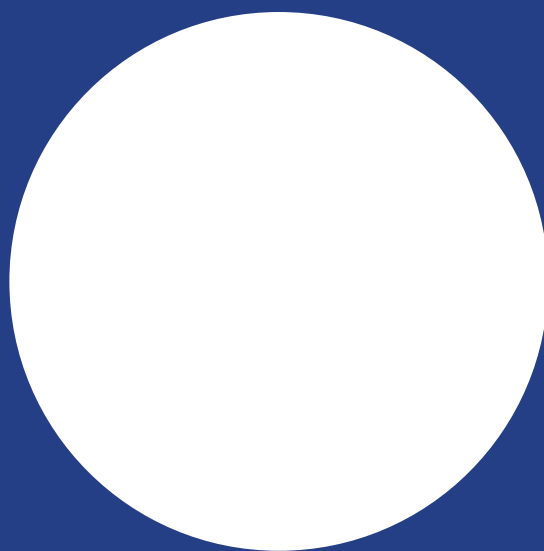
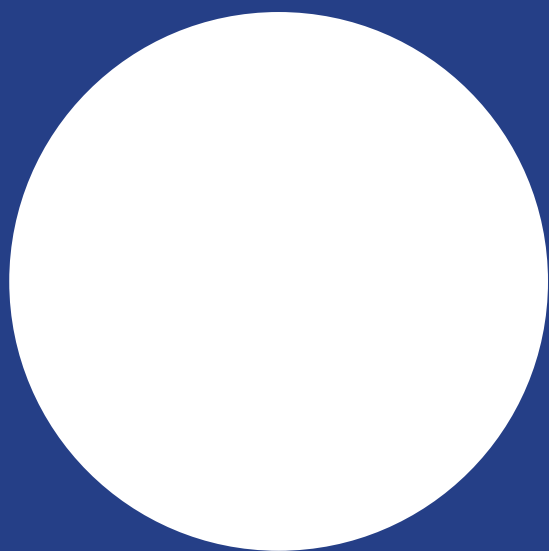


23



THE MANDATE OF THE CNB

TO MAINTAIN PRICE STABILITY,

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

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

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

- 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

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

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

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.

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AS OF 31 DECEMBER 2023

2023 AT A GLANCE

- Inflation recorded its biggest fall in 30 years during the year – from 17.5% in January to 6.9% at the end of 2023. This was due mainly to the CNB's tight monetary policy, which dampened the domestic demand pressures, and also to a decline in cost factors from abroad.
- The inflation developments and outlook allowed the Bank Board to lower interest rates for the first time in December 2023 – the main two-week repo rate by 25 basis points from 7.00% to 6.75% and the Lombard and discount rates by the same amount from 8.00% to 7.75% and from 6.00% to 5.75% respectively.
- The CNB made a profit of CZK 55.1 billion in 2023. It streamlined its operations, reduced its workforce by 5% and cut the number of executive directors reporting directly to the Bank Board from 17 to 14. The CNB used its entire profit to partially repay its accumulated accounting loss of previous years.
- The amount of gold in the CNB's international reserves was increased from 11.96 tonnes at the start of the year to 30.67 tonnes at its end, based on a Bank Board decision to further diversify the portfolio.
- The CNB started to manage the equity portfolios of its international reserves itself in October. This reduced its costs further.

- The Czech economy reached the bottom of the financial cycle in 2023, with far fewer new loans being provided in the stagnant economy. The Bank Board therefore gradually lowered the countercyclical buffer rate from 2.5% at the end of 2022 to 2%.
- The Bank Board deactivated the upper limit on the debt service-to-income (DSTI) ratio in June and that on the debt-to-income (DTI) ratio in November, as analyses were indicating low systemic risks associated with the mortgage and housing markets.
- The intervention regime was ended. The Bank Board decided to discontinue it in August after the CNB had made no interventions in the market since October 2022. It also resumed the programme of regular sales of part of the income on the international reserves.
- Incumbent Bank Board member Jan Frait was appointed Deputy Governor of the CNB. Jan Kubíček and Jan Procházka became new members, replacing Oldřich Dědek and Marek Mora, whose terms of office expired. The President of the Czech Republic appointed the new Bank Board members on 13 February.
- The CNB and the Ministry of Finance recommended that the Czech government should not set a target date for euro area entry for the time being and so should not aim for the Czech Republic to join the ERM II exchange rate mechanism either. The recommendation is contained in the joint *Assessment of the Fulfilment of the Maastricht Convergence Criteria and the Degree of Economic Alignment of the Czech Republic with the Euro Area*.
- 2023 marked the 30th anniversary of the establishment of the CNB and the Czech koruna. Among other things, the CNB issued a special CZK 1,000 anniversary banknote, prepared an exhibition on the separation of the Czech and Slovak currencies and organised several conferences.
- The CNB put into circulation a new, 2023 version of the CZK 5,000 banknote due to changes in printing technology.

- The CNB launched a new version of the ARAD public database. The unified time series presentation system contains statistics for each area of the financial market.
- The CNB made a “Pay a Contact” register of telephone numbers available to banks in November. The Pay a Contact service makes it easier and quicker for customers to fill in payment details and reduces the risk of them entering the wrong beneficiary account number by mistake.
- Central bank representatives faced repeated attempts to misuse their names in payment frauds. Fraudsters posing as CNB employees tried to gain access to people’s bank accounts or steal money from them in other ways. The CNB among other things drew attention to this at a news conference in the spring, at which it presented a video and website containing tips on how to avoid getting swindled.
- Governor Aleš Michl awarded the first ever Governor’s Award for Outstanding Contribution to the Advancement of Financial and Economic Literacy. The winner – Jana Doležalová, a maths and biology teacher from a primary school in Vimperk – was presented with the award on the first anniversary of the CNB Visitor Centre.



A YEAR OF REDUCING INFLATION

The new Bank Board assumed responsibility for monetary policy and price and financial stability in our country in July 2022.

Things weren't good:

First, we had the highest inflation in our history, leaving aside the transformation period of the early 1990s. The Czech National Bank was far from achieving its statutory primary objective of price stability.

Second, the liquidation of Sberbank was engulfed in litigation challenging the entire process – litigation by the state, filed by representatives of the Ministry of Finance, regions and municipalities, which had entrusted Sberbank with their money. An important task for us as regards financial stability and credibility was to ensure that the process of liquidating the bank was transparent, as the CNB – a member of the Sberbank creditors' committee – is responsible by law for ensuring financial stability and seeing to the sound operation of the financial system in the Czech Republic.

Third, we took over the CNB at a time when it had posted its biggest ever loss, amid record-high growth in operating expenses.

It was vital for us to tackle the situation head-on and deliver results as quickly as possible.

As regards the first issue – high inflation – in a speech I gave at Masaryk University in November 2022 I unveiled a new

monetary strategy setting out the conditions under which the Czech koruna would be strong again. In spring 2023, we achieved the tightest monetary conditions (the combined effect of interest rates and the exchange rate on the economy) in 20 years. The exchange rate of the koruna was the strongest ever at the time, so the country was able to import expensive commodities more cheaply. The strong koruna also tightened monetary conditions for large firms, which until then had not been affected by the CNB's high rates, since they were borrowing in euros. Although the nominal rate stayed at 7% for most of 2023, ex ante real interest rates – which reflect expected inflation – gradually rose to historical highs. Only then did monetary policy start to work the most.

The new monetary strategy had the desired effect. At the time of writing this foreword at the beginning of 2024, I had been able to send the following letter to the staff of the CNB:

“The new Bank Board started work in July 2022, when the annual inflation rate was 17.5%. We changed monetary policy strategy and succeeded in lowering inflation considerably. The Czech Statistical Office announced today that the annual inflation rate in January was 2.3%. We have restored price stability, our legal mandate. In the speech I gave on my appointment as governor in May 2022, I said that the goal would be to gradually return inflation to 2% and that I assumed this would take two years. I thank everyone at the CNB for helping me keep the promise I made when I was appointed governor. We will stay hawkish and do our utmost to achieve price stability...We expect rates to be higher than we have been used to over the last ten years or more. The economy needs to be based on savings, not debt...There will be no celebration, news conference or the like, because the future will judge us not by partial successes but by the long-term results of our work.”

As for the second issue, the liquidation of Sberbank became the most successful bank insolvency case in our history, thanks in no small part to the work of our people at the CNB as member of the creditors' committee. Just to remind you, many entities had taken legal action against the whole process, but we managed to convince them that we were steering the right course. We held many negotiations, attended many meetings

and made many decisions during 2023. By the start of 2024, 95% of the money of Sberbank's customers had been repaid. The work will continue until the remaining minority of the money has been returned and the liquidation process has been successfully completed – although there is still some way to go.

Turning to the third problem – the central bank's finances – the current Bank Board inherited the bank's largest ever cumulative loss: CZK 487 billion. We immediately began to address operations, one of the parts of the profit and loss account that was not in good order. We had to tame the record rise in our operating expenses, as the CNB should set an example for the public. We therefore started a rationalisation process at the CNB. Alois Rašín would have been pleased with the results: during 2023 we downsized our senior management team – managers reporting directly to the Bank Board (BR-1s) – from 17 to 14. As well as delivering cost savings, this made the institution more manageable. There are now 14 BR-1s under the seven board members, meaning that each member oversees two teams. The board members can thus give the teams their full attention and deliver results together. In particular, the integration of the licensing and enforcement teams into the supervision function should greatly improve the results of our work. We also rationalised every department at the bank. The number of job positions at the CNB was reduced by 5.1% in 2023. This was the first time the central bank's operations had been comprehensively streamlined in ten years.

Results of the rationalisation at the CNB

	2022	2023	Annual change in %
No. of job positions at the CNB	1,516	1,439	–5.1
No. of executive directors reporting to the Board	17	14	–17.6

The CNB ended 2023 with a profit of CZK 55.1 billion. We therefore erased part of our accumulated loss of previous years in 2023. However, our asset and liability structure is not yet such as to allow us to generate a profit on a sustained basis, and we need to continue to make changes. In particular, we are going to diversify our assets and increase the expected return on them. This process should be aided by the gradual purchase

of gold up to a total of 100 tonnes, which would be the largest amount in the CNB's history (for comparison, in 2019 we had 8 tonnes of gold in our vaults, an all-time low). We are also going to gradually increase the share of equities. If you are interested in this issue, I recommend you read the findings of the research I conducted with my colleagues Tomáš Adam and Michal Škoda. I will do all I can to leave the next governor a better balance sheet and profit and loss account than I inherited.

There's something else we are changing: our corporate culture. Professionalism, teamwork, hard work and the drive to do new things – that's what we are trying to impress on our staff. I intend to cultivate and promote morality, ethics and decency at the Bank. Each of us should be of upright and exemplary character. Character is how you act when no one is looking. My favourite book is *Winners Never Cheat*. Each member of staff received a copy of it from me as a gift in December 2023. The message of the book is that nations, organisations and teams need their people to uphold moral values in order to succeed. Our work motto should be: *Say what you do and do what you say*.

People who are guided by universal values and have character tend to achieve their goals, be happy at home and at work and have a higher purpose in life than envy, defamation and malice. I don't know of any truly successful person who doesn't have a sense of decency. There are those who appear successful on the surface, yet in reality they are selfish and unhappy and lack the ability to respect the CNB's interests. But I don't want to dwell on the past. What counts is the future and what we at the Bank can do for our country.

