the single European currency. The other accounts of legal entities are accounts of banks, foreign financial institutions and so on. The total number of accounts changes little from year to year.

The ABO system processes more than one million transactions a day on peak days and around 0.5 million transactions on average days. The total number of transactions processed in the ABO system increased by 5% compared with 2021.

ABO – average daily number of transactions in 2022



## CERTIS

The CNB operates CERTIS (Czech Express Real Time Interbank Gross Settlement System), which celebrated its 30th anniversary in 2022. This system processes all domestic interbank transfers in Czech koruna, checking in real time whether banks have sufficient coverage for such transfers.

In 2022, the CNB's clearing centre processed 856.5 million transactions with a total value of CZK 347,920 billion. This equates to 3.40 million transactions a day on average. The average daily value of the transactions was CZK 1,381 billion.

As of 31 December 2022, CERTIS had 46 direct participants with their own accounts and four third parties (institutions that clear, for example, card payments and securities transactions on the accounts of direct participants).

One new direct participant joined CERTIS in 2022 – a foreign bank based in an EU Member State. Two direct participants left CERTIS. In one case, this was a result of a change in ownership of the original direct participant.

The upward trend in the use of instant payments continued last year. Their total number increased by 30.3% compared to last year and their share in all payments rose from 17% in 2021 to 21% in 2022. As of 31 December 2022, instant payments were being used by 12 CERTIS participants.



CERTIS STATISTICS

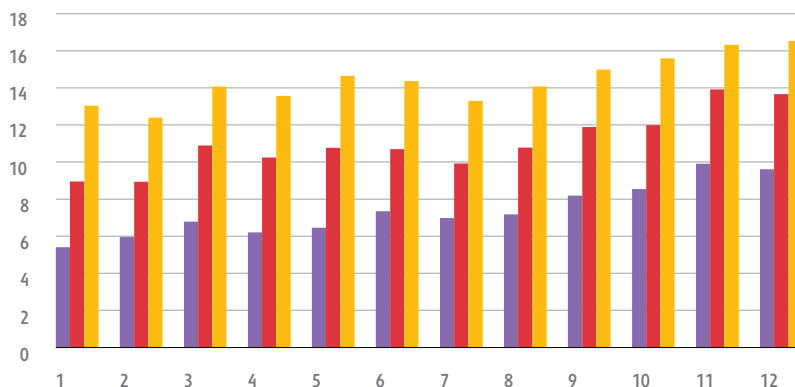
21%

SHARE OF INSTANT PAYMENTS  
IN ALL PAYMENTS

**CERTIS – number of instant payment transactions  
in 2022**

(in millions of transactions in individual months)

■ 2020  
■ 2021  
■ 2022



APPLYING FOR A REFUND  
OF AN INCORRECTLY SENT  
PAYMENT HAS BEEN EASIER  
SINCE 2022 DUE TO DIGITAL  
COMMUNICATION IN CERTIS.

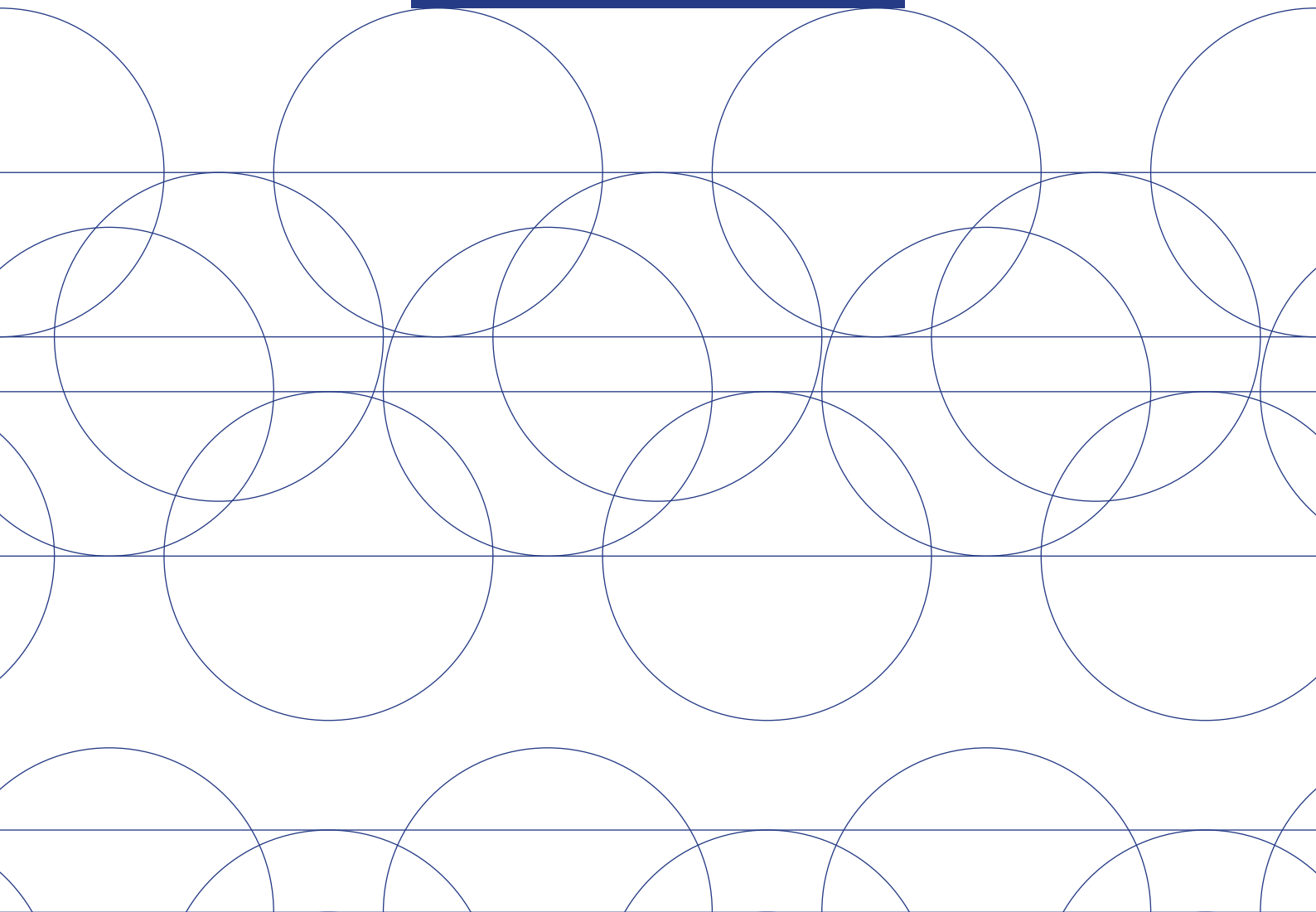
The number of incorrectly entered payments is rising owing to the long-running growth in the number of payments between banks. The most important innovation in CERTIS in 2022 was the digitalisation of communication between banks when a payment is made incorrectly. Since last year, CERTIS has been offering its participants the option of automatically complying with the duty laid down in the Payment System Act to provide assistance to clients who, when making a transaction, have entered an incorrect “unique identifier” of the payee, i.e. incorrect bank account details. The aim of the digitalisation project, implemented in cooperation with the Czech Banking Association, was to reduce the administrative burden of cooperation between banks and their clients and facilitate swift resolution of such situations.

Digitalisation of communication at the interbank level has enabled banks to offer their clients an electronically friendly way of applying for a refund of an incorrectly sent payment while also offering payees user-friendly intermediation of the return of funds they are not entitled to. However, responsibility for making these services available to clients lies with the individual CERTIS participants.

# 5



# **STATISTICAL AND RESEARCH SUPPORT FOR THE FULFILMENT OF THE CNB'S PRIMARY OBJECTIVES**







CNB RESEARCH  
NEWS



CNB WORKING  
PAPERS



CNB RESEARCH  
AND POLICY  
NOTES



CNB RESEARCH

Collecting data from financial market entities is a key support activity essential to the proper fulfilment of the CNB's primary objectives in the areas of monetary policy, financial stability and financial market supervision. The statistical work in 2022 was dominated by the completion of data migration to, and the stabilisation of, the new SDAT data collection system, continued implementation of reporting in accordance with the requirements of supervisory and other European authorities, and the launch of the collection of data on loans to the self-employed in the AnaCredit system.

Economic and financial research helps create an analytical and knowledge base for monetary policy-making and macroprudential policy decision-making. In 2022, research staff continued to be actively involved in building and maintaining the CNB's reputation by participating in international projects and international research networks and groups, making presentations at domestic and international expert forums and publishing in international journals.

Up-to-date information on research at the CNB, including publications in the CNB's research series and academic journals, can be found in the CNB Research News newsletter, which is published four times a year. More details on seminars, conferences and other research activities can be found in the Research section of the CNB website.

# STATISTICS

In the area of macroeconomic statistics, the CNB – in cooperation with the Czech Statistical Office (CZSO) – compiled, harmonised and published external statistics data and quarterly financial accounts. It also launched the live phase of the production of new securities issue statistics derived from data from the Centralised Securities Database (CSDB). The change was beneficial mainly to the frequency, timeliness and detail of the statistics compiled, reflecting, among other things, new concepts in the area of green and sustainable finance. As a result, the European Central Bank (ECB) started collecting information on securities from commercial data providers in the ESG (Environmental, Social, Governance) area and added this information to the attributes of securities in the CSDB. As regards external statistics and government finance statistics, the CNB – in cooperation with the CZSO – also participated in the capture of financial flows related to the wave of refugees from Ukraine.

As regards monetary and financial statistics, the CNB started to collect enhanced payment statistics data in accordance with a revised ECB regulation which also covers the European Banking Authority (EBA) guidelines on fraud reporting. The CNB also continued to be involved in the preparation of a revised regulation on investment fund statistics. In the segment of non-banking statistics, the CNB expanded the *Monetary statistics* publication to include pension fund statistics and a basic statistical commentary.

In the area of microdata statistics, the CNB extended the collection of granular data on loans and credit risk (AnaCredit) to include loans provided to the self-employed. This extension of data collection is a necessary condition





ANACREDIT



CENTRAL CREDIT  
REGISTER

for the implementation of the project to connect the Central Credit Register to AnaCredit data. The CNB also completed the preparations for the collection of data on new consumer credit secured by residential property.

Turning to supervisory statistics, the CNB prepared amendments to the decrees on reporting, which were required by a change in the European legislation. In addition, it consolidated reporting on the capital markets methodology after the transition to the new SDAT collection system and continued to prepare adjustments to part of supervisory reporting by funds. In the area of supervisory reporting by credit institutions and the collection of data in the resolution area, changes to the methodologies based on the EBA's single reporting frameworks were implemented. Methodologies in the insurance and pension management companies sectors were also amended. In working groups of the European Supervisory Authorities, the CNB expressed expert opinions on legislative and methodological aspects of supervisory reporting, in particular major revisions of key legislation and related methodologies.

In June 2022, the CNB completed the transfer of reporting from the old MtS statistical and supervisory data collection system to the new SDAT system. The final phase of the process, which began in 2019, was the completion of migration of the Capital Markets area. This meant that MtS could be closed down after 24 years of operation. The information system for registration and licensing activities (REGIS) also underwent essential modifications in 2022. A new application facilitating the submission of applications to extend authorisations, including the option of accepting applications for authorisation to distribute the pan-European personal pension product (PEPP), was created.

On the basis of an agreement with the state, the CNB continued to operate the Central Register of Accounts. The database – containing basic information on owners of, and persons authorised to operate, more than 48 million accounts maintained in the Czech Republic – is used mainly by the tax and customs authorities, as well as by courts and public prosecutors' offices and the Financial Analytical Office. In 2022, the Central Register of Accounts processed more than 2.5 million data requests.

# ECONOMIC RESEARCH

In May, the CNB organised its traditional Research Open Day. Luca Dedola (European Central Bank) was the keynote speaker at the event. In his presentation, he outlined the outputs of the Prisma research network, which analyses inflation dynamics in the euro area. Prisma uses data on prices collected (“scraped”) from the internet, which, unlike official indices, are available on a daily basis. In his presentation, Jan Brůha, Director of the Economic Research Division, described the CNB’s experience with collecting web-scraped data in the Czech Republic. These data are used by the Monetary Department as a tool for making short-term predictions of food price inflation.

In June 2022, the CNB organised a *Market flexibility and monetary integration* seminar focusing on the interaction between market flexibility and monetary policy and on euro adoption issues. The keynote speaker was Professor Nauro Campos (University College London). The final report from the seminar was published as a thematic section in the 2022 Alignment Analyses.