The CNB must remain a bastion of decency and morality and deliver results for our country. Decency and morality will be our core values, because decent and honest people do their jobs with flair and respect.



Aleš Michl, Governor



1 ●

2 ●

3 ●

4 ●

1 JANUARY 1993

THE CZECH REPUBLIC AND THE CZECH NATIONAL BANK ARE ESTABLISHED

Two new central banks were established when Czechoslovakia split: the Czech National Bank (CNB) and the National Bank of Slovakia (NBS). They replaced the State Bank of Czechoslovakia (SBCS), which, together with the Czech and Slovak Federative Republic, ceased to exist. The CNB became the country's central bank under the new Czech Constitution. Its organisation and duties were set out in detail in Act No. 6/1993 Coll., on the Czech National Bank. Its primary objective was to maintain the stability of the currency.

The two newly established central banks continued in the tradition of Czechoslovak central banking. Its origins date back to the period shortly after the establishment of the Czechoslovak currency, when the Banking Office of the Ministry of Finance was set up.



Po zániku československé federace je se vznikem samostatné České republiky spojen i vznik České národní banky. Navazuje na práci Státní banky československé, která v letech 1950-1992 pečovala o stabilitu československé měny.

Východiskem působení České národní banky je zákon České národní rady č. 6/1993 Sb., který nabyl účinnosti 1. ledna 1993. Tento zákon mimo jiné uvádí:

- §1: (1) „Česká národní banka je ústřední bankou České republiky.“
§2: „Hlavním cílem České národní banky je zabezpečovat stabilitu české měny.“
§9: (1) „Při zabezpečování svého hlavního cíle je Česká národní banka nezávislá na pokynech vlády.“

Tato pamětní kniha ČNB je založena k zaznamenání důležitých událostí a setkání, jejichž připomenutí v časovém sledu umožní lépe poznávat historii této instituce.

JOSEF TOŠOVSKÝ
GUVERNÉR ČNB



5



6



7



8



4 JANUARY 1993

BANKNOTE STAMPING STARTS AT KOMERČNÍ BANKA

It was expected in 1992 that the Czechoslovak currency would also have to be split if two independent states were established. In July 1992, the SBCS governor therefore approved the preparation and production of stamps to be used to label the banknotes of the future Czech Republic. Soon after that, the Ministry of Finance commissioned Thomas De La Rue to produce 160 million stamps.

For reasons of secrecy, Thomas De La Rue made the stamps at its works in Bogotá. From there, they were transported in batches by air to Czechoslovakia starting in late August. Although stamping began as early as December 1992, the bulk of it was done after 4 January 1993 at branches of Komerční banka.





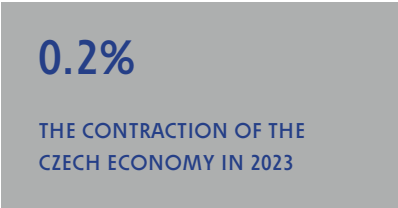
INFLATION ON THE RETREAT

Tight monetary policy, which helped to dampen the domestic demand pressures, and a continued weakening of cost-inflation factors from abroad fostered a robust decrease in inflation in 2023. The inflation rate peaked last January and began to fall very quickly in February, with all items of the consumer basket contributing to the decline. The downward trend in inflation was halted temporarily in October by the statistical effect of the energy savings tariff, which reduced the base at the end of 2022. However, this did not stop inflation returning to close to the CNB's 2% target at the start of 2024, because inflation dropped sharply to 2.3% in January. The average inflation rate for 2023 as a whole was 10.7%.

In response to the decline in inflationary pressures, the Bank Board reduced the main policy rate to 6.75% at the end of 2023. Interest rates were high throughout the year. Together with the strong koruna, they delivered the tightest monetary conditions in more than 20 years.

The CNB's efforts to return inflation to the 2% target were reflected in its financial result. Domestic monetary policy-making costs reached a record high, as the level of monetary policy rates increased the amount of interest paid on the financial sector's deposits of excess liquidity at the central bank. The CNB managed to offset this negative effect to a large extent by raising the performance of its international reserves, but only a substantial change in foreign market conditions at the year-end allowed it to eliminate it altogether. In addition, the CNB rationalised all its operations and cut the number of job positions. As a commitment to social responsibility, it also reduced wage growth. This was a necessary condition for reining in the growth in its operating expenses.

MONETARY POLICY



The primary objective of monetary policy is price stability. The CNB pursues this objective under inflation targeting, endeavouring to keep year-on-year growth in the consumer price index close to the 2% target. The inflation targets of many other advanced economies are set at this level.

MONETARY
POLICY

The Czech economy went through a downturn in 2023, due largely to very weak consumer demand. Underlying the contraction was a drop in households’ real incomes and a high saving rate, reflecting elevated interest rates and caution stemming from a rapid drop in households’ purchasing power. The year-on-year decline in private consumption slowed in the second half of the year, thanks mainly to rapidly falling inflation, which brought the more than two-year-long decrease in real wages to a halt. Growth was also prevented by falling additions to inventories, which gradually returned to the pre-crisis level after the period of supply chain disruptions. On the other hand, the economic decline was moderated mainly by net exports, which reflected the finalisation of previously unfinished products and weak domestic demand for imports. Investment activity rebounded amid solid corporate profitability. Its recovery was also due in part to general government investment co-financed by EU funds from the previous programme period. Fiscal policy as a whole had a broadly neutral overall effect on the growth of the Czech economy. The discontinuation of some of the previous year’s support measures was offset by new instruments to help firms and households with their high energy bills. The Czech economy contracted by 0.2% in 2023 as a whole and thus still failed to recover fully from the shocks of recent years.

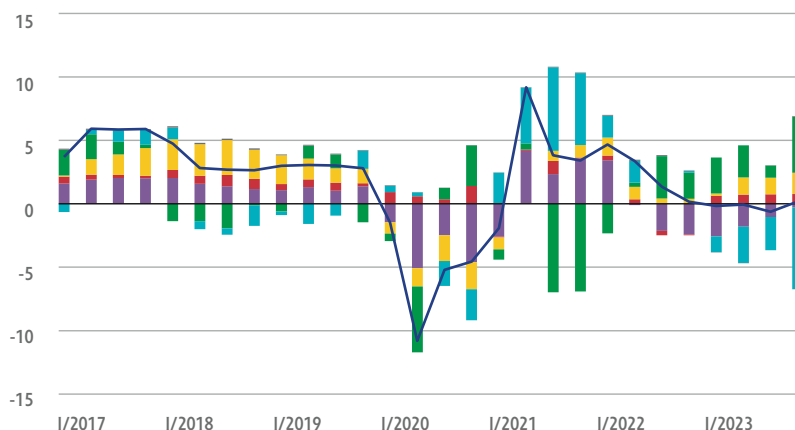
INFLATION
TARGET

INFLATION TARGETS
OF SELECTED
CENTRAL BANKS

WHY ARE CZECHS
REDUCING THEIR
CONSUMPTION
MORE THAN ANY
OTHER NATION IN
EUROPE? (IN CZECH
ONLY)

Annual real GDP growth and its structure
(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
IS FALLING –
AN INTERIM
ASSESSMENT OF
THE DISINFLATION
PROCESS IN THE
CZECH REPUBLIC

Inflation fell rapidly in 2023. This was due mainly to a continued decline in the foreign cost pressures linked with the energy crisis, supply chain disruptions and the unavailability of materials and components. Subdued consumer demand – a result of a sharp drop in households' real incomes and tight monetary policy – also helped to ease the inflation pressures. The main inflationary factor was firms' rising profit margins, which peaked in the second half of the year and then started to decrease owing to muted domestic demand. However, continued buoyant growth in nominal wages in a tight labour market also fostered growth in the price level.

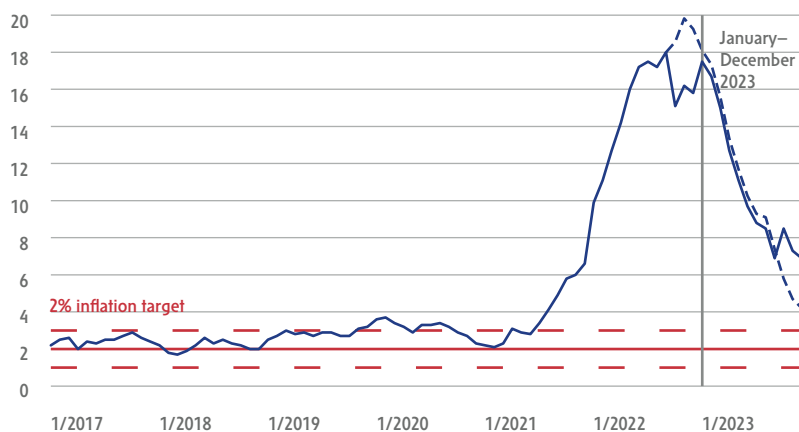
INFLATION WILL BE
"SAW-TOOTHED"
IN THE AUTUMN
BEFORE FALLING TO
THE TARGET AT THE
START OF THE YEAR
(IN CZECH ONLY)

Inflation in the domestic economy peaked in January 2023 and started to fall sharply in February. Restrictive monetary policy and a continued decline in foreign cost pressures led to a rapid drop in inflation, which returned to single figures in June for the first time in a long time. Inflation continued to decline in the summer months. The decline was due mainly to the core component of inflation, which fell as a result of decreasing overall inflation pressures and also because of slowing growth in the cost of owner-occupied housing as captured in imputed rent. The latter reflected high interest rates, which slowed growth in housing loans and hence also growth in property prices. Food price inflation also decreased on the back of falling prices of agricultural commodities. In March, fuel prices switched to a sharp year-on-year decline, which continued until the year-end owing to a high base. A drop in energy prices on global exchanges caused growth in electricity and gas prices to slow. However, the final quarter saw a surge in year-on-year electricity price growth due to the base effect of the government energy savings tariff introduced

10.7%

THE AVERAGE INFLATION RATE
IN 2023

in the fourth quarter of 2022. Excluding this effect and the waiver and re-introduction of the fee for renewable energy sources, the inflation rate would have been 4.2% in December 2023 instead of the published 6.9%. After this effect faded out, inflation fell sharply to 2.3% in January 2024.



Inflation by comparison with the CNB's target
(headline inflation, year on year in %)

- Headline inflation
- - - Inflation adjusted for the energy savings tariff and the fee for renewable energy sources

The Bank Board maintained a tight interest rate stance in 2023, dampening the domestic demand pressures. In addition, it emphasised in its communications in the first half of the year that it stood ready to raise interest rates, especially if the upside risks to inflation materialised and inflation did not fall quickly enough towards the CNB's 2% inflation target. The inflation forecasts were subject to a range of risks and uncertainties throughout the year. These included the risk of inflation expectations becoming de-anchored, which could have been reflected in wage bargaining and greater-than-expected repricing of goods and services at the start of 2024. Another potential inflationary factor was wide general government deficits manifesting themselves in increased growth in the quantity of money in the economy. Although the forecasts in the second half of the year were already indicating the possibility of rate cuts, the Bank Board left rates unchanged until near the end of the year in response to the upside risks. It eased monetary policy in December, reducing the base rate by 0.25 percentage point. It continued the process of gradually normalising monetary policy in early 2024, lowering rates by another 0.50 percentage point at its February meeting. The key rate (the two-week repo rate) was thus cut to 6.25% in February 2024.

INFLATIONARY
RISKS WARRANT
CAUTION,
INTEREST RATES
REMAIN
UNCHANGED

THE CNB CUTS
INTEREST RATES

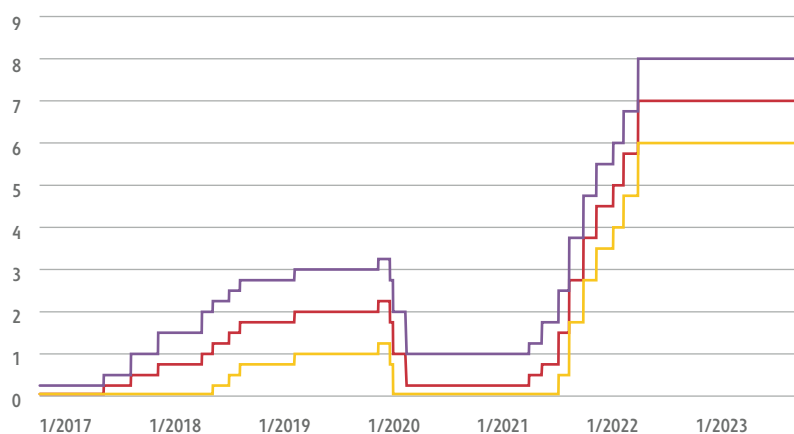
6.75%

THE TWO-WEEK REPO RATE AT
THE END OF 2023



Monetary policy interest rates
(in %)

- 2W repo rate
- Discount rate
- Lombard rate

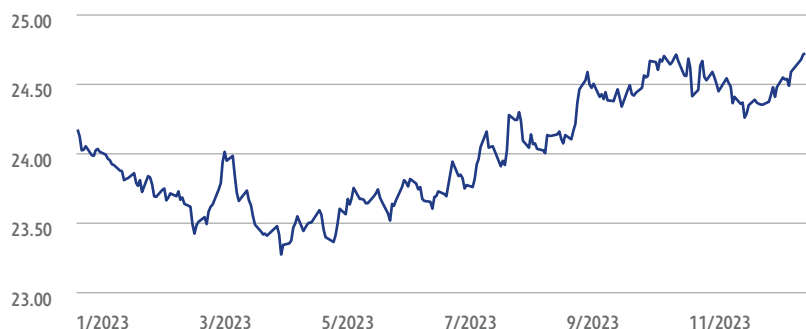


The exchange rate of the Czech koruna also helped to reduce the inflationary pressures. The koruna appreciated steadily at the start of the year on the back of improving financial market sentiment linked with favourable gas stocks during the winter and falling energy prices on global markets. The koruna was also aided in the first half of the year by the CNB's declared readiness to prevent excessive exchange rate fluctuations. The koruna's appreciation trend halted in March due to increased risk aversion on global financial markets, which caused problems in the US and Swiss banking sectors. However, the koruna weakened only temporarily and soon began to appreciate again, reaching its strongest ever levels. The strong koruna dampened the imported price pressures and tightened monetary conditions even for firms that until then had managed to avoid the CNB's high interest rates by borrowing in euros.

In late April, the trend reversed and the koruna started to weaken gradually, owing mainly to a narrowing interest rate differential vis-à-vis euro and dollar rates. At the start of August, the Bank Board formally ended the intervention regime announced in May 2022 and resumed the programme of sales of part of the income on the international reserves. In the last quarter of 2023, the exchange rate of the koruna fluctuated around CZK 24.5 to the euro. After appreciating briefly in November, the koruna depreciated to its weakest level of the entire year in December. Coupled with the high interest rates, the strong koruna created the tightest monetary conditions in 20 years, helping to bring down inflation.

CZK 23.4/EUR

THE AVERAGE MONTHLY
EXCHANGE RATE OF THE
KORUNA REACHED ITS
STRONGEST EVER LEVEL
AGAINST THE EURO IN APRIL



The koruna-euro exchange rate

ANALYSES OF THE
CZECH REPUBLIC'S
CURRENT
ECONOMIC
ALIGNMENT WITH
THE EURO AREA

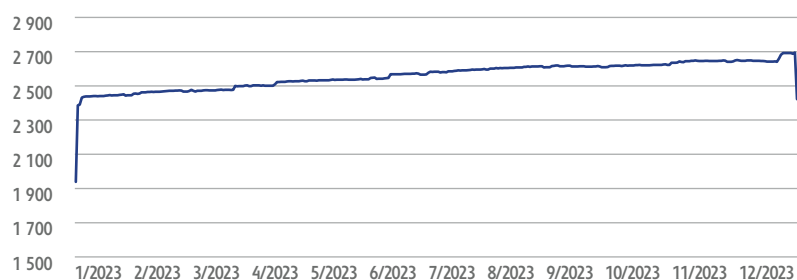
In December, the CNB published the *Analyses of the Czech Republic's Current Economic Alignment with the Euro Area*, an annual document that presents a long-term view of the Czech economy in the context of the country's obligation to join the euro area. The analyses reveal that the weak points in the Czech Republic's preparedness to adopt the euro include the unfinished process of economic convergence towards the euro area, especially as regards the domestic price and wage levels, the relatively low structural similarity of the Czech economy with the euro area and the persisting structural imbalance in Czech public finances. In its thematic chapters, the document examines in more detail institutional developments in the euro area and the EU, the impacts of changes in the koruna exchange rate on the competitiveness of the Czech economy, the euroisation of the Czech economy, the flexibility of the Czech labour market and the heterogeneity of inflation developments across euro area countries in recent years.

ASSESSMENT OF
THE FULFILMENT
OF THE
MAASTRICHT
CONVERGENCE
CRITERIA

Jointly with the Ministry of Finance, the CNB also prepared the regular *Assessment of the Fulfilment of the Maastricht Convergence Criteria and the Degree of Economic Alignment of the Czech Republic with the Euro Area* for the Czech government in 2023. The document recommended that the Czech government should not set a target date for euro area entry for the time being. It stated that the Czech Republic would not meet two of the Maastricht convergence criteria in 2023, specifically the price criterion and the exchange rate fluctuation criterion. Only the criterion on the convergence of interest rates would be fulfilled, along, formally, with the criterion on the government financial position (even though the reference value for the deficit would be exceeded), because the European Commission had not proposed the opening of an excessive deficit procedure owing to the application of the general escape clause. No substantial progress had been made as regards the Czech Republic's economic preparedness for euro adoption. The impacts of the energy crisis had further highlighted the euro area's economic heterogeneity. The design and functioning of the economic and monetary union have changed since the Czech Republic joined the EU and are continuing to evolve. The future potential financial and non-financial commitments relating to the Czech Republic's entry into the euro area thus cannot be reliably estimated at the moment.

FINANCIAL MARKET OPERATIONS

The CNB implements its monetary policy through operations on the interbank market. The bulk of these are two-week repo operations, which the central bank uses to absorb liquidity from the banking sector. The structural liquidity surplus was CZK 2,600 billion on average in 2023. 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 banks can comply with the reserve requirements and simultaneously invest their excess liquidity effectively. The CNB publishes daily forecasts of liquidity in the banking sector on its website and in this way informs banks about the current market situation, enabling them to optimise their liquidity planning. In 2023, effective liquidity management resulted in a 48% year-on-year decrease in the average amount of excess reserves. The CNB Bank Board decided in September to end the remuneration of minimum reserves with effect from October 2023 in order to lower the cost of implementing monetary policy while preserving its effectiveness.



Structural liquidity surplus
(in CZK billions)

Unlike in 2022, the banking sector's liquidity was only affected by standard factors in 2023. The level of liquidity was gradually increased by payments to government from European institutions and by interest on the CNB's operations. The resumption of the programme of sales of part of the income on international reserves following the official discontinuation of the intervention regime in August 2023 militated against further growth in liquidity.

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. It performs these activities in accordance with the Act on the Czech National Bank and the Act on Budgetary Rules. The CNB maintains three Single Treasury Accounts, one in korunas, one in euros and, since 2023, one in US dollars. It manages the liquidity of the Single Treasury Accounts 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, it deposited EUR 342 billion on the market each day in 2023.

INTERNATIONAL RESERVES MANAGEMENT

The international reserves totalled CZK 3,320.1 billion (EUR 134.3 billion) under the IMF methodology at the end of 2023. The CNB regularly publishes the size and structure of the reserves on its website. The reserves are composed of actively managed portfolios, IMF assets, a small amount of gold held off global markets (for the production of coins, for example) and other operations based on the IMF methodology (such as repurchase agreement operations conducted for reserves management purposes).

The market value of the actively managed part of the reserves was CZK 3,110.1 billion (EUR 125.8 billion) as of 31 December 2023, a year-on-year rise of CZK 268.4 billion (EUR 7.9 billion). The main causes of this rise were a positive portfolio return of CZK 211.6 billion (EUR 8.7 billion), net external flows into the reserves of CZK 23.7 billion (EUR 1.0 billion) and valuation changes of CZK 33.1 billion, which were negative in euro terms (EUR –1.8 billion). The CNB publishes the composition of this part of the reserves on the page of its website containing quarterly information on the reserves.

CZK 3,320.1 BILLION

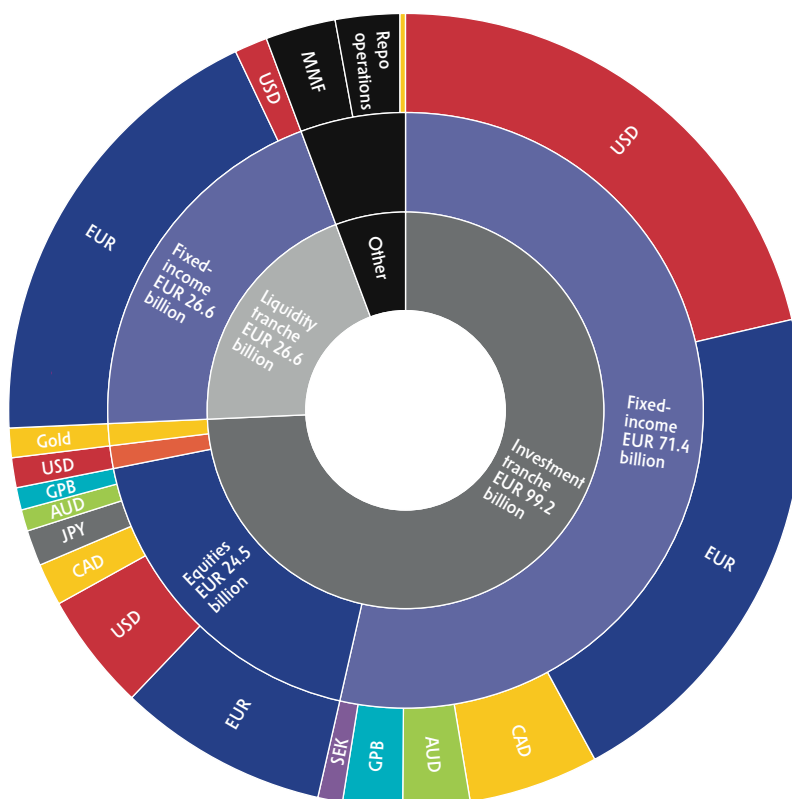
THE CNB'S INTERNATIONAL
RESERVES AT THE END OF 2023

SIZE OF THE
INTERNATIONAL
RESERVES

STRUCTURE OF THE
INTERNATIONAL
RESERVES

QUARTERLY
INFORMATION
ON THE
INTERNATIONAL
RESERVES

Structure of the international reserves



The return on the actively managed part of the reserves in reserve currencies for 2023 was +7.59%. The return on the liquidity tranche of +3.48% broadly mirrored monetary policy rates, while that on the investment tranche of +8.70% reflected capital gains on the bond and equity portfolios. The bond portfolios of the investment tranche recorded a return of +5.05%, while the equity portfolios earned +20.88%. The weighted average koruna return expressed in per cent was +8.65%.