In 2022, the Bank Board awarded the traditional Economic Research Award to the working paper *Holding the economy by the tail: Analysis of short- and long-run macroeconomic risks* by Michal Franta (CNB) and Jan Libich (VŠB-TU Ostrava and La Trobe University, Melbourne).



RESEARCH  
OPEN DAY



MARKET  
FLEXIBILITY  
AND MONETARY  
INTEGRATION  
SEMINAR



SEMINAR REPORT



AWARD FOR BEST  
CNB RESEARCH  
PAPER



# FINANCIAL RESEARCH

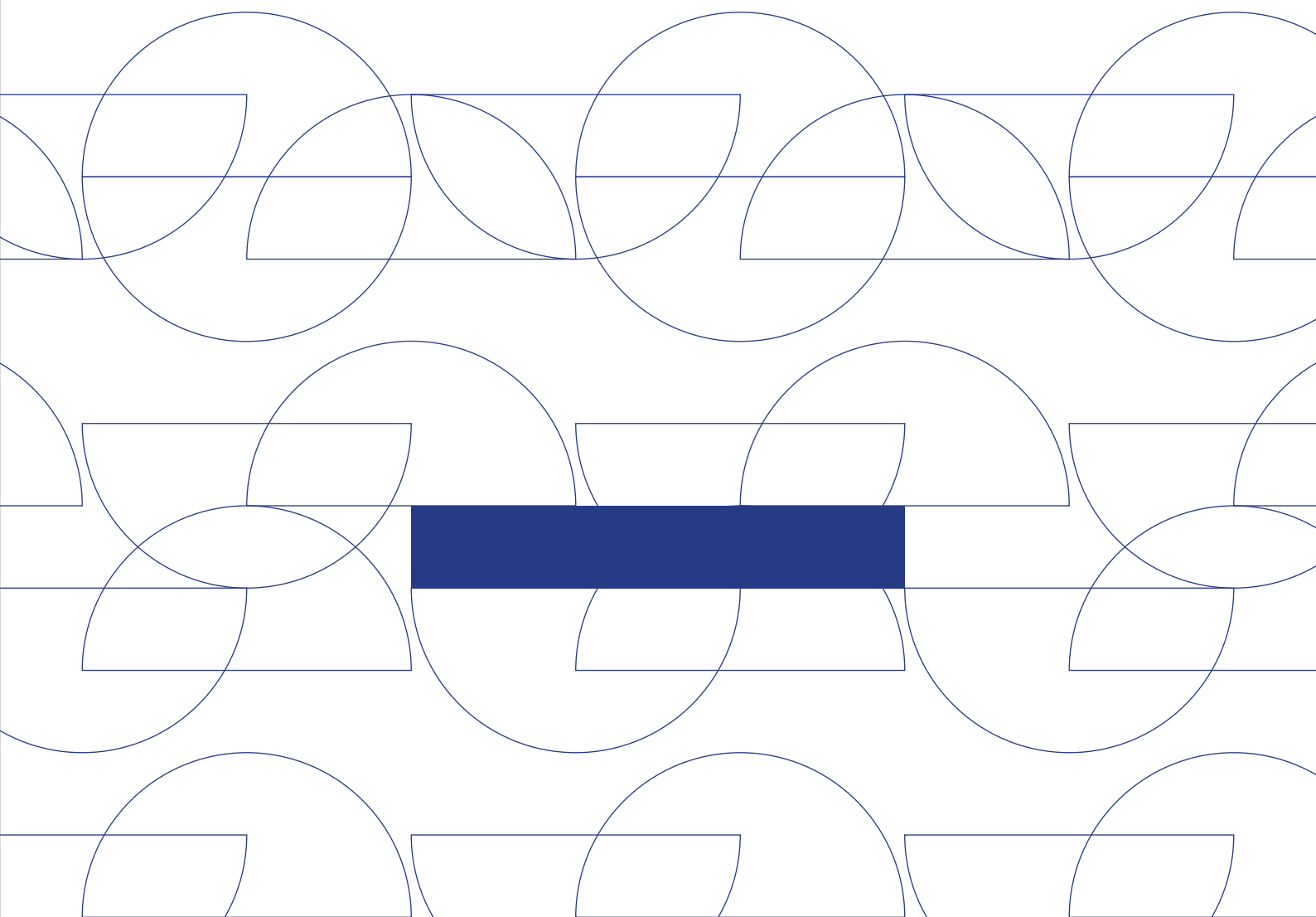
In 2022, financial research projects focused mainly on the transmission of macroprudential instruments, the extension of the CNB's analytical system and the interaction of the central bank's policies. In addition to the CNB's publication series, the central bank's economists publish in prestigious international academic journals. In 2022, their financial research papers were published, for example, in the International Journal of Central Banking, the Journal of Financial Stability, the Journal of Economic Surveys and Finance Research Letters.

CNB researchers are also active in several international initiatives and working groups. In 2022, they were involved, for example, in the activities of the International Banking Research Network, which brings together central bank researchers from around the world to analyse issues pertaining to global and national banking sectors, as well as to other aspects of the financial system and central bank policies. In 2022, CNB representatives took part in several projects focusing on the impact of low interest rates on the banking sector.

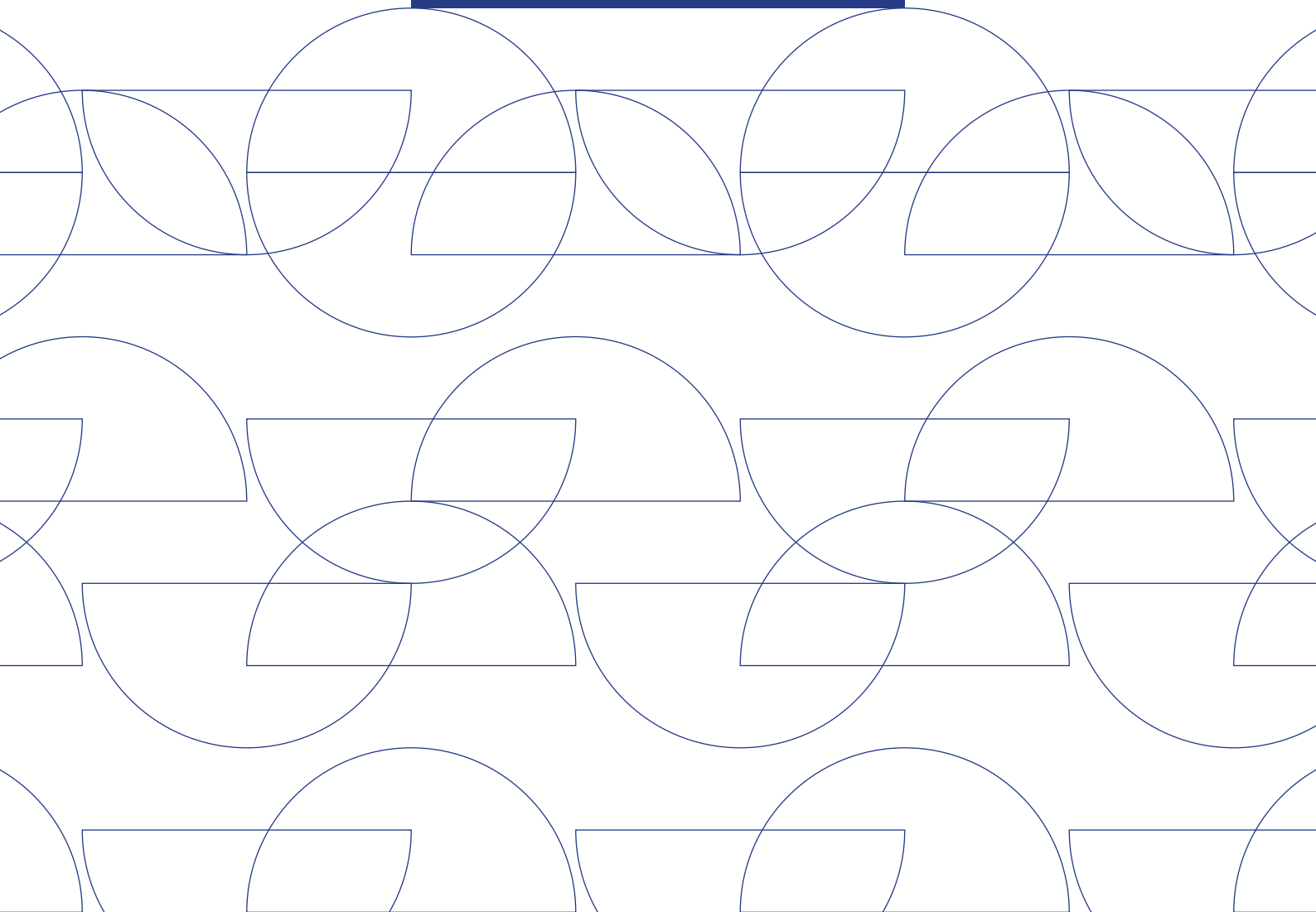




# 6



# **EUROPEAN AND INTERNATIONAL ISSUES IN THE YEAR OF THE CZECH EU PRESIDENCY**







In the second half of 2022, the Czech Republic held the Presidency of the EU Council, in which the CNB was closely involved. By agreement with the Ministry of Finance, CNB experts took part in the negotiations on some legislative proposals in the area of financial market regulation. They were involved, among other things, in preparing background documents for trialogues and working group meetings and in consolidating the outputs from those meetings. The Ministry of Finance greatly appreciated the CNB's input, as it made a significant contribution to the presidency and greatly advanced the discussion of specific legislative proposals (for example the banking package revising the capital requirements directive and regulation, the review of the European long-term investment funds regulation and the review of the markets in financial instruments directive and regulation).

The CNB and the Ministry of Finance also organised and hosted an informal meeting of the Economic and Financial Affairs Council (ECOFIN) in Prague on 9 and 10 September 2022. Alongside finance ministers and representatives of EU institutions, the meeting was attended by the governors of the EU Member States' central banks. The ECOFIN meeting was the third-largest event of the Czech presidency. It was attended by 270 delegates (including 19 governors, seven deputy governors and other leading representatives of other central banks). The ECB was represented by President Christine Lagarde and Executive Board Member Fabio Panetta.

Another integral part of the Prague meeting was the traditional working lunch moderated by Governor Aleš Michl and attended by the ECB President. The debate focused mainly on the impact of Russia's aggression against Ukraine on the EU economy, with particular attention given to Member States' energy markets and inflation rates.

The same topic was discussed during the subsequent joint meeting of governors with finance ministers, European Commissioners with an economic portfolio, and representatives of other EU institutions. In the debate, the finance ministers

emphasised the need for a coordinated European approach to tackling rising energy prices and urged the European Commission not to delay proposals regarding the energy market. By contrast, the central bank governors stressed the need for greater cooperation between fiscal and monetary policy-makers and for fiscal policy not to create additional inflationary pressures.

The important outcomes from the Prague meeting included the announcement of a political agreement among the ministers to increase the EU's macrofinancial assistance for Ukraine to EUR 5 billion, progress in the debate on the election of the new chairperson of the European Stability Mechanism and a discussion of the future course of the ECB's monetary policy.

The CNB also used the informal ECOFIN Council meeting to hold bilateral talks with foreign partners, the most prominent of which being the meeting of Governor Aleš Michl and Deputy Governor Eva Zamrazilová with the ECB President (who also visited the CNB's new Visitor Centre) and the meeting between the Bank Board and Deutsche Bundesbank President Joachim Nagel.

In connection with the Czech presidency, the CNB also hosted an external meeting of the EBA Board of Supervisors and a meeting of the ESMA Board of Supervisors in Prague. The EBA's external meeting took place on 11 and 12 July. The participants discussed financial innovation and the challenges that technological changes in financial services pose from the supervisory and regulatory perspective, as well as the complexity of the single rulebook in the banking area and ways to address the increasing complexity of regulation. The ESMA meeting was held on 15 and 16 November and covered sustainability issues, among other topics.

## THE EU AND THE CNB'S INVOLVEMENT IN THE NATIONAL COORDINATION MECHANISM

Five meetings of the ECB General Council were held in 2022, at which the CNB was represented by Governors Jiří Rusnok and Aleš Michl, Deputy Governor Tomáš Nidetzký and Bank Board Member Karina Kubelková. The meetings focused mainly on reviewing macroeconomic, fiscal and monetary developments in the EU and around the world, but also covered various other topical issues (including Croatia's adoption of the euro). CNB experts were involved in the activities of the 13 committees of the European System of Central Banks (ESCB) and a large proportion of its sub-committees and working groups. The CNB also assessed relevant draft EU and Member State legislation and selected ECB materials in the form of written consultations with the ECB on an ongoing basis.