Aggregate portfolio returns broken down by portfolio currency (excluding exchange rate effects) in 2023

Tranche	Euro	US dollar	Canadian dollar	Australian dollar	British pound	Japanese yen	Swedish krona	Gold	Total
Liquidity	+3.29%	+5.28%	---	---	---	---	---	---	+3.48%
Investment	+10.08%	+7.83%	+6.37%	+6.97%	+6.16%	+30.43%	+6.26%	+13.92%	+8.70%

The tranche sizes were managed in 2023 so that the liquidity tranche amounted to 40% of RAM (the reserve adequacy metric used by the IMF) or EUR 25 billion, whichever was the higher. These parameters for the management of the size of the liquidity tranche ensure extremely high liquidity of the

reserves as a whole, while allowing for the achievement of the long-term objective of increasing the expected return. As of the end of the year, the size of the liquidity tranche was EUR 26.6 billion (21% of the actively managed reserves) and that of the investment tranche EUR 99.2 billion (79% of the actively managed reserves).

Equities accounted for 24.7% of the investment tranche and 19.4% of the actively managed portfolios at the year-end. Under the current reserves structure, this equity share implies no greater volatility than equity-free reserves while greatly increasing the expected return in the medium to long term. The process of transferring the externally managed portfolios to direct CNB management continued during the year. In October, this process was officially completed and the collaboration with external equity portfolio managers was ended. The CNB managed its equity portfolios exclusively internally for the rest of the period. This resulted in reserves management cost savings.

At the start of 2023, the Bank Board approved a plan to gradually increase the position of gold in the international reserves, primarily for its diversification effect. Time-distributed purchases of 19.18 tonnes of gold, with 467 kg used to produce gold coins, increased the gold reserve from 11.96 tonnes at the end of 2022 to 30.67 tonnes at the end of 2023.

As mentioned above, the Bank Board officially decided in August to end the intervention regime, as no interventions had been made in the past year. In connection with this decision, the CNB resumed sales of part of the income on the international reserves. By the end of 2023, it had sold EUR 1.2 billion.

The main change in the currency structure was the exclusion of the Chinese renminbi from the CNB's reserve portfolios. The Chinese portfolio was closed down in the second quarter in line with the approved strategy. Before this step was taken, the portfolio amounted to CNY 15.7 billion (around USD 2.3 billion). It was sold off because of geopolitical risks perceived by the Bank Board and because the renminbi portfolio was generating lower returns than most of the others.

24.7%

THE SHARE OF EQUITIES IN THE
INVESTMENT TRANCHE OF THE
INTERNATIONAL RESERVES

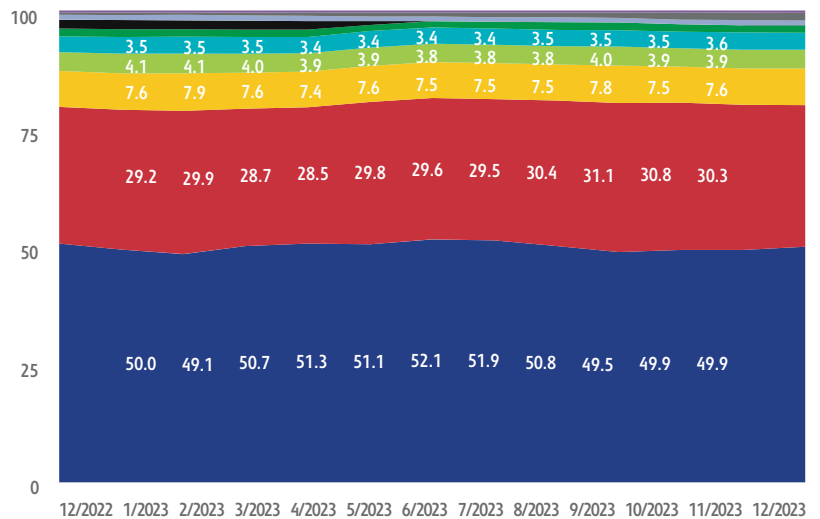
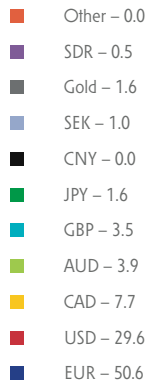
TRANSFER OF
THE EXTERNALLY
MANAGED EQUITY
PORTFOLIOS TO
MANAGEMENT BY
THE CNB

"We are planning to buy gold in order to diversify – to distribute the reserves into more types of assets – and to maintain our country's wealth and rebuild the national gold reserve that was sold off in the past."

ALEŠ MICHL, GOVERNOR

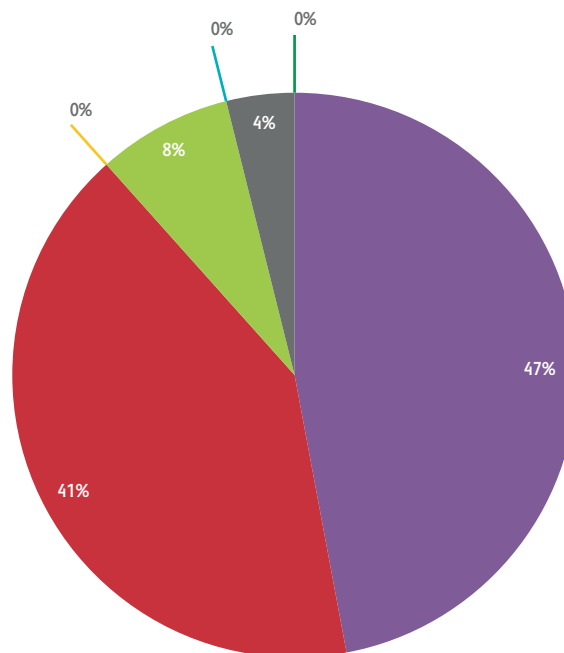
Currency allocation of the international reserves in 2023

(in %)



From the credit perspective, 2023 saw an increase in the share of AA+ direct investments and a corresponding decrease in the share of AAA ones, as part of the deposits held in Eurosystem central banks were invested under more advantageous conditions on the financial market. However, the share of investments in the AAA to AA– range was 96%, the same as in 2022. The A– category remained at zero as usual. In terms of issuer type, governments have the dominant position (62.1%), followed by central banks (22.6%).

Direct investment ratings breakdown



Note: Average (composite) ratings of renowned rating agencies.

The CNB's investments are guided by economic and financial factors. However, part of the international reserves can be described as investments to improve the environment, social conditions and so on, also collectively referred to as socially responsible or ESG investments. The share of socially responsible investments in the actively managed portfolios rose from 3.62% to 4.53% in 2023.

Socially responsible investments in 2023

Bond category	Amount (in EUR millions)	Share in international reserves
Environment	1,183.75	0.95%
Social area	392.16	0.31%
Sustainable development	788.13	0.63%
Multinational development banks	3,218.65	2.56%
Other	114.21	0.09%
Overall ESG	5,696.89	4.53%

Source: Bloomberg, CNB calculations.

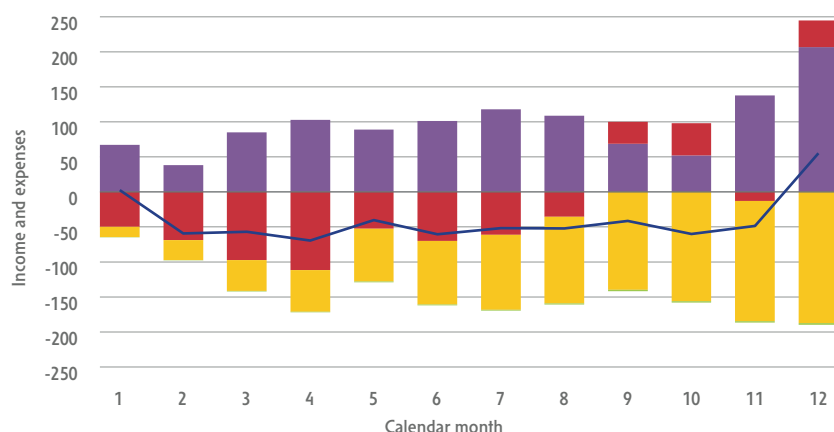
FINANCIAL REPORT

The CNB generated a total accounting profit of CZK 55 billion in 2023. It used this profit to reduce its accumulated accounting loss of previous years.

The central bank's profit/loss is affected most of all by monetary policy-making, which is primarily subordinate to the fulfilment of its statutory objectives. The practical conduct of monetary policy affects the composition and size of its balance sheet. Its assets consist of international reserves (98%) invested on foreign financial markets, while its liabilities are dominated by the koruna deposits (reserves) of the domestic financial sector (76%) and currency in circulation (21%). The shares of these balance sheet items are crucial, as the income from the asset side of the balance sheet covers the costs of the central bank's activities, including the liabilities arising from monetary policy-making. This area is highly volatile and has a variable impact on profit/loss. This factor was amplified by growth in the balance sheet at the time of the exchange rate commitment.

The CNB's profit/loss in 2022 and 2023
(in CZK millions)

	2023	2022	Y-o-y change
1. Total	55,108	-411,855	466,963
2. Monetary area	58,819	-408,456	467,275
2.1. Monetary policy-making	-187,459	-159,630	-27,829
2.2. International reserves management	206,654	-207,690	414,344
2.3. Valuation changes	38,080	-42,475	80,555
2.4. Client operations	1,529	1,334	195
2.5. Other operations	15	5	10
3. Currency issuance	-532	-359	-173
4. Operations	-3,179	-3,040	-139

**The evolution of the CNB's profit/loss in 2023**
(in CZK billions)

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

The profit is due primarily to the international reserves. Without prejudice to its statutory mandate, the CNB is seeking to raise the performance of its international reserves by diversifying its investment instruments. The goal is to achieve a sustainable profit allowing it to repay its accumulated accounting loss and to create a financial buffer to cover the risks associated with holding foreign currency assets.

Market conditions were generally favourable in 2023 as regards the performance of the international reserves. All the main components of the reserves recorded positive returns. Market conditions were strongly affected by persisting high inflation rates in developed markets and the related expected responses of monetary policy authorities. Central banks raised their interest rates in the first half of the year, but their future actions were sharply repriced at the year-end. The close of the

year had a particularly favourable effect, with prices of bonds and equities rising significantly.

The CNB made a total accounting profit of CZK 207 billion on reserves management. Bond markets were turbulent. The bond class turned a profit of CZK 85 billion for the year as a whole. Both the interest component and the capital component of the portfolio saw a year-on-year improvement, the latter benefiting from growth in market prices of bonds at the end of the year. The CNB invests in the equity portfolio solely in the form of passive replication of stock indices. The sharp correction of their value caused by inflation and geopolitical tensions in 2022 was replaced by strong growth in 2023. The aggregate annual return on the equity portfolio was therefore CZK 100 billion, with the CNB receiving CZK 15 billion in dividend payments. The increase in monetary policy and market interest rates boosted the performance of foreign money market instruments, which, together with other operations, generated a total return of CZK 22 billion.

The international reserves – foreign currency asset holdings – increase the sensitivity of the financial result to valuation changes caused by movements in the exchange rate of the domestic currency. The stronger koruna weighed heavily on the financial result for most of the year. The formal discontinuation of the intervention commitment in August 2023 and a gradual decrease in the interest differential between the domestic economy and the euro area induced the koruna to weaken. The Czech currency depreciated significantly at the year-end. This increased the annual exchange rate profit to CZK 38 billion.

The CNB entered 2023 with its highest monetary policy rates since May 1999. This, coupled with the amount of sterilisation liabilities, put a substantial burden on the financial result. Monetary policy-making expenses (primarily interest paid to financial institutions on deposits of excess liquidity at the CNB and, for most of last year, also on required reserves) increased by CZK 28 billion year on year, totalling CZK 187 billion at the end of 2023. This was the highest ever annual outlay on domestic monetary policy-making. The banking sector deposited its

excess liquidity predominantly through liquidity-absorbing two-week repo operations and additionally through the deposit facility. The CNB sterilised CZK 2,559 billion on average in this way.

The CNB ended the remuneration of minimum reserves with effect from 5 October 2023 in order to lower the cost of implementing monetary policy while preserving its effectiveness. The European Central Bank had made a similar decision in July 2023. The CNB spent CZK 6 billion on such remuneration for the year as a whole.

As well as substantially reducing domestic inflation, the CNB delivered on its pledge in the area of operating expenses. The CNB manages this area according to a financial plan which has a specific “budgetary expenses” structure under the Act on the CNB. Growth in total personnel expenses was planned to be at least 50% lower in 2023 than in 2022, amid substantially greater cost savings. The new collective agreement therefore provided for a significant reduction in year-on-year growth in wage expenses.

Personnel expenses, including wages, mandatory social and health contributions and employee benefits, rose by 4.8% year on year in 2023. This is less than a third of the previous year’s figure. The average monthly wage at the CNB, comprising the basic wage, additional payments, bonuses and compensation for salary, went up by 4.5% year on year. This is less than the growth in the average wage in the Czech Republic. The rationalisation efforts were not limited to wages, which make up the bulk of total operating expenses, but extended to all the central bank’s activities. The CNB succeeded in turning its efficiency drive into a substantial decrease in the rate of growth in total operating expenses, despite inflation staying above the target in 2023.

Operating and currency issuance expenses
(expenses in CZK millions; year-on-year change in %)

		2020	2021	2022	2023
1.	Operations	2,294	2,443	2,844	2,986
	change in %	3.5	6.5	16.4	5.0
1.1.	Personnel expenses	1,896	2,008	2,320	2,431
	change in %	6.6	5.9	15.5	4.8
1.1.1.	Wages and social expenses	1,768	1,877	2,086	2,202
	change in %	6.8	6.2	11.1	5.6
1.1.2.	Employee benefits	128	131	234	229
	change in %	4.1	2.3	78.5	-2.1
1.2.	Other operating expenses	398	435	524	555
	change in %	-9.1	9.3	20.5	5.9
2.	Banknote and coin production	524	580	459	521
	change in %	-4.7	10.7	-20.8	13.5

Source: CNB 2023 budget.

Note: Operating expenses were affected in 2020 and 2021 by the COVID-19 pandemic lockdowns.

A number of factors contributed to the change in the upward trend. An audit was conducted of all the CNB's areas of operation. Based on that audit, the total number of job positions was reduced by 5.1%. The process of rationalising operations was accompanied by organisational changes. The new streamlined organisational structure will give rise to a better system of work in the coming years.

The process of increasing operational savings at the CNB is not time-limited. The collective bargaining outcome assumes a further decrease in annual average wage growth at the CNB in 2024. This approach, coupled with efficient performance of activities, will drive down growth in operating expenses, despite the higher overall tax burden introduced in the government's austerity measures.

The production and supply of new Czech banknotes and coins depends on cash in circulation, on stocks of banknotes and circulation coins, and on the composition of the numismatic issuance plan. The 13.5% year-on-year increase in expenditure reflected higher supply and a different composition of banknote and coin denominations ordered, as well as higher production prices charged by suppliers.

The CNB used its entire 2023 profit to partially repay its accumulated accounting loss of previous years. In this way, it reduced the loss to CZK 432 billion, which represents 13% of its balance sheet total. The amortisation process will continue until the loss has been fully repaid. This can be expected to be a long-term process. The performance of the international reserves and the exchange rate of the Czech koruna will remain the key factors as regards making a profit.



8 JANUARY 1993

THE MONETARY COMMITTEE HOLDS ITS FIRST MEETING IN BRNO

The Monetary Committee, which was created to manage the Czechoslovak currency after the dissolution of the federation, held its first meeting. Established under the agreement on the monetary arrangement between the Czech Republic and Slovakia of 29 October 1992, it took over the responsibilities of the two central banks in the area of Czechoslovak currency management.

The Monetary Committee, which consisted of three representatives of the CNB and three of the NBS, made decisions on all issues related to the functioning and stability of the single currency: issuance of banknotes, the size of transactions, the size and form of loans, minimum liquidity, liquidity rules, key issues of currency circulation, payments and clearing between banks, and many others besides.


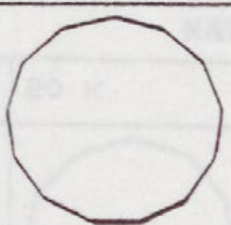

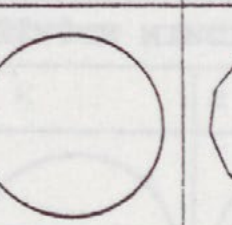
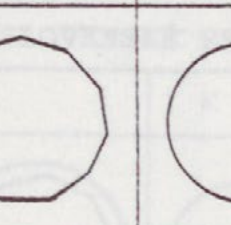
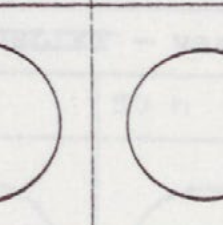

1 ●

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			s vlísem	s vlísem	
Barva	mezikruží bílá střed žlutá	žlutohnědá	červenohnědá	bílá	
Magnetičnost	magnetická	magnetická	magnetická	magnetická	mag
Emise					
NBS - Nickel Bonded Steel, BBS - Brass Bonded Steel, CBS - Coop					
* CuZn, CuZnNi, CuAl nebo CuAlNi					
průměr a síla rozhodující, hmotnost orientační					

NÁVRH SOUSTAVY OBĚŽNÝCH MINCÍ ČESKE REPUBLIKY - varianta 10						
50 K	20 K	10 K	5 K	2 K	1 K	50 h
						
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mezikruží 27,50	26,00	24,50	23,00	21,50	20,00	19,00

13 JANUARY 1993

THE FIRST CZECH COIN – THE FIFTY-KORUNA PIECE – IS MINTED

The first Czech coin – the fifty-koruna piece – was minted at Hamburgische Münze (the Hamburg Mint) in Hamburg at 9.00 a.m. on 13 January 1993. The coin, designed by Ladislav Kozák, was put into circulation on 7 April 1993.

The preparation of Czech coins had started back in the second half of 1992, when the central bank asked six designers (Jarmila Truhlíková-Spěváková, Jaroslav Bejvl, Ladislav Kozák, Vladimír Oppl, Jiří Prádler and Josef Uprka) to design the one-koruna piece. It picked a slightly modified version of the design by Jarmila Truhlíková-Spěváková for realisation. The reverse side featured a simplified St. Wenceslas crown along with the denomination number. The designs of the other Czech coins were created by artists commissioned directly by the central bank.

5 ●●

6 ●●

7 ●●

8 ●●●

	vana		vana	
bílá	bílá	bílá	bílá	bílá
netická	magnetická	nemagnet.	nemagnet.	nemagnet.
er Bonded Steel				



FINANCIAL STABILITY AND SUPERVISION OF COMPLIANCE WITH FINANCIAL MARKET RULES

The CNB uses its powers to contribute to the resilience of the financial system and the maintenance of financial stability and thus creates macroprudential policy. It applies this policy using a set of instruments aimed at increasing the resilience of the financial system by containing the risks that individual financial institutions or the links between them may create for the system as a whole.

Given the gradually decreasing cyclical risks in the balance sheets of the banking sector, the Bank Board lowered the countercyclical capital buffer rate twice in 2023 – first in June from 2.5% to 2.25% with effect from 1 July and then in September to 2% with effect from 1 October. It deactivated the upper limit on the debt service-to-income (DSTI) ratio at its June meeting on financial stability and then also the upper limit on the debt-to-income (DTI) ratio at its November meeting.

The CNB's supervision covers all stages of the life cycle of the entities it supervises. In its approval (or authorisation, licensing or registration) proceedings, which constitute the first phase, the CNB assesses whether a potential entrant to the financial market is compliant with the criteria in the relevant sectoral legislation. Its licensing and approval activities ensure that access to the financial market is limited to entities that satisfy the conditions for providing financial services. In the second phase, the CNB supervises the proper performance of business activities, i.e. whether the supervised entities are complying with the relevant legal rules. Where the CNB identifies shortcomings in supervised entities' activities, it may apply remedial measures or supervisory penalties depending on their seriousness and frequency. These measures and penalties are proportionate to the facts of the case. The CNB publishes its penalty and other decisions where disclosure is required by the relevant sector-specific laws.

MACROPRUDENTIAL POLICY

In 2023, the global and domestic economies faced tight monetary conditions, subdued growth and increased geopolitical risks stemming from the conflicts in Ukraine and the Middle East. The risks associated with tighter domestic monetary policy and expectations of interest rates staying higher for longer gradually turned into concerns about the financial soundness of households and non-financial corporations. Despite a slight increase in credit risk in some segments, however, the domestic financial and non-financial sectors remained sufficiently resilient. This is confirmed by the results of stress tests of households, non-financial corporations and selected financial institutions (banks, insurance companies, pension management companies and investment funds), which continue to indicate a high degree of resilience to hypothetical extremely adverse economic scenarios.

The resilience of the domestic financial system, coupled with the fade-out of some cyclical risks in an environment of higher interest rates, led the CNB to ease macroprudential policy partially. The Czech economy reached the bottom of the financial cycle at the end of the first half of the year and remained close to it in the next six months. The amount of new loans provided to corporations and households for house purchase remained relatively low, and housing prices fell across the board. The scale of new cyclical risks taken on by the banking sector was highly subdued and the risks accumulated in banks' balance sheets gradually diminished as well. The Bank Board responded to this by gradually lowering the countercyclical capital buffer (CCyB) rate by 0.5 percentage point to 2%.