The CNB was also involved in the work of the relevant formations of the EU Council and its working and advisory bodies. CNB representatives directly participated in the meetings of the Economic and Financial Committee (EFC) and the Economic Policy Committee (EPC), for example.

In its role as an advisory body to the government, the CNB helped prepare general positions of the Czech Republic on strategic and legislative EU documents and materials for government representatives for relevant negotiations through the EU Committee at the working and government levels and the Committee's ministerial coordination groups.

## INTERNATIONAL MONETARY FUND AND OTHER INTERNATIONAL ORGANISATIONS AND CREDIT RATING AGENCIES

In 2022, the CNB continued to actively engage in discussions about the international monetary and financial system at the International Monetary Fund (IMF), where it represents the Czech Republic. The spring meetings of the IMF and the World Bank were attended by Deputy Governor Marek Mora. The annual meetings were attended by Governor Aleš Michl and Bank Board Member Karina Kubelková. The main topics discussed at the IMF in 2022 were the option of a voluntary reallocation of part of the Special Drawing Rights (SDRs) received by members under the general allocation in August 2021, the 16th general review of quotas, the response to Russia's aggression against Ukraine and the food and energy crisis triggered by this aggression, and the liberalisation and management of capital flows. The CNB was involved as a lender in providing assistance to IMF member countries. Member countries, including the Czech Republic, were also assessed as part of the IMF's bilateral surveillance. In this connection, the regular IMF Article IV mission took place in Prague in November 2022.



CNB ATTENDS  
THE IMF MEETING



The CNB was equally active in the other international organisations and groups of which it is a member. Its representatives attended the meetings of the Bank for International Settlements and the Basel Consultative Group, which is part of the Basel Committee on Banking Supervision. The CNB participated in the 22nd International Conference of Banking Supervisors and the 34th Annual Conference of the Group of Banking Supervisors from Central and Eastern Europe. CNB representatives also attended meetings of the Financial Stability Board's Regional Consultative Group for Europe and OECD working bodies.

In 2022, the CNB also continued to work closely with major rating agencies (Moody's, Fitch Ratings and S&P Global) on setting the Czech Republic's sovereign credit rating. None of the agencies changed the Czech Republic's rating in 2022 (although Fitch Ratings and Moody's changed their rating outlooks from "stable" to "negative").

## **INTERNATIONAL COOPERATION ON THE FINANCIAL MARKET**

In 2022, the CNB was actively involved in the work of the European Supervisory Authorities (ESAs), which concentrated on further strengthening the convergence of supervisory practices of national supervisory authorities in the EU. The ESAs focused to a greater extent on sustainable finance (ESG) and digital finance, among other things. Last but not least, they addressed the effects of Russia's invasion of Ukraine on the financial markets.

Regarding the digitalisation of financial services, in 2022 the ESAs continued preparations for the regulatory framework for digital operational resilience and the implementation of the planned rulebook for crypto-assets and the provision of related services. At the request of the European Commission, the ESAs prepared the relevant implementation plans, issued a warning to consumers about the risks associated with investing in crypto-assets and published technical advice on digital finance. In the area of sustainable finance, the ESAs jointly issued supporting materials to facilitate the use of the disclosures framework by financial market entities and were involved in the preparation of standards for corporate reporting in the area of

sustainable finance. They also started to pay more attention to the issue of greenwashing and analysed the possible inclusion of ESG risks in the prudential framework for regulation and supervision in the insurance and banking sectors.

In 2022, the European Banking Authority (EBA) continued to focus on the implementation of the Basel III standards and on activities delegated to it in the areas of the crisis management framework, payments and anti-money laundering. Preparations were also underway for pan-European stress tests and newly introduced climate stress tests.

In 2022, the European Securities and Markets Authority (ESMA) continued its work on the Capital Markets Union project. It prepared, among other things, responses to the European Commission's consultation papers on the listing of securities and the regulation and supervision of central counterparties. It also continued in its efforts to improve supervision and cooperation in the cross-border provision of investment services. In the context of the situation in Ukraine, it monitored developments on the energy derivative markets in the course of the year.

The European Insurance and Occupational Pension Insurance Authority (EIOPA) focused, among other things, on the issue of insufficient insurance protection in the area of natural catastrophes, the assessment of the impacts of climate risks and the cost of risky investment life insurance products. It also evaluated the implementation of the recommendations resulting from the peer review on the propriety assessment of administrative, management and supervisory board members and qualifying shareholders of insurance companies.

The CNB-appointed member of the EBA and EIOPA Boards of Supervisors is the Executive Director of the Financial Market Supervision Department Zuzana Silberová, who also became a member of the EIOPA Management Board for the second time in 2020.

The CNB-appointed member of the ESMA Board of Supervisors is the Executive Director of the Financial Regulation and International Cooperation Department Vojtěch Belling, who will also serve as Vice Chair of the ESMA from 21 November



APPOINTMENT  
OF VOJTĚCH  
BELLING AS VICE  
CHAIR OF THE  
ESMA

2022 until 15 June 2024. He was also a member of the ESMA Management Board from January 2021 to November 2022.

Cooperation and exchange of information with partner supervisory authorities in other countries and active involvement in the work of supervisory colleges are also an integral part of CNB supervision. In 2022, the CNB was involved in seven supervisory colleges for European banking groups and acted as consolidating supervisory authority in one case. In the first half of 2022, the colleges focused, among other things, on the exchange of information on the possible effects of Russia's aggression against Ukraine and the related sanctions. The CNB was also involved in the activities of ten supervisory colleges for European insurance groups and participated in supervisory colleges in the area of combating money laundering. The CNB organised the colleges as the home supervisory authority in three cases.

Last year, the CNB was actively involved in the work of organisations publishing international standards in the area of financial market regulation and supervision (the IAIS, the IOPS and IOSCO). These organisations focused, among other things, on sustainable finance and digitalisation. They also paid attention to the effects of developments in the macroeconomic environment and the increase in geopolitical risk.

## FOREIGN TECHNICAL ASSISTANCE

The CNB has long been providing technical assistance to other central banks and supervisory authorities and is a sought-after partner in this area.

In 2022, it held an in-person seminar on currency circulation and an on-line seminar on Near-Term Forecasting and Data Analysis. In partnership with the World Bank, it also organised a two-day in-person consultation for experts from the Albanian Financial Supervisory Authority.

CNB staff also provided technical assistance in cooperation with the IMF. As part of their missions, they participated in ten on-line or in-person events for the central banks of Gambia,



Rwanda, Cape Verde, Liberia, Sierra Leone, Malawi and the countries of the East African Community.

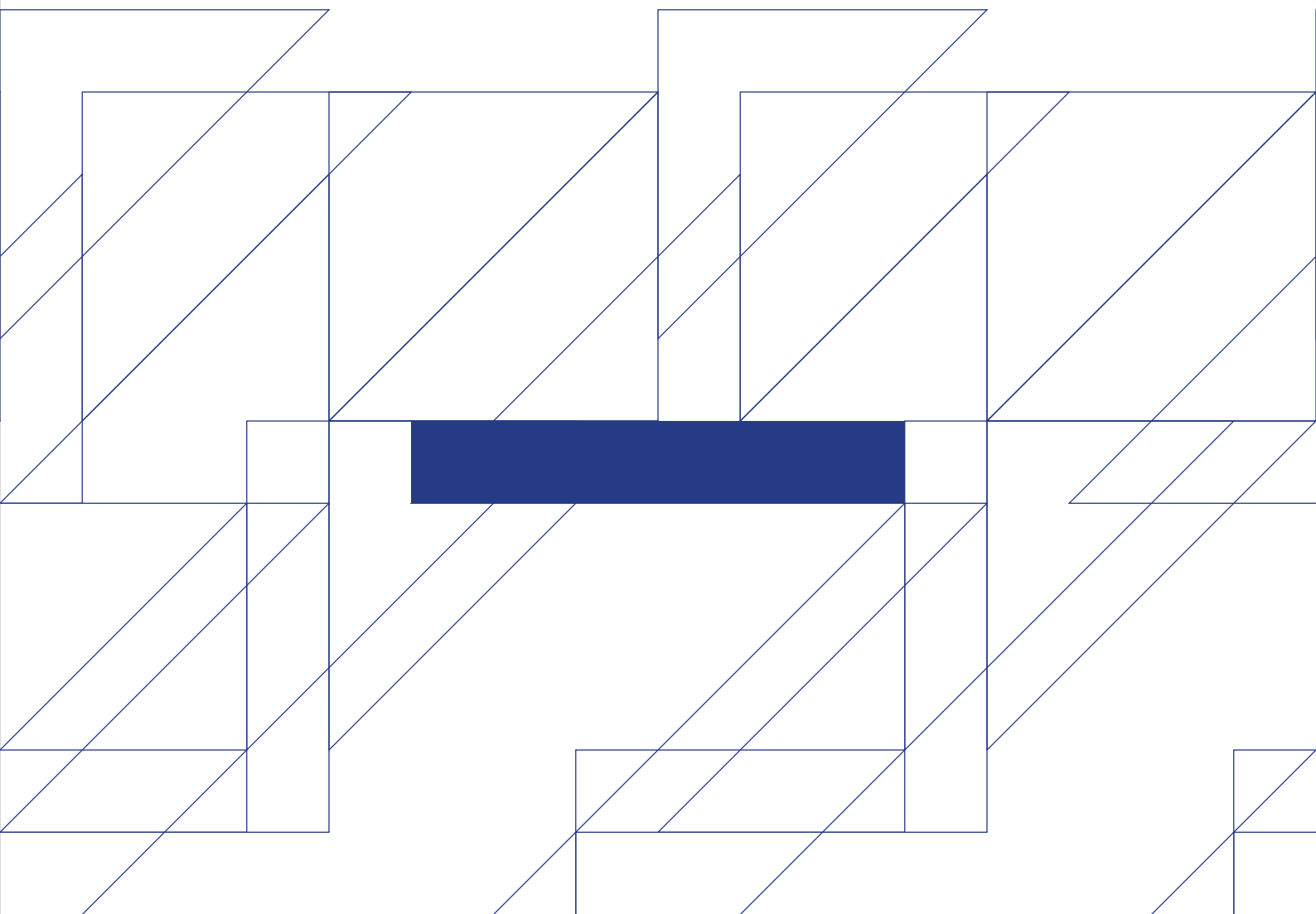
A follow-up EU-funded programme was also launched last year to enhance the capacity of central banks in the Western Balkans with a view to integrating them into the ESCB. The CNB will be involved in implementing this project over the next two years, with experts from the CNB taking part in educational activities focused on restructuring banks and combating money laundering.