FINANCIAL
STABILITY
REPORTS

STRESS TESTING

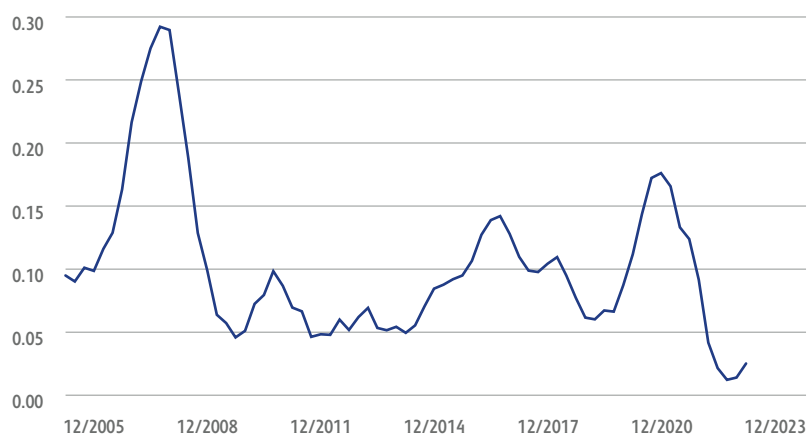
CNB BOARD
DECISIONS
ON FINANCIAL
STABILITY

2%

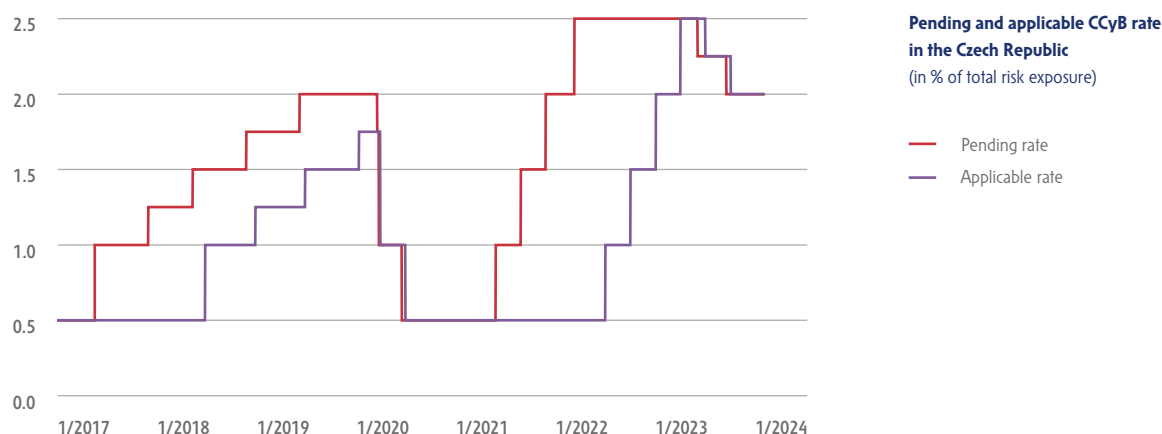
COUNTERCYCLICAL CAPITAL
BUFFER RATE AT THE END
OF 2023



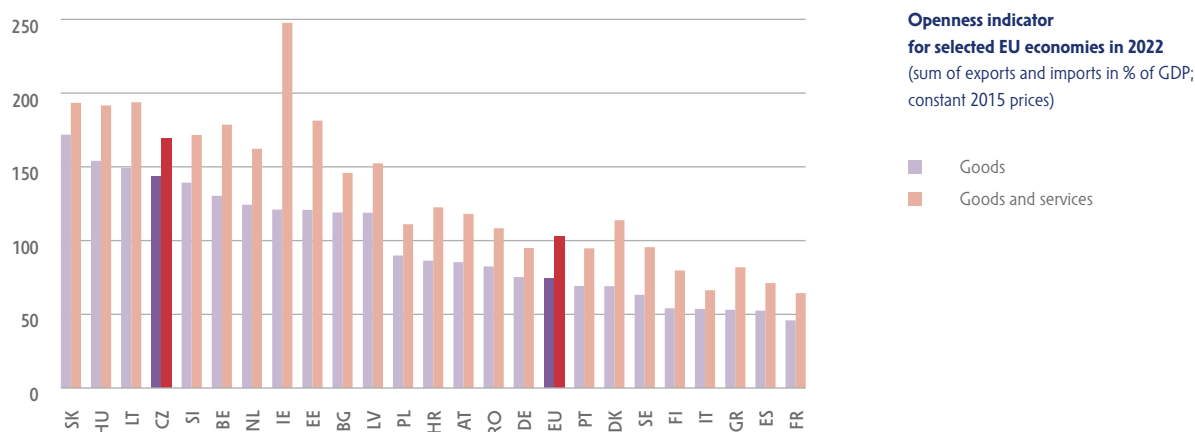
Financial cycle indicator
(0 minimum, 1 maximum)



Source: CNB, CZSO.



According to the CNB's analyses, the banking sector may be vulnerable to certain systemic risks of a structural nature. These are primarily related to the Czech economy's steadily increasing openness and its narrow foreign trade concentration from both the geographical perspective (Germany, for example) and the commodity perspective (specific products for the automotive industry). The transformation of the energy-intensive economy into a climate-neutral one may also give rise to significant costs which would affect the competitiveness of domestic non-financial corporations. These risks are compounded by uncertainty regarding future economic developments abroad, which are being affected by the geopolitical situation and persisting tight financial conditions. The CNB is regularly assessing the situation. The Bank Board discussed these risks at its December meeting on financial stability. It stands ready to set a systemic risk buffer rate to strengthen the banking sector's resilience if necessary.

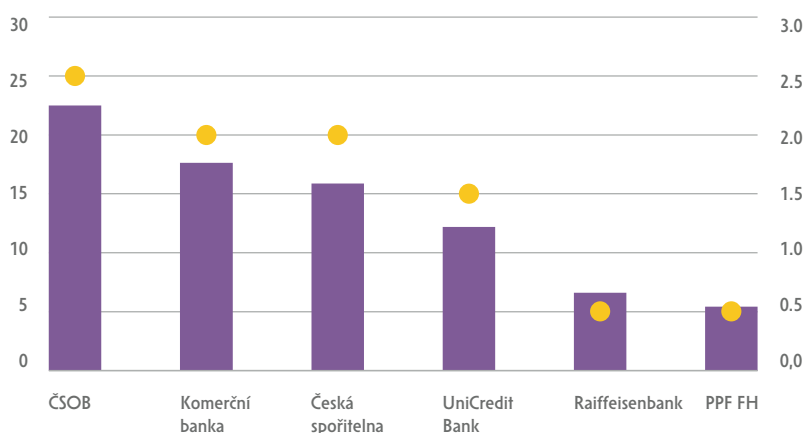


Source: Eurostat.

Buffer rates for other systemically important institutions in 2023

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

- Systemic importance score
- Rate (right hand scale)



The capital buffer for other systemically important institutions has also long contributed to increasing the banking sector's resilience. According to the latest assessment, the six largest banking groups operating in the Czech Republic still qualify as other systemically important institutions. At the end of the year, their buffer rates were between 0.5% and 2.5% of their risk-weighted assets depending on their systemic importance.

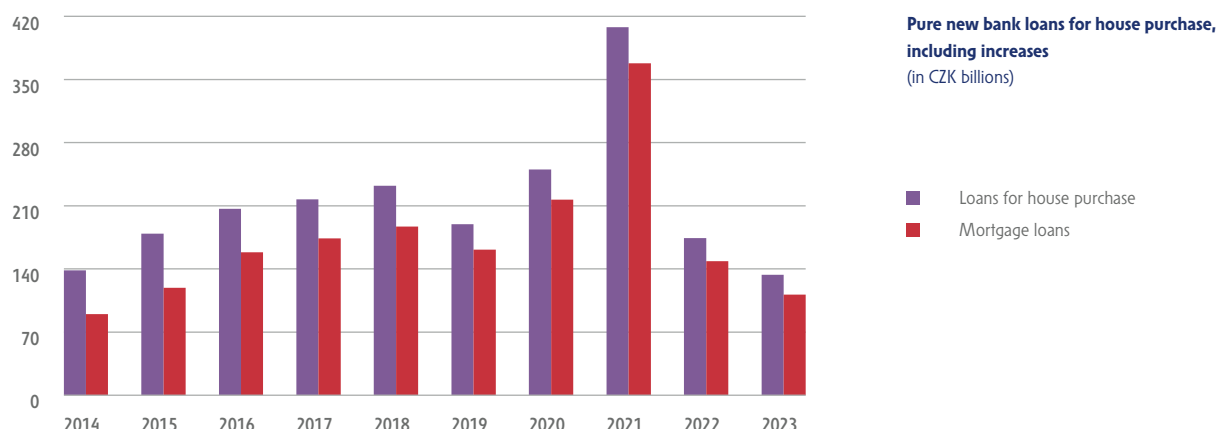
**UPPER LIMITS ON CREDIT RATIOS
AFTER THE BANK BOARD
MEETING ON 29 NOVEMBER
2023, APPLICABLE FROM
1 JANUARY 2024**

LTV 80 %

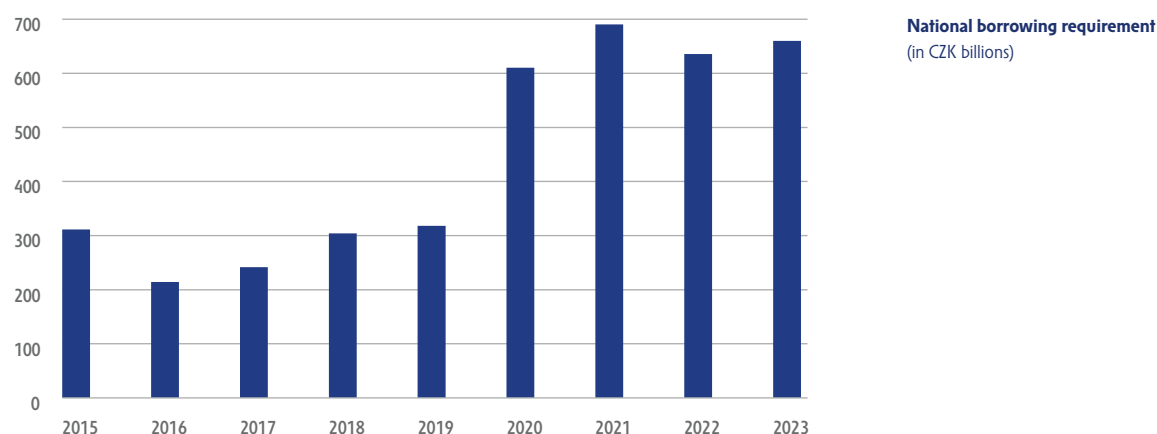
OR 90% FOR APPLICANTS UNDER
36 YEARS FOR THE FINANCING
OF OWNER-OCCUPIED
HOUSING

**DTI DEACTIVATED
DSTI DEACTIVATED**

The CNB has long focused on risks arising from the relationship between residential property prices and house purchase loans. In 2023, the CNB assessed these systemic risks as low and as subdued at the horizon of its one-year forecasts. This was due mostly to the very low amount of mortgage loans provided (the lowest since 2015). The decline in systemic risks was corroborated by a number of other indicators, including property price growth, household debt, the ratio of apartment prices to household income and the ratio of apartment prices to rents. In response to the subdued systemic risks, the Bank Board decided in June to deactivate the upper limit on the DSTI ratio and in November to deactivate the DTI ratio. Persisting uncertainty about house prices going forward, in particular the risk of a sharper price correction, led the Bank Board to leave the upper limit on the LTV ratio at 80% (or 90% for applicants under 36 years for the financing of owner-occupied housing).



The Czech general government sector again recorded a deficit in 2023 and the national borrowing requirement was high. The Czech general government debt continued to be held primarily by the domestic banking sector, with a significant part of the increase in debt ending up in domestic banks' balance sheets. As it does every year, the CNB conducted a stress test assessing the risks of concentration of domestic banks' exposures to government bonds. In 2023, the key sovereign risk indicator in the tested scenario remained below the supervisory thresholds. The CNB will therefore not require banks based in the Czech Republic to meet an additional capital requirement to cover the risk of concentration of exposures to Czech general government. Given the consolidation efforts made by the government, some major foreign agencies revised the Czech Republic's rating outlook from negative to stable in 2023. However, general government is continuing to run deficits and the debt is growing, as is the potential risk of a decrease in confidence in public finance sustainability. The CNB will therefore continue to pay increased attention to sovereign risk.