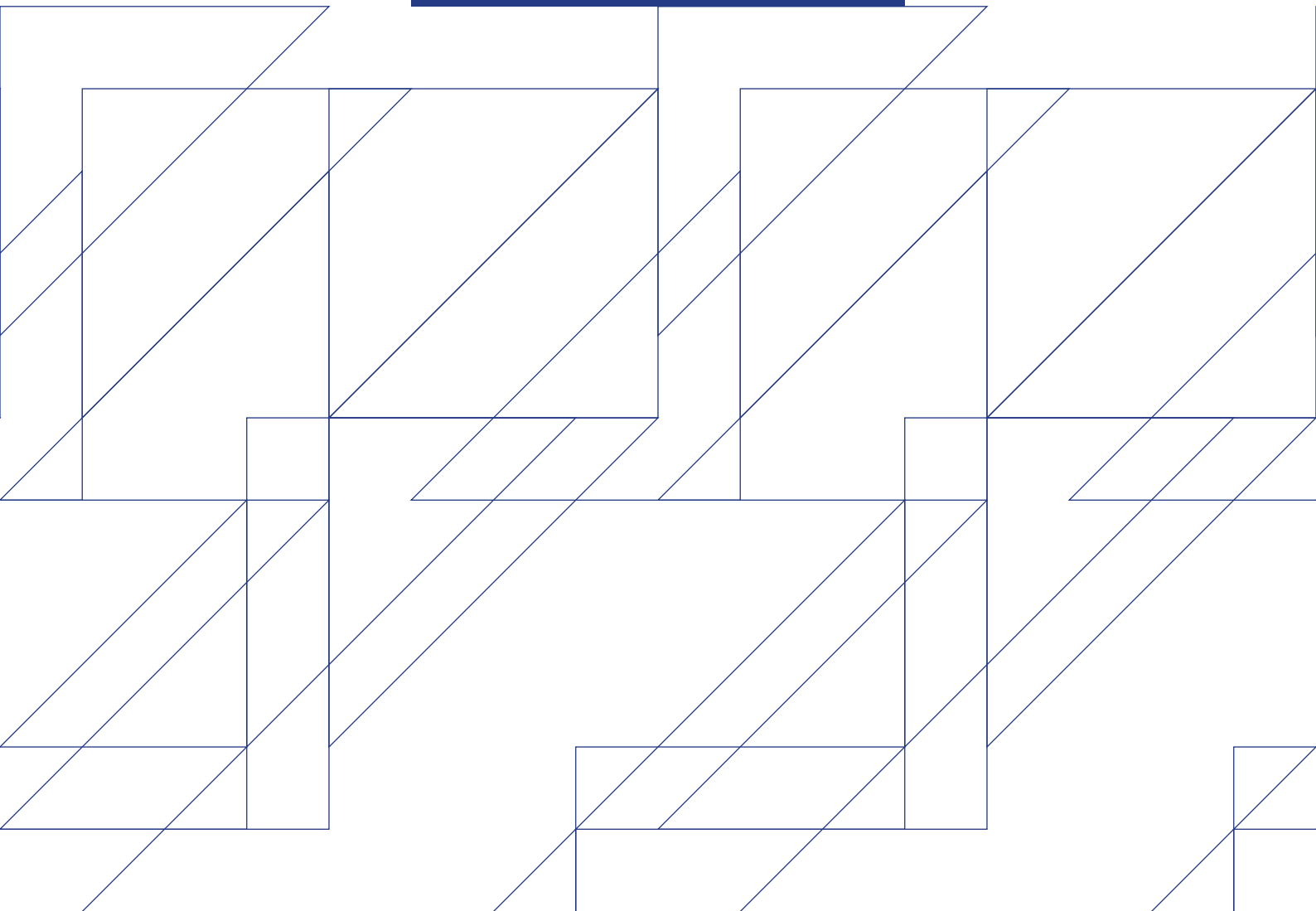




7



# **INSTITUTIONAL CHANGES AND THE PATH TO GREATER EFFICIENCY AND COST-EFFECTIVENESS**





The line-up of the CNB Bank Board changed with effect from 1 July 2022. The President of the Czech Republic appointed Aleš Michl as Governor, Eva Zamrazilová as Deputy Governor and Karina Kubelková and Jan Frait as Bank Board members. The Bank Board in its new line-up subsequently divided up the responsibilities for oversight of the CNB's activities among the members.



# REDUCTIONS IN OPERATING COSTS

The newly appointed Bank Board undertook to substantially lower inflation as a matter of priority. In addition, it decided to set an example for the economy as a whole in the area of reducing operating costs. The CNB's main operating costs are wages and benefits. Wage growth at the CNB is based on an agreement reached during collective bargaining. According to the collective agreement, wages at the CNB were to have been raised by the average annual inflation rate plus 2.5 percentage points in 2022 and 2023. This would have meant an increase in wages of 18.3% in 2022 and 11.6% in 2023 (under the collective agreement, the basis for calculating the increase is the inflation estimate contained in the Autumn 2022 Monetary Policy Report).

In absolute terms, this would have caused a year-on-year increase in total personnel costs of CZK 379 million in 2022 and CZK 304 million in 2023 (+18.8% in 2022 and +12.7% in 2023). However, this would have been unacceptable while there was a risk of a wage-price spiral emerging. Linking wage growth to inflation also proved to be unacceptable from a macroeconomic perspective. Therefore, in agreement with the trade unions, the CNB amended the relevant provisions of the collective agreement. On the basis of a new annex to the agreement, an increase in the average wage of 8.5% was agreed for 2022 and, as partial compensation, CNB employees received an increased benefit intended primarily for pension savings, valid only until the end of 2023. Ultimately, this meant a rise in personnel costs of CZK 314 million (or 16%) in 2022. For 2023, the amended collective agreement lowered growth in the wage bill to 4.5%. In 2023, we therefore expect growth in

"The CNB is setting an example of how to fight inflation through moderate wage demands.

I appreciate that the unions are also aware of their responsibility for price stability in the country and have accepted a compromise deal."

**ALEŠ MICHL, GOVERNOR**

personnel expenses to be at least 50% lower and significantly greater savings to be made than in 2022.

As a demonstration of the central bank's commitment to social responsibility, the wages of the Bank Board members have been frozen until inflation has been reduced. The operational efficiency of the CNB is being verified by an audit of all its areas of work, which will be completed in 2023 and will form the basis for potential staff cuts.

# MANAGEMENT AND ORGANISATION

The supreme governing body of the CNB is the Bank Board. It has seven members – the Governor, two Deputy Governors and four other members. The Bank Board members as of 31 December 2022 were Governor Aleš Michl, Deputy Governor Eva Zamrazilová, Deputy Governor Marek Mora and members Oldřich Dědek, Jan Frait, Tomáš Holub and Karina Kubelková.



**The Bank Board as of 30 June 2022**

From the left: Oldřich Dědek, Aleš Michl, Tomáš Nidetzký, Jiří Rusnok, Marek Mora, Vojtěch Benda, Tomáš Holub



**The Bank Board as of 31 December 2022**

Back: Tomáš Holub, Oldřich Dědek,  
Karina Kubelková, Jan Frait  
Front: Eva Zamrazilová, Aleš Michl,  
Marek Mora



BANK BOARD

In accordance with the CNB's mandate, the Bank Board sets and implements monetary and macroprudential policy, decides on key measures relating to the supervision of entities operating on the financial market and deals with any crises on the financial market and in cash and non-cash money circulation. The Bank Board also sets rules for the CNB's cooperation with the central banks of other countries, its involvement in the activities of selected EU bodies and its cooperation with international financial institutions. It is also responsible for deciding on the CNB's organisational structure and the main areas of competence of the bank's organisational units and appoints the directors of those units. It also approves the CNB's budget and financial management principles.

The members of the Bank Board, in addition to collectively managing and deciding, oversee the activities performed by the CNB's organisational units according to a scheme defined by the Bank Board.

**Salaries of Bank Board members in 2022<sup>3)</sup>**  
(in CZK)

Bank Board Member	Gross salary <sup>1)</sup>	Net salary <sup>2)</sup>
Aleš Michl	4,827,701	3,596,463
Marek Mora	4,739,037	3,494,658
Eva Zamrazilová – from 1 July 2022	2,333,437	1,735,178
Tomáš Holub	3,991,737	2,990,389
Oldřich Dědek	3,959,000	2,929,130
Jan Fraňt – from 1 July 2022	1,949,447	1,472,205
Karina Kubelková – from 1 July 2022	1,972,238	1,473,308
Jiří Rusnok – until 31 July 2022	3,448,644	2,546,273
Tomáš Nidetzský – until 31 July 2022	3,047,086	2,277,032
Vojtěch Benda – until 31 July 2022	2,445,951	1,841,209

**1** – The gross salary comprises the basic wage, performance-related bonuses and compensation for salary pursuant to the Labour Code. **2** – The net salary is the gross salary net of state health insurance contributions, social security contributions, state employment policy contributions, income tax and solidarity tax and tax discounts for the taxpayer and tax discounts for dependent children for those Bank Board members who applied for the discounts. **3** – This table does not include the compensation paid to Board members whose terms of office ended in 2022 related to their obligation to refrain from gainful competitive activities for a period of five months.

## ORGANISATIONAL STRUCTURE

Fundamental decisions relating to the maintenance of price and financial stability and other duties in the CNB's statutory areas of competence are taken by the Bank Board. Responsibility for implementing the Bank Board's decisions and the day-to-day running of the bank is delegated to the executive directors of the CNB's organisational units.

The CNB's organisational structure consists of a headquarters in Prague and six out-of-Prague offices in Brno, Ostrava, Plzeň, Hradec Králové, Ústí nad Labem and České Budějovice, where the regional offices of selected CNB organisational units are located.

Departments are the organisational units of the CNB. Departments are subdivided into divisions and, in the case of the Cash Department, into divisions and branches. Coordination and advisory bodies – committees, expert committees and project and coordination teams – are used to implement Bank Board decisions and perform activities that cover the areas of competence of more than one organisational unit and require close cooperation between them.

## ORGANISATIONAL AND PERSONNEL CHANGES

Daniel Šafránek became new Executive Director of the Budget and Accounting Department on 1 April 2022. Luboš Jemelka, Director of the Organisational and Protocol Division, has been Acting Executive Director of the General Secretariat since 8 July 2022. On 1 July 2022, Libor Holub was appointed new Executive Director of the Financial Stability Department, replacing Jan Frait, who became a member of the Bank Board.

In addition to changes in personnel, several major organisational changes were made in 2022. On 1 January 2022, the Capital Market Supervision Division of Financial Market Supervision Department II was replaced by the Investment Firms Supervision Division and the Fund Investment Supervision Division. Licensing proceedings in the area of bureau-de-change activities were transferred from Financial Market Supervision Department II to the Licensing and Enforcement Department on the same date. In addition to the publication of a new CNB Code of Ethics (with effect from 1 January 2022) as part of the CNB's ethics framework within the competence of the General Secretariat, an internal reporting system for receiving, recording and processing reports of illegal conduct (whistleblowing) was introduced. This system includes Bank Board-appointed "relevant persons" responsible for verifying such reports.

# ORGANISATIONAL CHART AS OF 31 DECEMBER 2022

BANK  
BOARD



**Aleš Michl**  
Governor

**GENERAL SECRETARIAT**

Luboš Jemelka

**ADMINISTRATION DEPARTMENT**

Zdeněk Virius

**INTERNAL AUDIT DEPARTMENT**

Vladislav Jetenský

**HUMAN RESOURCES DEPARTMENT**

Helena Dybová

**Marek Mora**  
Deputy Governor

**FINANCIAL REGULATION  
AND INTERNATIONAL COOPERATION DEPARTMENT**

Vojtěch Belling

**INFORMATION SYSTEMS DEPARTMENT**

Milan Zirnšák

**Eva Zamrazilová**  
Deputy Governor

**BUDGET AND ACCOUNTING DEPARTMENT**

Daniel Šafránek

**MONETARY DEPARTMENT**

Petr Král

**RESOLUTION DEPARTMENT**

Radek Urban

**Jan Frait**  
Bank Board Member

**FINANCIAL MARKET SUPERVISION DEPARTMENT**

Zuzana Silberová

**FINANCIAL MARKETS DEPARTMENT**

Karel Bauer

**Oldřich Dědek**  
Bank Board Member

**CASH DEPARTMENT**

Tomáš Trtek

**RISK MANAGEMENT  
AND TRANSACTIONS SUPPORT DEPARTMENT**

Jan Schmidt

**Tomáš Holub**  
Bank Board Member

**STATISTICS AND DATA SUPPORT DEPARTMENT**

Petr Staněk

**LICENSING AND ENFORCEMENT DEPARTMENT**

Karel Gabrhel

**Karina Kubelková**  
Bank Board Member

**FINANCIAL STABILITY DEPARTMENT**

Libor Holub

**FINANCIAL MARKET SUPERVISION DEPARTMENT II**

Ladislav Kročák

# HUMAN RESOURCES

The CNB's employees represent a reliable foundation enabling it to fulfil its statutory objectives and duties. The high level of professionalism of CNB staff makes it possible to develop effectively the key competences and knowledge needed to handle the most complex activities of central banking despite a reduction in staff training costs. Continuing cultivation of the CNB's working culture is also a key challenge. The CNB achieves this objective by enhancing teamwork and supporting an information-sharing culture within the CNB.

## RECRUITMENT AND PRESENTATION OF THE CNB ON THE LABOUR MARKET

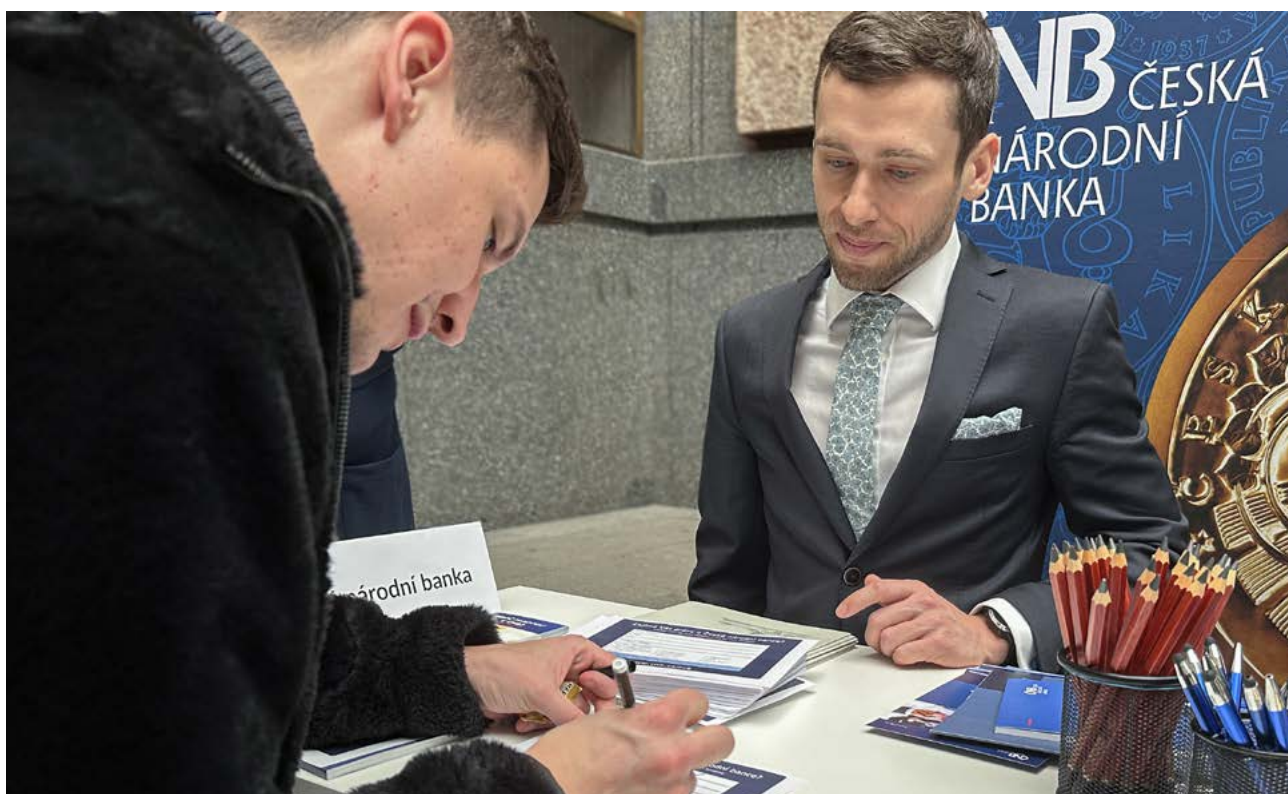
Last year was challenging in terms of recruiting new employees. In addition to filling many administrative positions, the CNB needed numerous specialists in the areas of law, IT and economics.

In 2022, the CNB again ranked among the three most attractive employers in the Czech Republic for students of economics. Those interested in working for the CNB or in an internship had the opportunity to meet with bank representatives at student job fairs at the Faculty of Law of Charles University, the Šance fair at the Prague University of Economics and the iKariéra fairs at the Czech Technical University in Prague and the Brno University of Technology. The recruitment team was also available to speak to visitors of discussion forums in Hradec Králové and Brno organised by the CNB in cooperation with economics faculties, and to participants at

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CAREERS  
AT THE CNB





the conferences of the Czech Economic Society and Slovak Economic Association.

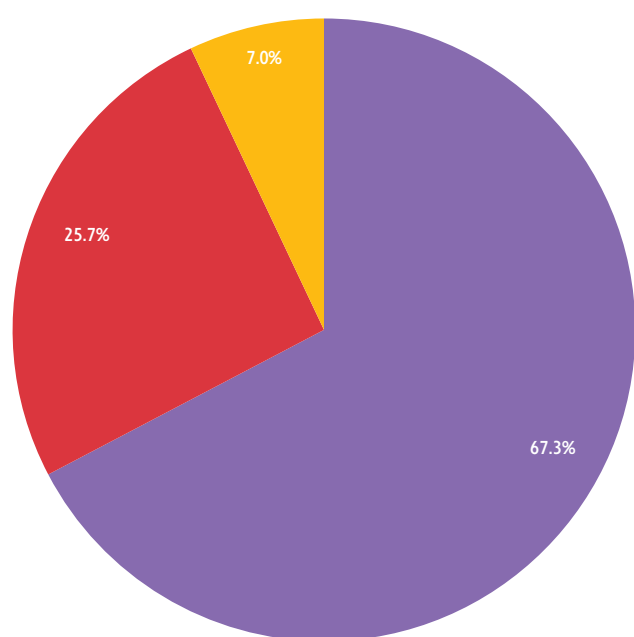
As part of a pilot project, the CNB offered six-month internships open to students of both economics and other disciplines. The students chosen had the opportunity to familiarise themselves with the CNB and to take part in specific projects and tasks in selected teams. This method of working with students proved very effective, and the CNB will therefore continue with it in the period ahead.

## EMPLOYEE BENEFITS

The CNB provides its employees with a wide range of benefits under a collective agreement. The main ones include life insurance and private pension contributions, canteen food services, health care provision and long-term sickness allowance. Under an amendment to the collective agreement, contributions intended mainly for pension savings and life insurance were temporarily increased in 2022 and 2023 as partial compensation for lower wage growth.

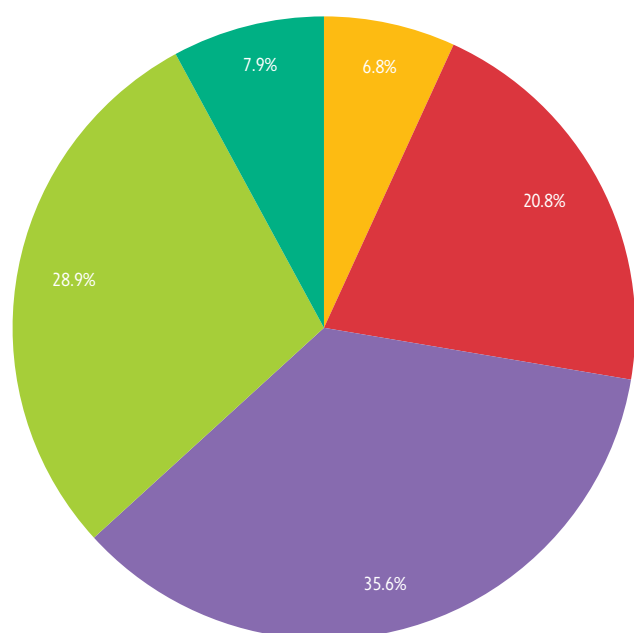
## EDUCATION, AGE AND GENDER STRUCTURE

The employee age structure has long been stable. By contrast, the employee structure by highest level of education attained has been changing over the years in response to the ever-increasing professional demands of the CNB's activities. In 2022, university graduates made up 67.3% of the CNB workforce (for comparison, they accounted for 41% in 2004).



**Employee structure  
by highest level of education attained  
as of 31 December 2022**

- University or doctoral education
- Higher vocational training, secondary education ending with school leaving exam or vocational training ending with school leaving exam
- Other – basic education or vocational training without school leaving exam



**Age structure of employees as of 31 December 2022**

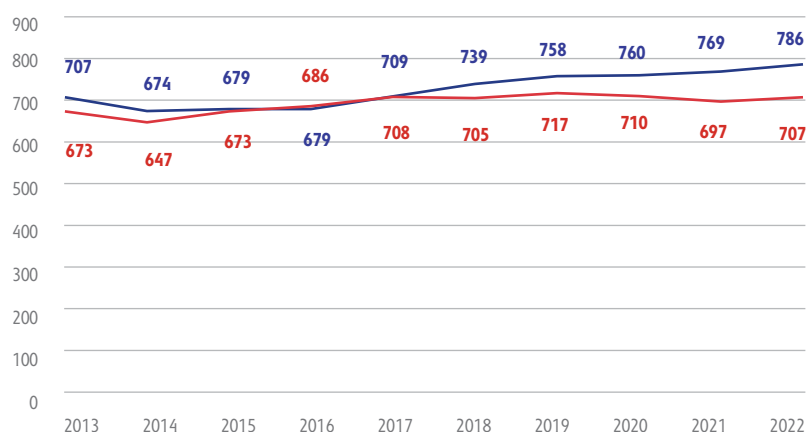
- 30 or under
- 30–40
- 40–50
- 50–60
- Over 60



The representation of men and women at the CNB is almost balanced.

Numbers of men and women employed at the CNB in 2013–2022

— Men  
— Women



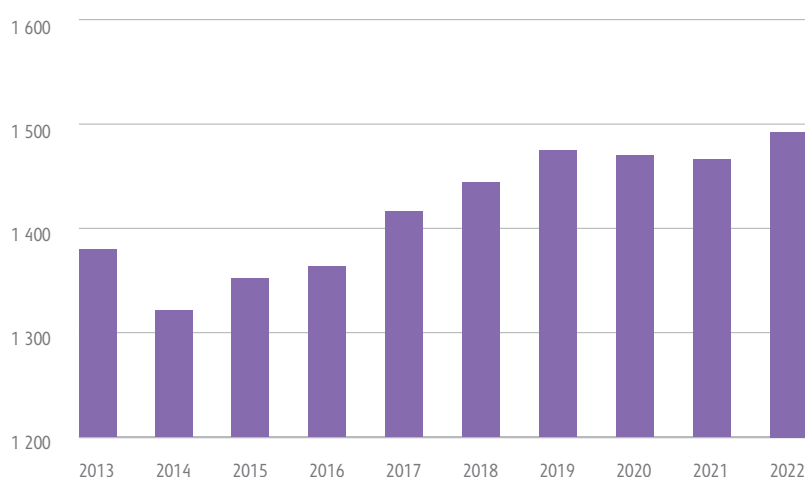
1,493

NUMBER OF EMPLOYEES  
AT THE END OF 2022

The CNB had 1,493 employees as of 31 December 2022, 27 more than at the end of 2021. The number of employees increased the most in the new Visitor Centre and in the area of financial market supervision. At the same time, the number of positions rose to 1,518. The overall staff turnover rate in 2022 was 5.8%, almost unchanged from 2021.

Number of employees in 2013–2022

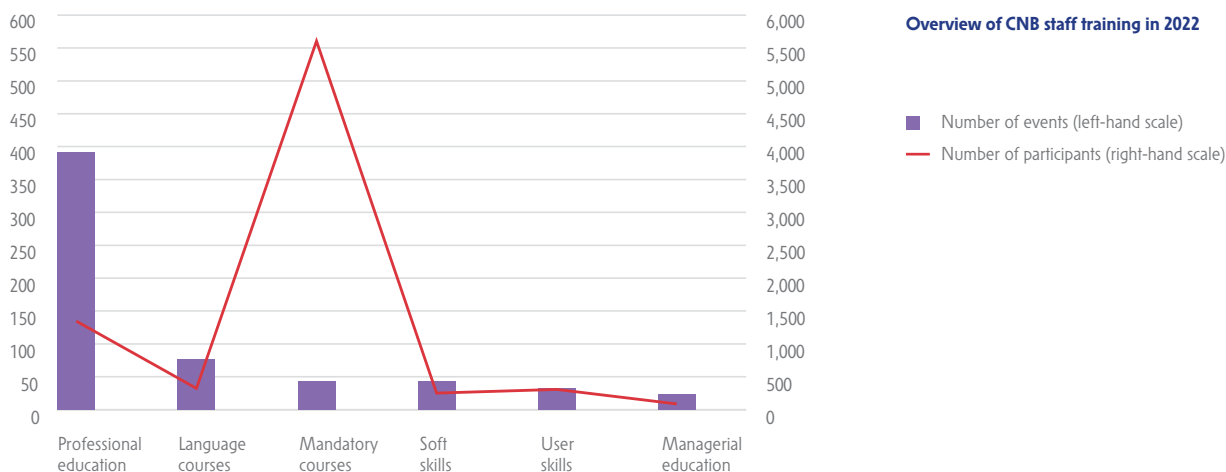
■ Actual number of employees as of last day of year



## STAFF TRAINING

In 2022, professional training, along with statutory and regular training, was at the core of professional development at the CNB. Professional training accounted for 74% of the total number of training events, 40% of which were held in cooperation with the European System of Central Banks (ESCB) and other international institutions. Employees participated in hybrid training organised at the CNB, which proved to be an effective tool for passing on expert knowledge.