FINANCIAL MARKET REGULATION

FINANCIAL MARKET REGULATIONS

FINANCIAL MARKET SUPERVISION REPORTS

In 2023, the CNB contributed – mostly with comments – to the preparation of a number of financial market laws, mainly in cooperation with the Ministry of Finance. In addition to preparing implementing decrees, it issued a series of explanatory opinions and replied to questions from financial market participants and the public on the application of regulations. It published its annual Financial Market Supervision Report. The CNB's FinTech contact point organised two round tables on the introduction of innovative technologies in the area of financial products and services for financial market participants and others interested in this topic.

We present below selected specific legislative proposals that the CNB was involved in discussing:

- A law amending certain laws connected with the development of the financial market and with support for provision for old age. This law introduces the “long-term investment product” as an additional tax-supported form of provision for old age. It also amends the Consumer Credit Act in the section governing early repayment of certain consumer loans for house purchase. In addition, it changes some parameters of the third pension pillar to make it more attractive. This includes a change in the calculation of the state contribution. It also introduces some other changes, for example changes regarding new information for investors in sub-limit bonds and changes to the rules for recording calls when providing investment services.

- A new law on vehicle liability insurance transposing the amended relevant EU directive. The law changes, among other things, the scope of the duty to arrange insurance, the limits on claim settlement, the manner of proving the conclusion of insurance and the extent of CNB supervision of the Czech Insurers' Bureau.
- A law on the market in non-performing loans, which transposes the 2021 EU directive on credit servicers and credit purchasers. The draft law is intended to introduce comprehensive regulation of the secondary market for non-performing loans provided by banks and some other entities.

EUROPEAN REGULATION

The CNB helped prepare opinions and comments on proposals for EU legal acts discussed in EU Council working groups and in trilogue negotiations with the European Parliament.

- The 2021 banking package, which implements the Basel III standard and contains new rules for banks and other credit institutions in the area of credit, market and operational risk measurement. The Council and the European Parliament agreed on the text of the package in December 2023. The legislative process of amending the directive (CRD6) and the regulation (CRR3) is expected to be completed in 2024.
- The Solvency II directive, a review of which was presented to the Council by the Commission in September 2021. The main aim of the review in the insurance area is to improve proportionality, measures related to long-term guarantees and aspects of cross-border supervision, and to develop macro-prudential tools. The political trilogues were concluded in December 2023. Technical discussions regarding the final form of the revised directive are still ongoing. Following the review, Commission Regulation (EU) 2015/35 supplementing the directive is also expected to be amended. The political trilogue on the draft directive establishing a framework for the recovery and resolution of insurance and reinsurance companies was concluded at the same time.
- A regulation on markets in crypto-assets (MiCA), which sets out rules for crypto-asset service providers and for

issuers of certain crypto-assets regarding, among other things, disclosure, governance arrangements and capital requirements.

- An amendment to the regulation on the Single Euro Payments Area (SEPA) and the regulation on cross-border payments in the Union as regards instant credit transfers in euro. Under this amendment, banks offering payments in euro will also have to offer them as instant payments. The obligation will also apply to banks from non-euro area EU countries, but the implementation period for them will be longer.
- A legislative package on the single currency to support the possibility of using the euro in both cash and digital form. The package creates a legal framework for the possible introduction of a digital euro, should the ECB's Governing Council so decide. It sets out the basic features of a digital euro as a digital equivalent to cash for both euro area and non-euro area entities. The package also contains a legislative proposal on euro banknotes and coins as legal tender in the euro area.
- The Retail Investment Package, which contains a proposal for a review of the EU legal framework for retail investment, including amendments to five directives and one regulation.
- A regulation on European green bonds, which lays down uniform requirements for the use of the voluntary designation "European green bond" (EuGB) and regulates issuers and external reviewers of such bonds.

FINANCIAL MARKET SUPERVISION

HOW THE CNB
MANAGED TO
STREAMLINE
SUPERVISION
(IN CZECH ONLY)

In June 2023, the Bank Board decided to re-organise financial market supervision, which is now based on a sector orientation covering the entire life cycle of the entities supervised. Following this decision, the Financial Market Supervision Department and the Financial Market Supervision Department II took over the work of the abolished Licensing and Enforcement Department with effect from 1 October. Each supervisory department is now responsible for conducting licensing proceedings, carrying on supervisory activities and conducting penalty proceedings in relation to the entities they supervise. The changes will make administrative proceedings faster and more efficient and also generate time and cost savings thanks to easier and more effective sharing of knowledge and expertise among CNB employees.

In its supervisory work in 2023, 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.

Numbers of entities supervised

Categories of financial entities ¹	As of 31 December 2021	As of 31 December 2022	As of 31 December 2023
Banks	23	21	22
Branches of foreign banks from EU/EEA ²	20	21	22
Branches of foreign banks from third countries	2	2	2
Credit unions	7	6	6
Insurance companies	42	41	41
Branches of insurance companies from EU/EEA ²	18	18	18
Reinsurance companies	1	1	1
Pension management companies	9	9	9
Transformed funds	8	8	8
Participation funds	34	34	36
Management companies and investment funds ³	685	792	878
of which excluding investment fund sub-funds ⁴	511	581	640
of which only investment fund sub-funds ⁵	174	211	238
Investment firms ⁶	76	70	78
Crowdfunding service providers	0	0	3
Payment institutions and electronic money institutions	42	43	45
of which: payment account information administrators	3	3	3
Small-scale payment service providers and small-scale electronic money issuers	89	73	61
Dynamic currency conversion providers	0	0	1
Processors of domestic banknotes and coins	5	5	6
Non-bank consumer credit providers	83	81	76
Issuers of securities admitted to trading on a regulated market in the Czech Republic	110	106	108
Accredited entities ⁷	30	25	26
Bureaux de change	859	855	841

¹ – Including branches of foreign companies. ² – Entities supervised to a limited extent. ³ – Management companies, branches of foreign management companies, main administrators, investment funds with legal personality, mutual funds and investment fund sub-funds. ⁴ – Management companies, branches of foreign management companies, main administrators, investment funds with legal personality and mutual funds. ⁵ – Only investment fund sub-funds. ⁶ – Both bank and non-bank investment firms, including branches of foreign companies. ⁷ – 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. As of 31 December 2023, the CNB was supervising 26 accredited entities, which held a total of 74 accreditations.

In 2023, the CNB issued a total of 161 penalty decisions, 136 of which became final and conclusive. Appeals were lodged against 31 decisions. In 21 cases, the CNB had issued decisions on the appeals by the end of 2023. In 13 cases, it rejected the appeal and confirmed the first-instance decision, in three cases it reviewed a part of the decision but confirmed its other parts, in two cases it overturned the first-instance decision and returned it for review, in two cases it discontinued the proceedings and in one case it rejected the appeal due to late submission. The CNB issued the highest number of decisions

(30) under the Capital Market Undertakings Act (investment firms, investment intermediaries and securities issuers) in 2023. The second most strongly represented area was collective investment, with 23 decisions issued.

Statistics on penalty proceedings, broken down by legislation

Legislation	No. of proceedings continuing from 2022	No. of proceedings opened in 2023	No. of proceedings closed by final ruling in 2023	Total fines imposed in 2023 (in CZK thousands)
Act on Banks and Act on Credit Unions	3	8	7	9,700
Insurance Act and Insurance and Reinsurance Distribution Act	3	19	15	2,078
Capital Market Undertakings Act	5 ¹	29	30	11,800
Act on Management Companies and Investment Funds	9	20	23	2,210
Bureau de Change Act	0	1	1	50
Consumer Protection Act	1	1	1	1,000
Payment System Act	13	10	18	6,550
Banknote and Coin Circulation Act	0	3	3	220
Consumer Credit Act	15	11	17	27,790
Act on Certain Measures against Money Laundering and Terrorist Financing	4	12	12	16,850
Act on the Czech National Bank	3	6	9	410
Financial market supervision, total	56	120	136	78,658

¹ – One case, in which a ruling had already been issued, continued from 2022 – a court annulled the final decision issued by the CNB and the CNB is thus examining the matter again.

CREDIT INSTITUTIONS

At the end of 2023, the CNB was supervising one domestic bank more than in 2022, as it granted a banking licence to Partners Banka, a.s. Another important proceeding was one in which the CNB decided to approve 12 applications to acquire qualifying holdings in three domestic banks.

The situation in the credit institutions sector was stable in 2023. The results of the supervisory stress tests of banks subject to CNB supervision confirmed that the banking sector is resilient to hypothetical adverse economic developments due to its strong initial capitalisation. After three years affected first by the pandemic and later by uncertainty about the impacts of the war in Ukraine, including the revocation of the licence of Sberbank CZ, a.s., supervision was performed under

the standard regimen in 2023. The CNB focused its attention mainly on the robustness of capitalisation, the maintenance of sufficient provisions to cover potential losses and the evolution of credit portfolio quality in connection with the impacts of the elevated inflation and interest rates on borrowers. It also concentrated on the adequacy of interest rate risk management in the environment of elevated interest rates, the management of information and communications technology (ICT) risk, especially in the context of an increasing number of cyber-attacks, and the management of risk in the anti-money laundering (AML) area, including banks' ability to comply with the requirements arising from international sanctions. All these risks were also highlighted in the supervisory review and evaluation process (SREP) last year. Owing to continued growth in foreign currency loans, the CNB conducted a broad-based supervisory survey aimed at assessing banks' practices and identifying imprudent procedures. Based on the findings of this survey, the CNB issued a supervisory communication on the provision of foreign currency loans by credit institutions and the management of foreign currency liquidity and funding risk.

The trend of digitalisation of financial services continued on the financial market during 2023. The CNB identified the persisting risk of payment fraud, especially the threat of abuse of means of payment whereby users control their accounts online (mobile and internet banking and payment cards in card payments on the internet), as the biggest risk in the provision of payment services. The CNB therefore focused on verifying the preventive and follow-up measures taken by financial institutions to mitigate the impacts of fraud. In this context, it checked whether clients were able to report abuse of their means of payment at any time and vetted credit institutions' procedures for the subsequent blocking of means of payment. In addition, supervision in the area of information systems and technology put an emphasis on the use of secure technologies that limit or prevent fraud.

In its supervisory work in the AML area, the CNB put an emphasis on strict compliance with the requirements arising from international sanctions in order to eliminate any related reputational risks.

RESULTS OF THE
SREP (IN CZECH
ONLY)

Based on decisions issued, the CNB imposed fines in nine cases (three of which concerned AML/CFT) in the credit institutions sector in 2023. The largest fine – CZK 8 million – was imposed on PRIVATE ACTIVE INVESTOR a.s. for accepting deposits from the public without authorisation.

INSURANCE COMPANIES

The most important proceedings in the insurance sector included the approval of the transfer of the insurance portfolio of Servisní pojišťovna a.s. to Hasičská vzájemná pojišťovna, a.s.