As well as increasing their expert knowledge, employees acquired new managerial and user skills. These skills provide staff not only with professional development opportunities, but also with the opportunity to improve their ability to present the results of their work professionally both in the Czech Republic and abroad, to enhance cooperation and, last but not least, to increase their resilience and adapt to the current turbulent changes.

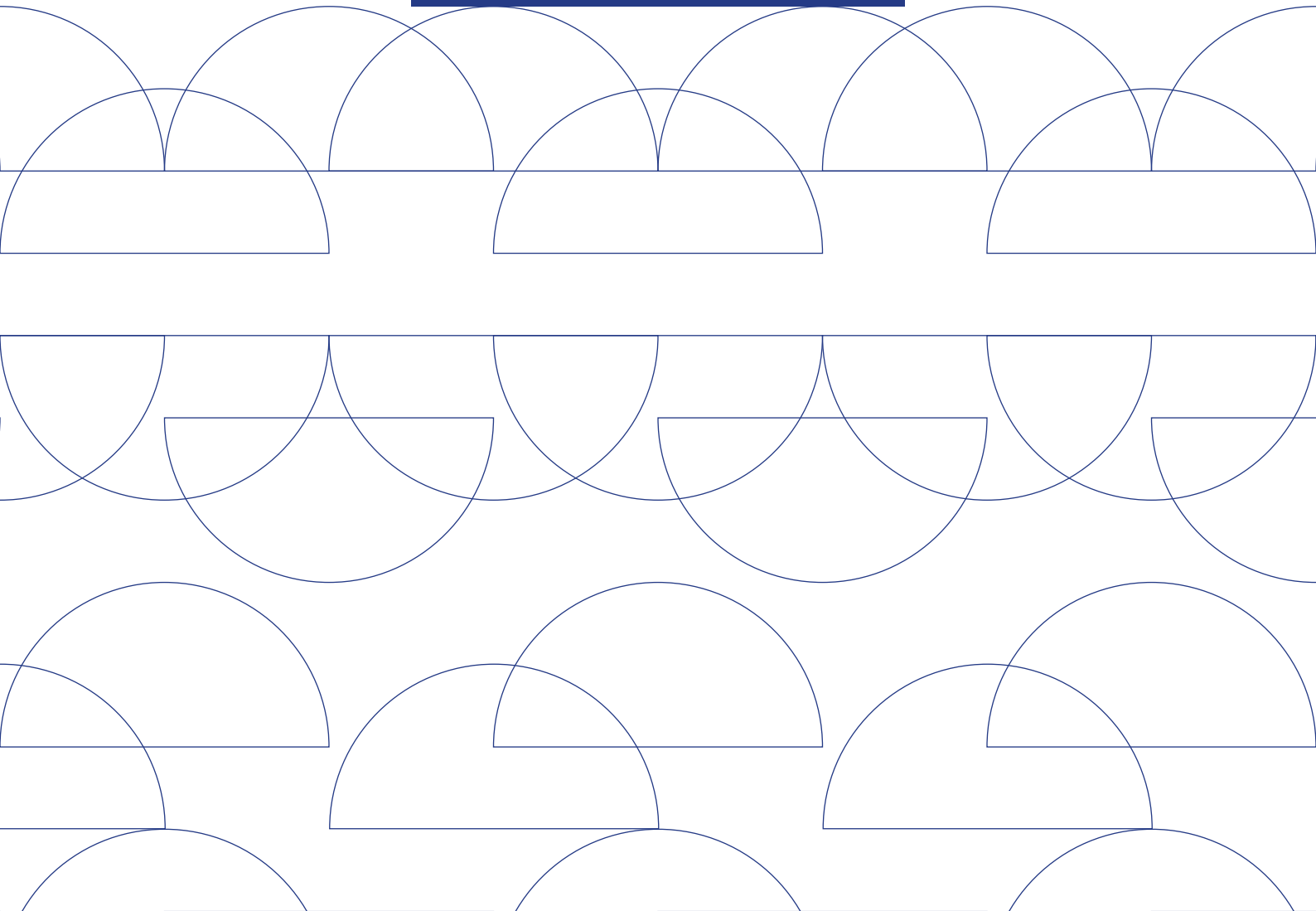




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# THE CNB AND THE PUBLIC





[WWW.CNB.CZ](http://www.cnb.cz)

FACEBOOK



INSTAGRAM



TWITTER

The CNB has long been endeavouring to enhance the clarity of its communication, focusing on adherence to the principles of independence, openness, credibility and expertise. In 2022, the CNB was pleased to receive the Central Banking Transparency Award for its open and easy-to-understand communication with stakeholders and its relentless commitment to further increasing its transparency. In 2022, we also focused on further explaining topics related to the work of the central bank. For communication, we mainly use our website ([www.cnb.cz](http://www.cnb.cz)), social media (Facebook, Instagram and Twitter), events for the public and experts, and our own information service. In the past year, the Communications Division handled 6,616 telephone enquiries and replied to 6,315 electronic submissions and 942 correspondence submissions.



Experience shows that the soundness of the economy depends largely on the financial health of the population. It is primarily the job of the state and its education system to make the Czech public financially and economically literate. Nevertheless, the CNB can contribute to this objective thanks to its independence and necessary know-how. It also does so in order to have on its side people who are familiar with financial and economic matters, as this helps it fulfil its statutory duties and limits unfair practices in the financial market.

The official opening of the Visitor Centre on 21 May 2022 saw the successful implementation of the CNB's key project in the field of financial and economic literacy. From the very outset, the aim of the project was for the CNB to open itself further to engaging with the public, and to provide the public and schools in particular with educational programmes which shed light on the basic principles of the economy, money and the financial system. The Visitor Centre was based on the existing permanent People and Money exhibitions in Prague and Brno, which became popular soon after they opened in 2002 and 2016 respectively, especially among schools. An *Exploring the Currency* exhibition was added when the centre opened.



# COMMUNICATIONS

The CNB was in the public eye for many reasons last year. One reason was a significant change in the composition of the CNB Bank Board, i.e. the appointment of a new Governor, Deputy Governor and two new Bank Board members as of 1 July 2022. Rising inflation was meanwhile the main topic in the area of monetary policy communication throughout 2022. In the course of the year, the central bank's most senior representatives and experts tried to clearly explain both the causes of inflation and the steps that lie within the competence of the central bank to guide it back to the CNB's 2% inflation target. There was an increase in the number of media appearances and articles by CNB representatives and in responses to direct enquiries from the public via the information service. A new format was introduced for direct and open debate between CNB representatives and the public – discussion forums. Two such forums were held in 2022, one in Hradec Králové and the other in Brno. In both cases, the public could watch and ask the panel questions remotely. We also put together a special communication package for the termination of the validity of CZK 100–CZK 2000 banknotes with a thin silvery thread. This was the first time in ten years that the contents of the Czech public's wallets had changed (the CZK 50 banknote had ceased to be legal tender in 2011). The issuance of CNB commemorative coins and banknotes – especially a commemorative banknote dedicated to one of the founders of the Czech currency, Karl Engliš, and an enamelled commemorative coin featuring the Jawa 250 motorcycle – also came to the forefront of public interest and CNB communication.

**CNB DISCUSSION FORUM:  
THE STORY OF INFLATION, RESPONSIBLE INVESTING**





Throughout 2022, the CNB received repeated complaints from the public regarding the misuse of the CNB's name and the names of its senior representatives in fraudulent phone calls or e-mails fishing for sensitive information and passwords. The CNB has repeatedly separated itself from such conduct, explaining that the central bank does not contact the public in this way, and has appealed to people not to give their passwords and other login details to anyone.

# FINANCIAL AND ECONOMIC LITERACY

The CNB's financial and economic literacy projects are targeted mainly at higher-grade primary school pupils, secondary school pupils and the general public.



FINANCIAL  
AND ECONOMIC  
EDUCATION

In 2022, the CNB published a third presentation called *Inflace – nakažlivý virus ekonomiky* (Inflation – a contagious virus of the economy) on its web portal for its financial and economic literacy projects and supporting material. The presentation is a follow-up to the CNB's existing teaching material called *Personal Finance or How to sail safely through the world of finance* and on *Why crises arise*. Authors Zlatuše Komárková and Luboš Komárek presented this teaching material at the CNB's meetings with teachers in Prague in the spring and in Olomouc in the autumn. Two teaching blocks on personal finance, economic crises and inflation had been prepared for the teachers. At the end of the meetings, a discussion was held on the teaching of financial literacy in the Czech Republic and the teachers shared their experiences in this area. The CNB then told them about the Visitor Centre and its exhibitions.



In 2022, the CNB also continued to use the *Money on the Run* (*Peníze na útěku*) portal, which teaches young Czechs (aged 18–35) not only how to negotiate the world of finance, but also how to run a balanced household budget and set aside appropriate reserves so that they can avoid getting into financial difficulties in unexpected situations. Educational posts on social networks were another key educational tool used.

## ACTIVITIES SUPPORTED BY THE CNB

The CNB supports and co-organises several partner projects. One of these projects is the Economics Olympics for secondary school students, an integral part of which is the CNB Award. The semi-finalists of the Economics Olympics who were interested in the CNB Award were tasked with making a short video on a set topic. In 2022, they were asked to reflect on the question “*Should central banks be involved in climate protection?*”. As every year, the winner was chosen by the public in an on-line vote and by a jury of CNB experts. Secondary school pupils were also invited to take part in a competition for the best essay on a current economic topic. The competition is organised by the School of Business Administration of the Silesian University in Opava in partnership with the CNB and the town of Karviná. The traditional Global Money Week, aimed at fighting poverty, promoting financial literacy and raising awareness in the area of financial prosperity across generations, is also attracting more and more attention. It was also held under the auspices of the CNB in 2022.

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MONEY  
ON THE RUN



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ECONOMICS  
OLYMPICS



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CNB AWARD



# CNB VISITOR CENTRE

The Visitor Centre is the CNB's most important financial and economic literacy project of the last ten years. The centre engages the public in a wide range of activities focused on economics and finance.

Preparations for the centre started in 2017. Dozens of CNB employees were involved, from experts in monetary policy and the financial system to specialists in building renovation. The exhibition's fundamental concept in terms of content, architecture and design was conceived in partnership with the renowned architectural firm SGL Projekt and was further developed in line with the CNB's educational goals in the field of financial and economic literacy. The preparation process also included the development of lecture programmes and educational material. The result is a modern panel exhibition with audio-visual elements and a personalised approach which offers an immersive experience to a wide range of visitors, tailored to their age and level of knowledge. The *Exploring the Currency* exhibition examines the role of a modern central bank in the economy. The exhibition features several themed spaces which allow visitors to explore and learn about the CNB's position in the Czech Republic and internationally and its activities in the area of price stability, the financial system, cash circulation, non-cash payments and statistics. Electronic and mechanical interactive features that help visitors understand and remember the issues enhance the experience. In addition, visitors can try out for themselves how difficult it is to fulfil the CNB's mandate through games and simulations. The fundamental message of the exhibition is that the CNB is part of every Czech citizen's life and that the economic decisions made by each individual affect its activities.

**CNB VISITOR CENTRE: OFFICIAL TRAILER FOR THE EXPLORING  
THE CURRENCY EXHIBITION (DIRECTED BY JIŘÍ STRACH)**

The newly opened CNB Visitor Centre has also ushered in a progressive approach to promoting financial and economic literacy. In addition to the exhibitions, the centre offers accompanying educational programmes, on-line financial and economic literacy projects and access to the CNB special library and Archive for visitors interested in specialist subjects in the area of economics and finance.

VISITOR CENTRE





## CNB EXHIBITION

The CNB Visitor Centre in Prague opened its doors on 21 May 2022 and by the end of the year had welcomed 37,000 visitors, almost half of which were primary and secondary school pupils. A further 3,214 visited the exhibitions in the CNB building in Brno. In addition, the Visitor Centre welcomed 69 distinguished visitors, for example President of the European Central Bank Christine Lagarde, members of the ICOMON numismatics committee and war veterans from the Association of Czechoslovak Legionnaires.

Another aim of the CNB Visitor Centre is to provide space for new exhibitions and educational activities and present visitors with new and interesting topics in economics, finance and other areas that affect them. To this end, it held two short-term exhibitions. The first, *The Headquarters of the Czech National Bank in Photographs*, offered a unique insight into the headquarters building of the Czech National Bank by the renowned Czech photographer Herbert Slavík. The second exhibition, on the occasion of the 155th anniversary of the birth of the first Czechoslovak finance minister Alois Rašín, presented a selection of archive documents on monetary policy from Rašín's and Karel Engliš's terms in office. To mark the occasion, busts of the two leading Czech economic thinkers and creators of the Czech currency were unveiled in the area in front of the strongroom. The Visitor Centre also organised special one-day activities for the general public in the course of the year. Besides the now traditional *Brno Museum Night*, which brought 468 visitors to the CNB building in Brno, the CNB Visitor Centre organised a block of theatre performances titled *Money Doesn't Grow on Trees* and special programmes for Halloween and Christmas.

Preparing material for teachers and those interested in the topic of money is also part of the centre's educational remit. For this reason, we have created 25 types of educational material. They include worksheets responding to Russia's invasion of Ukraine and giving child refugees the opportunity to learn about Czech money and its day-to-day use.

The CNB Visitor Centre's outreach programme is an equally important endeavour. This helps to expand financial and

economic education by organising special activities outside the bank. In 2022, those interested were able to try out mobile play tables, join in educational activities and meet with experts, for example, in Brno at the national finals of *Odznak všestrannosti* (*Badge of Versatility*) organised by the Czech Olympic Committee or at *Noc vědců* (*Researchers' Night*) at universities in Prague and Brno.

Soon after its establishment, the CNB Visitor Centre established cooperation with other entities involved in the development of financial and economic literacy. It provided its premises or expertise to projects organised by the Institute of Economic Education (Economics Olympics), the Czech Banking Association (European Money Quiz), ABC Finančního vzdělávání ([fingrplay.cz](https://fingrplay.cz)) and Československá obchodní bankou (Philip's Cup of Economic Literacy).





92,000

NUMBER OF ACADEMIC  
PUBLICATIONS IN THE CNB  
SPECIAL LIBRARY IN 2022.LIBRARY'S  
ELECTRONIC  
CATALOGUE

CNB ARCHIVE

## SPECIAL LIBRARY

The mission of the special library is to provide CNB staff and outside specialists with lending, advisory, reference, bibliographic and research services. The library's electronic catalogue is available on the CNB website.

In 2022, the library newly offered registered readers remote access to full text documents in the National Digital Library and to licensed databases and electronic journals.

The special library had 2,772 active readers in the past year, with 11,190 on-line or in-person visits.

## CNB ARCHIVE

The Czech National Bank Archive maintains and makes available archive documents detailing the history of the Czech and Czechoslovak financial system. The collections stored in the archives are sourced mostly from Czechoslovak financial institutions and central, public and commercial banks and provide an economic perspective on the history of the Czech lands and Central Europe.

The CNB Archive currently maintains over seven and a half kilometres of archives. Researchers can view documents that are more than 30 years old. In 2022, 62 researchers made 237 visits to the Archive's research room. In addition, the Archive handles research in the area of economic history for the general public. In 2022, it dealt with 217 such queries.

The CNB Archive presents its archival wealth through exhibition projects. In 2022, in addition to short-term exhibitions at the CNB Visitor Centre, the public had the opportunity to view archive documents at two other exhibitions. First, the CNB participated in the *Velká Praha 1922–2022 (Greater Prague 1922–2022)* exhibition, which took place in late September and early October 2022 at the Mánes Exhibition Hall and presented a unique insight into the urban and architectural development of Prague since the foundation of Greater Prague in 1922. It also took part in the exhibition *Největší český bankéř JUDr. Jaroslav Preiss (The Greatest Czech Banker –*

*Dr. Jaroslav Preiss*), which opened at the Library of the University of Economics in October 2022. The CNB Archive also participated in some publication projects, such as a publication dedicated to the second governor of the National Bank of Czechoslovakia Karel Engliš.



## CONGRESS CENTRE

The Congress Centre is one of the few places at the central bank which provides a wide range of opportunities for meetings of the professional public. It returned to full capacity in 2022 after a lull caused by the pandemic. It hosted meetings between the CNB's top management and representatives of central banks of other countries, financial market representatives, staff associations and trade unions, analysts and journalists in its prestigious premises. Czech Prime Minister Petr Fiala, Slovak Prime Minister Eduard Heger, EU Commissioner for Energy Kadri Simson and ministers Jozef Síkela and Karel Hirman met there on the occasion of the European Nuclear Forum. As well as numerous professional, social and sporting events, other prestigious events organised in the Congress Centre last year included the Export Forum, the announcement of the Insurance Company of the Year Award and the Charta 77 – Konto Bariéry foundation's charity gala.

## PROVISION OF INFORMATION UNDER ACT NO. 106/1999 COLL., ON FREEDOM OF INFORMATION

The CNB provides information pursuant to Act No. 106/1999 Coll., on Freedom of Information, as amended (hereinafter the “Act”) by way of disclosure on the internet, primarily at [www.cnb.cz](http://www.cnb.cz), or to applicants on the basis of applications. The following text gives details on applications for information under the Act in 2022.

1. Number of applications for information under the Act: 85
2. Number of decisions refusing an application: 5
3. Number of appeals submitted against decisions: 2
4. Court judgements concerning the examination of the legality of CNB decisions refusing an application for information: 0
5. Costs of legal proceedings: CZK 0
6. Number of exclusive licences granted, including justification of the need to grant exclusive licences: 0
7. Number of complaints submitted under Article 16a, reasons for their submission and a brief description of the manner in which they were dealt with: 4

In all four cases, complainants disagreed with the procedure or the way in which their applications had been dealt with, as the CNB had not provided the requested information and had not issued a decision refusing the application. The CNB dealt with the complaints under the procedure laid down in Article 16a(5) of the Act. It issued a decision refusing the

provision of information in three cases. The CNB provided information to the applicant in one case.

#### 8. Other information relating to application of the Act:

The number of applications received in 2022 stayed at almost the same level as in 2021, when 86 applications had been received. A large proportion of the applications consisted of queries relating to the CNB's supervisory work in all financial market segments and queries about licensing and enforcement activities. Other applications concerned statistics, the central register of accounts, legislation and public tenders.



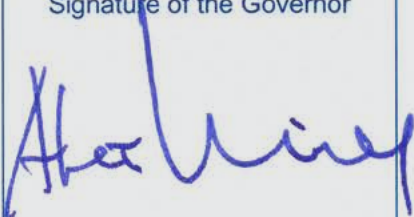
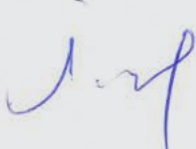
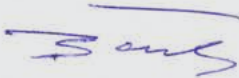
**FINANCIAL  
STATEMENTS  
AND AUDITOR'S  
REPORT AS OF  
31 DECEMBER 2022**





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 CZK million	2021 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 an 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	
<b>Buildings and constructions</b>	<b>20 – 50</b>
<b>Machinery and equipment</b>	
motor vehicles	4 – 5
office equipment and computers	3 – 4
banknote processing systems	10
<b>Furniture and fixtures</b>	<b>5 – 10</b>
<b>Software</b>	<b>4</b>
Long-term software	6
<b>Other intangible fixed assets</b>	<b>6</b>

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
<b>Gold (CZK million)</b>	<b>15,785</b>	<b>13,483</b>
Long-term reserve	15,018	12,959
Operating reserve	767	524
<b>Gold (thousand Troy ounces)</b>	<b>385</b>	<b>340</b>
Long-term reserve	366	327
Operating reserve	19	13
<b>Gold (tons)</b>	<b>12.0</b>	<b>10.6</b>
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
<b>Collections reserve</b>		
Carrying amount – CZK million	324	312
Troy ounces – thousands	8	8
Tones	0.2	0.2
<b>Cash reserve</b>		
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
<b>Receivables from the IMF</b>	<b>143,955</b>	<b>144,298</b>
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
<b>Payables to the IMF</b>	<b>136,536</b>	<b>137,353</b>

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
<b>Deposits at foreign banks and financial institutions</b>	<b>855,800</b>	<b>1,247,231</b>
Current account balances <sup>1</sup>	836,588	1,193,517
Deposits <sup>1</sup>	19,212	53,714
<b>Securities</b>	<b>2,186,372</b>	<b>2,446,375</b>
Zero-coupon bonds <sup>2</sup>	34,336	55,717
State <sup>2</sup>	34,336	53,229
Other <sup>3</sup>	0	2,488
Coupon bonds <sup>2</sup>	1,618,426	1,778,247
State <sup>2</sup>	1,256,005	1,352,959
Other <sup>3</sup>	362,421	425,288
MBS <sup>2</sup>	39,946	44,006
Shares <sup>2</sup>	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
<b>Other receivables from abroad</b>	<b>16,761</b>	<b>12,009</b>
Funds invested through reverse repo transactions <sup>1</sup>	16,471	11,602
Foreign currency <sup>1</sup>	290	407
<b>Receivables from abroad including securities</b>	<b>3,058,933</b>	<b>3,705,615</b>

<sup>1</sup> – Financial instruments classified as measured at acquisition cost or amortized cost. <sup>2</sup> – Financial instruments classified as measured at fair value and at market prices directly from financial markets (refer to Note 2.4.). <sup>3</sup> – 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.

CZK million	2022	2021
<b>Bonds</b>		
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
<b>Shares</b>		
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.

### 3.5. 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
<b>Net book value as at 31 December 2021</b>	<b>164</b>	<b>2,315</b>	<b>633</b>	<b>78</b>	<b>3,190</b>
Additions	0	65	287	389	741
Disposals	0	0	130	427	557
Change in accumulated depreciation	0	176	22	0	198
<b>Net book value as at 31 December 2022</b>	<b>164</b>	<b>2,204</b>	<b>768</b>	<b>40</b>	<b>3,176</b>
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
<b>Net book value as at 31 December 2021</b>	<b>173</b>	<b>7</b>	<b>0</b>	<b>180</b>
Additions	47	22	77	146
Disposals	15	1	75	91
Change in accumulated depreciation	32	3	0	35
<b>Net book value as at 31 December 2022</b>	<b>173</b>	<b>25</b>	<b>2</b>	<b>200</b>
Acquisition cost as at 31 December 2022	1,067	46	2	1,115
Accumulated amortization as at 31 December 2022	894	21	0	915



### 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
<b>Other financial assets</b>	<b>7,518</b>	<b>5,128</b>
Share in the ECB capital	184	190
BIS and SWIFT shares	4,971	4,938
Bonds	2,363	0
<b>Receivables from former banks</b>	<b>0</b>	<b>0</b>
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
<b>Other</b>	<b>7,133</b>	<b>1,867</b>
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
<b>Other assets</b>	<b>14,651</b>	<b>6,995</b>

### 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
<b>Notes in circulation</b>	<b>525</b>	<b>535</b>	<b>686,706</b>	<b>709,095</b>
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
<b>Coins in circulation</b>	<b>2,268</b>	<b>2,198</b>	<b>22,771</b>	<b>22,003</b>
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
<b>Notes and coins in circulation</b>	<b>2,793</b>	<b>2,733</b>	<b>709,477</b>	<b>731,098</b>

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

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
<b>CZK funds</b>	<b>463,836</b>	<b>538,491</b>
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
<b>Foreign currency funds</b>	<b>48,382</b>	<b>1,726</b>
Single Treasury Account in EUR	46,988	0
Other deposits in foreign currencies	1,394	1,726
<b>State and public institution deposits</b>	<b>512,218</b>	<b>540,217</b>

### 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 <sup>1</sup>	32,307	484
Other payables	880	595
<b>Other liabilities</b>	<b>48,577</b>	<b>13,743</b>

<sup>1</sup> – 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
<b>Specific provisions</b>	<b>1,368</b>	<b>2</b>	<b>0</b>	<b>18</b>	<b>1,352</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,352</b>
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
<b>Balance as at 31 December 2021</b>	<b>4,497</b>	<b>1,400</b>	<b>0</b>	<b>-37,536</b>	<b>-37,739</b>	<b>-69,378</b>
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
<b>Balance as at 31 December 2022</b>	<b>4,523</b>	<b>1,400</b>	<b>0</b>	<b>-75,275</b>	<b>-411,855</b>	<b>-481,207</b>

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
<b>Interest income and similar income</b>	<b>29,062</b>	<b>15,525</b>
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
<b>Interest expense and similar expense</b>	<b>167,493</b>	<b>33,992</b>
Interest on liabilities to banks	167,231	33,974
Interest on liabilities to employees and other clients	262	18
<b>Net interest income<sup>1</sup></b>	<b>-138,431</b>	<b>-18,467</b>

<sup>1</sup> – 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
<b>Foreign exchange gains or losses and foreign exchange spread</b>	<b>-41,308</b>	<b>-90,336</b>
Foreign exchange gains/losses	-42,475	-91,433
Foreign exchange spread	1,167	1,097
<b>Other</b>	<b>-243,347</b>	<b>62,460</b>
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
<b>Profit/loss from financial transactions<sup>2</sup></b>	<b>-284,655</b>	<b>-27,876</b>

<sup>2</sup> – 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
<b>Personnel costs</b>	<b>2,327</b>	<b>2,013</b>
Wages and salaries	1,561	1,409
Social security and health insurance	524	468
Cost of personnel training	8	6
Employee benefits	234	130
<b>Other administrative expenses</b>	<b>451</b>	<b>369</b>
Rent	6	6
Other	445	363
<b>Total administrative expenses</b>	<b>2,778</b>	<b>2,382</b>

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
<b>Guarantees issued</b>	<b>804</b>	<b>804</b>
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
<b>Guarantees received</b>	<b>0</b>	<b>0</b>
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
<b>Off-balance sheet receivables</b>	<b>307,639</b>	<b>402,985</b>
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
<b>Off-balance sheet liabilities</b>	<b>307,005</b>	<b>403,737</b>
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.

<b>CZK million</b>		Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	<b>Total</b>
Gold	2022	0	0	0	0	0	15,785	<b>15,785</b>
	2021	0	0	0	0	0	13,483	13,483
Receivables from the IMF	2022	0	0	0	0	0	143,955	<b>143,955</b>
	2021	0	0	0	0	0	144,298	144,298
Zero-coupon bonds	2022	2,166	0	28,095	4,075	0	0	<b>34,336</b>
	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	<b>1,618,426</b>
	2021	0	1,171	78,174	1,156,565	542,337	0	1,778,247
MBS	2022	389	67	134	48	39,308	0	<b>39,946</b>
	2021	2,778	1,368	395	557	38,908	0	44,006
Shares	2022	0	0	0	0	0	493,664	<b>493,664</b>
	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	<b>872,561</b>
	2021	1,259,240	0	0	0	0	0	1,259,240
Receivables from domestic banks	2022	0	0	0	0	0	0	<b>0</b>
	2021	0	0	0	0	0	0	0
Tangible and intangible fixed assets	2022	0	0	0	0	0	3,376	<b>3,376</b>
	2021	0	0	0	0	0	3,370	3,370
Other assets	2022	9,026	0	27	44	399	5,155	<b>14,651</b>
	2021	1,458	0	18	41	350	5,128	6,995
<b>Total assets</b>	2022	<b>886,350</b>	<b>3,901</b>	<b>131,575</b>	<b>832,168</b>	<b>720,771</b>	<b>661,935</b>	<b>3,236,700</b>
	2021	1,294,495	12,075	83,445	1,167,467	581,595	734,684	3,873,761



<b>CZK million</b>		Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	<b>Total</b>
Notes and coins in circulation	2022	0	0	0	0	0	709,477	<b>709,477</b>
	2021	0	0	0	0	0	731,098	731,098
Liabilities to the IMF	2022	0	0	0	0	0	136,536	<b>136,536</b>
	2021	0	0	0	0	0	137,353	137,353
Liabilities abroad	2022	235,320	0	0	0	0	0	<b>235,320</b>
	2021	194,643	0	0	0	0	0	194,643
Liabilities to domestic banks	2022	2,075,779	0	0	0	0	0	<b>2,075,779</b>
	2021	2,326,085	0	0	0	0	0	2,326,085
Liabilities to the government	2022	512,218	0	0	0	0	0	<b>512,218</b>
	2021	540,217	0	0	0	0	0	540,217
Other liabilities	2022	48,577	0	0	0	0	0	<b>48,577</b>
	2021	13,743	0	0	0	0	0	13,743
Provisions	2022	0	0	0	0	0	0	<b>0</b>
	2021	0	0	0	0	0	0	0
Equity	2022	0	0	0	0	0	-481,207	<b>-481,207</b>
	2021	0	0	0	0	0	-69,378	-69,378
<b>Total liabilities</b>	2022	<b>2,871,894</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>364,806</b>	<b>3,236,700</b>
	2021	3,074,688	0	0	0	0	799,073	3,873,761
<b>NET LIQUIDITY GAP</b>	2022	<b>-1,985,544</b>	<b>3,901</b>	<b>131,575</b>	<b>832,168</b>	<b>720,771</b>	<b>297,129</b>	<b>0</b>
	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.

<b>CZK million</b>		Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not sensitive to the interest rate	<b>Total</b>
Gold	2022	0	0	0	0	0	15,785	<b>15,785</b>
	2021	0	0	0	0	0	13,483	13,483
Receivables from the IMF	2022	0	0	0	0	0	143,955	<b>143,955</b>
	2021	0	0	0	0	0	144,298	144,298
Zero-coupon bonds	2022	2,166	0	28,095	4,075	0	0	<b>34,336</b>
	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	<b>1,618,426</b>
	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	<b>39,946</b>
	2021	2,778	1,368	395	557	38,908	0	44,006
Shares	2022	0	0	0	0	0	493,664	<b>493,664</b>
	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	<b>872,561</b>
	2021	1,259,240	0	0	0	0	0	1,259,240
Receivables from domestic banks	2022	0	0	0	0	0	0	<b>0</b>
	2021	0	0	0	0	0	0	0
Tangible and intangible fixed assets	2022	0	0	0	0	0	3,376	<b>3,376</b>
	2021	0	0	0	0	0	3,370	3,370
Other assets	2022	9,053	0	0	44	399	5,155	<b>14,651</b>
	2021	1,476	0	0	41	350	5,128	6,995
<b>Total assets</b>	2022	<b>904,527</b>	<b>11,693</b>	<b>156,015</b>	<b>796,582</b>	<b>705,948</b>	<b>661,935</b>	<b>3,236,700</b>
	2021	1,302,289	29,955	126,132	1,100,800	579,901	734,684	3,873,761

<b>CZK million</b>		Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not sensitive to the interest rate	<b>Total</b>
Notes and coins in circulation	2022	0	0	0	0	0	709,477	<b>709,477</b>
	2021	0	0	0	0	0	731,098	731,098
Liabilities to the IMF	2022	0	0	0	0	0	136,536	<b>136,536</b>
	2021	0	0	0	0	0	137,353	137,353
Liabilities abroad	2022	235,320	0	0	0	0	0	<b>235,320</b>
	2021	194,643	0	0	0	0	0	194,643
Liabilities to domestic banks	2022	2,075,779	0	0	0	0	0	<b>2,075,779</b>
	2021	2,326,085	0	0	0	0	0	2,326,085
Liabilities to the government	2022	512,218	0	0	0	0	0	<b>512,218</b>
	2021	540,217	0	0	0	0	0	540,217
Other liabilities	2022	48,577	0	0	0	0	0	<b>48,577</b>
	2021	13,743	0	0	0	0	0	13,743
Provisions	2022	0	0	0	0	0	0	<b>0</b>
	2021	0	0	0	0	0	0	0
Equity	2022	0	0	0	0	0	-481,207	<b>-481,207</b>
	2021	0	0	0	0	0	-69,378	-69,378
<b>Total liabilities</b>	2022	<b>2,871,894</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>364,806</b>	<b>3,236,700</b>
	2021	3,074,688	0	0	0	0	799,073	3,873,761
<b>NET LIQUIDITY GAP</b>	2022	<b>-1,967,367</b>	<b>11,693</b>	<b>156,015</b>	<b>796,582</b>	<b>705,948</b>	<b>297,129</b>	<b>0</b>
	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	<b>15,785</b>
	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	<b>143,955</b>
	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	<b>34,336</b>
	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	<b>1,618,426</b>
	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	<b>39,946</b>
	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	<b>493,664</b>
	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	<b>872,561</b>
	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	<b>0</b>
	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	<b>3,376</b>
	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	<b>14,651</b>
	2021	538	1,073	129	47	87	123	42	0	4,956	6,995
<b>Total assets</b>	2022	<b>56,941</b>	<b>1,582,114</b>	<b>779,687</b>	<b>73,504</b>	<b>100,091</b>	<b>210,232</b>	<b>116,957</b>	<b>50,779</b>	<b>266,395</b>	<b>3,236,700</b>
	2021	52,778	2,156,823	756,510	113,027	123,691	242,257	130,608	40,968	257,099	3,873,761

<b>CZK million</b>		CZK	EUR	USD	JPY	GBP	CAD	AUD	CNY	Other	<b>Total</b>
Notes and coins in circulation	2022	709,477	0	0	0	0	0	0	0	0	<b>709,477</b>
	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	<b>136,536</b>
	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	<b>235,320</b>
	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	<b>2,075,779</b>
	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	<b>512,218</b>
	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	<b>48,577</b>
	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	<b>0</b>
	2021	0	0	0	0	0	0	0	0	0	0
Equity	2022	-485,830	0	0	0	0	0	0	0	4,623	<b>-481,207</b>
	2021	-73,962	0	0	0	0	0	0	0	4,584	-69,378
<b>Total liabilities</b>	2022	<b>2,831,125</b>	<b>275,741</b>	<b>14,248</b>	<b>0</b>	<b>10,115</b>	<b>0</b>	<b>5,324</b>	<b>0</b>	<b>100,147</b>	<b>3,236,700</b>
	2021	3,641,511	123,766	4,111	0	11,616	0	2	0	92,755	3,873,761
<b>NET ASSETS/ LIABILITIES (-)</b>	2022	<b>-2,774,184</b>	<b>1,306,373</b>	<b>765,439</b>	<b>73,504</b>	<b>89,976</b>	<b>210,232</b>	<b>111,633</b>	<b>50,779</b>	<b>166,248</b>	<b>0</b>
	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	<b>307,639</b>
	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	<b>-307,005</b>
	2021	0	-93,411	-102,114	-90,772	-3,145	-248	-5,970	0	-108,077	-403,737
<b>NET OPEN CURRENCY POSITION</b>	2022	<b>-2,774,184</b>	<b>1,383,385</b>	<b>834,884</b>	<b>43,762</b>	<b>92,361</b>	<b>206,948</b>	<b>109,206</b>	<b>50,779</b>	<b>53,493</b>	<b>634</b>
	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
<b>Geographical concentration of assets</b>	<b>3,236,700</b>	<b>3,873,761</b>

## 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
<b>Geographical concentration of liabilities</b>	<b>3,236,700</b>	<b>3,873,761</b>

## 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

## ABBREVIATIONS

ABO	Automated Banking Operations
AnaCredit	Analytical Credit Datasets
CERTIS	Czech Express Real Time Interbank Gross Settlement System
CNB	Czech National Bank
CSDB	Centralised Securities Database
CZK	Czech koruna
CZSO	Czech Statistical Office
DSTI	debt service-to-income
DTI	debt-to-income
EBA	European Banking Authority
ECB	European Central Bank
ECOFIN	EU Council in the composition of the ministers of economy and finance
EIOPA	European Insurance and Occupational Pensions Authority
ESAs	European Supervisory Authorities
ESCB	European System of Central Banks
ESG	environmental, social and governance
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board

EU	European Union
EUR	euro
FTSE 100	benchmark index for the UK stock market
GDP	gross domestic product
IAIS	International Association of Insurance Supervisors
IMF	International Monetary Fund
IOPS	International Organisation of Pension Supervisors
IOSCO	International Organization of Securities Commissions
LTV	loan-to-value
MREL	minimum requirement for own funds and eligible liabilities
MSCI Euro	benchmark index for the European stock market
MtS	the CNB's information system for data collection
Nikkei 225	benchmark index for the Japanese stock market
PEPP	Pan-European Personal Pension Product
pp	percentage point
REGIS	information system for registration and licensing activities
S&P 500	benchmark index for the US stock market

S&P ASX 200	benchmark index for the Australian stock market
S&P TSX	benchmark index for the Canadian stock market
SDAT	the CNB's data collection system
SDR	special drawing rights
Solventnost II	Directive on Insurance and Reinsurance
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process

## COUNTRY ABBREVIATIONS

BG	Bulgaria	IE	Ireland
CZ	Czech Republic	IS	Iceland
DE	Germany	LU	Luxembourg
DK	Denmark	NO	Norway
EE	Estonia	RO	Romania
FR	France	SE	Sweden
HR	Croatia	SK	Slovakia

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