SUPERVISORY STRESS TESTS OF INSURANCE COMPANIES

Another round of stress tests of selected insurance companies was conducted in 2023. The aggregate results confirmed that the sector was sufficiently resilient to potential adverse developments in the macroeconomic and financial environment. Supervisory activities in the insurance sector in 2023 were focused mainly on monitoring and assessing the impacts of the high inflation and persisting high base rates on the institutions supervised. The CNB monitored insurance companies' risk exposures and insurance sectors that are more strongly affected by the above external factors. As a result of a reduction in the scope of reinsurance cover offered and an increase in reinsurance prices, the CNB also focused on assessing the risks associated with the situation in the reinsurance area, including an assessment of the adequacy and effectiveness of reinsurance programmes. The CNB continued to monitor organisational changes in insurance companies on an ongoing basis and evaluated their impact on governance systems. In view of insurance companies' growing efforts to exploit synergies within financial groups, which are being reflected in the delegation of more of their activities to external providers or group service companies, the CNB put particular emphasis on the retention of strategic decision-making in insurance companies, strict management of the risk of conflicts of interest, clear definition of responsibilities of the companies involved and the setting of appropriate quality checks of services provided to clients.

Given its potential impacts on the quality of services provided to clients, the trend of technological innovation and digitalisation is placing increased demands on insurance companies to manage and mitigate risks in the areas of conduct of business and consumer protection. The main topic here was product governance, in which the insurance company must identify the target group for the given product, assess the product's parameters and suitability, and subsequently review them. In this respect, it is also necessary to establish cooperation between insurance product intermediaries and manufacturers. In the area of sustainable finance, the CNB focused on compliance with the statutory information duty regarding insurance-based investment products. This included supervision of the assessment of client preferences during distribution and the incorporation of sustainability into product governance.

As part of its supervision of insurance companies in 2023, the CNB made a final ruling in one proceeding, in which it imposed a fine of CZK 500,000.

PENSION MANAGEMENT COMPANIES

In response to the macroeconomic situation, in particular the high interest rates and inflation, and to planned legislative changes (including the introduction of the long-term investment product and changes to state contributions), the CNB focused on monitoring and assessing their impacts on pension management companies' capital condition, profits and overall business. In response to a rise in policies terminated as lump-sum settlements and surrenders from pension management company funds, especially transformed ones, mostly by still saving planholders of retirement age, the CNB conducted a series of supervisory surveys focusing on liquidity risk management in all pension management companies and the funds they manage.

NON-BANK CONSUMER CREDIT PROVIDERS

The CNB granted a non-bank consumer credit provider licence to just one company – BMW Financial Services Czech Republic s.r.o. – in 2023.

It conducted an extensive supervisory survey in the non-bank consumer credit providers sector focusing on compliance with the requirements for professional qualifications. The aim of the survey was to check whether the staff of non-bank consumer credit providers and their business partners are compliant with the condition of being professionally qualified to carry on business under the Consumer Credit Act. The shortcomings identified led the entities examined to end collaboration with individuals who failed to meet the statutory requirements. The CNB published two notices warning the public against the activities of unauthorised consumer credit providers on its website.

In the consumer credit sector, the CNB imposed fines on non-bank consumer credit providers, the largest of which were fines of CZK 5 million on Minihotovost, SE and CZK 3 million on FRIENDLY CASH, SE. The CNB also revoked these companies' non-bank consumer credit provider licences. It also withdrew the licence of SIM PŮJČKA s.r.o. due to non-compliance with the requirements of the Consumer Credit Act, in this case without imposing a fine.

NON-BANK INVESTMENT FIRMS

In the non-bank investment firm sector, the CNB granted licences to CYRRUS CORPORATE SOLUTIONS, s.r.o., Next Wealth s.r.o., WOOD Retail Investments a.s. and CLEVEREST a.s.

The total number of clients in the non-bank investment firm sector increased year on year from 977,000 to 1,088,000. The client assets held by these entities meanwhile rose from CZK 1,315 trillion to CZK 1,585 trillion.

Supervision was focused on risk management and assessment of internal capital adequacy to ensure proper implementation of the requirement to maintain additional capital and liquidity sources. In this context, the CNB also carried out a survey in the ICT area to determine the preparedness of the entities it supervises for compliance with the requirements of the digital operational resilience regulation. The CNB also issued official information on risk management in small and non-interconnected investment firms. Under the SREP,

which provides the basis for determining the risk profiles of individual investment firms, additional capital requirements taking into account the risks to which investment firms are exposed were set for the first time. The CNB also focused on increasing the quality of data submitted by investment firms and upgraded its inspections of statements. This resulted in a more efficient statement correction process, automation of statement preparation and an improvement in the quality of data transmitted to the European Banking Authority (EBA).

In 2023, the CNB imposed remedial measures on two foreign investment firms due to non-compliance with the information duty.

CROWDFUNDING PROVIDERS

Pursuant to the European regulation on the provision of crowdfunding services (the crowdfunding regulation), a new sector supervised by the CNB was established in 2023. Related to this was the need to configure processes for the supervision of crowdfunding service providers, including the introduction of reporting to assess their prudential situation. At the same time, the CNB granted licences to the first three providers of these services – Investown Technologies s.r.o., ROIER Invest, s.r.o. and Fingood s.r.o.

FAQ ON
CROWDFUNDING
(IN CZECH ONLY)

NON-BANK PAYMENT SERVICE PROVIDERS

In the payment services sector, the CNB granted one new licence to operate as a payment institution (to Devizová burza a.s.) and one new licence to operate as a dynamic currency conversion provider (to Euronet Services, spol. s r.o.). The number of new applications in this sector decreased for a third consecutive year.

The CNB also closely supervised compliance with statutory duties in the AML/CFT area. It conducted an annual broad-based survey which serves as an input for determining the riskiness of individual payment service providers. The results revealed serious systemic errors in internal rules and their application in practice, including in large payment institu-

tions. In the segment of small-scale payment service providers and small-scale electronic money issuers, supervision was focused on verifying compliance with a new licensing condition – trustworthiness of managers and persons with a qualifying holding.

The CNB also checked payment service providers and, in particular, significant payment institutions in terms of their compliance with the legislative requirements in the ICT and security areas. The aim of the supervisory activities focusing on payment institutions was to examine the compliance of their governance systems with the relevant legislation and their fulfilment of the requirements for managing ICT and security risks, including an assessment of practical aspects of the configuration of their processes and the actual application of the security measures described in licensing documentation. In its off-site surveillance, the CNB also conducted an examination to check the quality of internal ICT and security audits.

The CNB imposed the biggest fine – CZK 3.5 million – on Fairplay Pay s.r.o. for failure to report a significant change in the business plan submitted as part of its application for registration, for failure to comply with the information duty and above all for breach of the AML Act. It simultaneously revoked the company's licence to operate as a small-scale electronic money issuer.

BUREAUX DE CHANGE

The CNB approved 24 bureau de change licence applications in 2023. As regards conduct of business, the market recorded an improvement last year, especially in terms of the provision of exchange rate information. The highest fine in this segment – CZK 50,000 – was imposed on UAF, CZ s.r.o. The CNB simultaneously revoked its bureau de change licence.

RETAIL DISTRIBUTORS AND THE AREA OF FINANCIAL MARKET EXPERTISE

In addition to the entities listed in the table above, the CNB grants licences to, registers and keeps lists of other entities,

which number in the tens of thousands. They include intermediaries of financial products, particularly insurance, consumer credit, investment services and supplementary pension savings. A change in this area was the introduction of a duty to pay an administrative fee for the renewal of an entry in the list of foreign investment funds maintained by the CNB. It took effect on 1 January 2023.

The CNB examined compliance with the requirements arising from the Insurance and Reinsurance Distribution Act, the Consumer Credit Act, the Capital Market Undertakings Act and the Supplementary Pension Savings Act, especially in the areas of conduct of business, the rules of conduct towards clients, the internal audit rules and compliance with duties in the sustainable finance area. Supervisory activities were also focused on accredited entities organising professional examinations in all these areas of distribution. The CNB also issued a supervisory communication in which it specified the rules for requesting and assessing information in the provision of investment services to municipalities and regions.

SUPERVISORY
INFORMATION –
INVESTMENT
SERVICES FOR
MUNICIPALITIES
AND REGIONS
(IN CZECH ONLY)



The biggest fine – CZK 500,000 – was imposed on Synergy Insurance s.r.o. for failure to record information on clients, failure to store documents and shortcomings in the expertise of collaborating persons. The CNB also imposed a fine of CZK 80,000 and remedial measures on an accredited entity under the Supplementary Pension Savings Act.

FUND INVESTMENT

In the management company and investment fund sector, the CNB granted a licence to SNP INVEST, investiční fond, a.s. in 2023.

Supervision was concentrated mainly on sustainability-related disclosures in the financial services sector and the reporting of financial instruments and the provision of information on them in accordance with IFRS. The activities of non-bank depositaries and AML/CFT were also a focus of attention. Throughout the year, the CNB participated in a joint ESMA survey focused on sustainability-related disclosures.

The CNB imposed the highest fine – CZK 1 million – on Investown Technologies s.r.o. for collecting funds from the public for the purposes of joint investment without having the relevant licence.

SECURITIES ISSUES

In the area of securities issues, the CNB issued 88 decisions on the approval of securities prospectuses and supplements thereto in 2023. These mostly involved bond prospectuses. Securities of 14 issuers (bonds in seven cases, shares in seven cases) were newly admitted to trading on a regulated market. By contrast, securities of 11 issuers were excluded from trading (two share issues and nine bond issues).

In its supervision of issuers, the CNB focused on the content of annual financial reports, including non-financial information. In these documents, the CNB also concentrated on assessing the correct application of IFRS and the correct application of alternative ratios and on the consistency of information across documents.

The largest fine in this segment – CZK 1 million – was imposed on ČEZ, a.s. for breach of the duty to disclose inside information.

ANTI-MONEY LAUNDERING AND INTERNATIONAL SANCTIONS (AML/CFT)

The CNB was involved in cooperation in the AML/CFT area at the European and international level. Cooperation at the national level in this area was strengthened by the signing of a Memorandum of Understanding between the CNB and the Financial Analytical Office in October 2023. CNB representatives also examined the quality of supervision and preventive measures in the AML/CFT area in the assessments conducted by the MONEYVAL Committee.

RESOLUTION PROCEDURES

One of the key prerequisites for the successful resolution of crises in the financial market is effective planning. In 2023, the CNB was involved in the regular reviews of 11 resolution plans for large and medium-sized banks established in the Czech Republic, the liquidation of which under normal insolvency proceedings in the event of failure it deems would not be credible, particularly with regard to the adverse effect of such failure on clients and counterparties, market confidence, financial stability and, in turn, the real economy.

The use of the bail-in tool in the form of write-down or conversion of own funds and eligible liabilities is still the preferred resolution procedure for most systemically important banks, which account for about 77% of the banking sector's total assets. Use of the sale of business tool is planned for the group of less complex, medium-sized banks (13.4% of total banking sector assets). In the event of the failure of small banks and credit unions (0.8%), liquidation would occur under normal insolvency proceedings, in which compensation for insured deposits paid from the Deposit Insurance Fund would also play a significant role in resolution.

When preparing and updating resolution plans, the CNB regularly sets a minimum requirement for own funds and eligible liabilities (MREL) for banks. The MREL is another important requirement, alongside the capital requirement, aimed, among other things, at increasing banks' resilience and enabling crises to be resolved without recourse to public funds. The transition period ended for most banks at the end of 2023. During this period, they successfully built up a sufficient

buffer of own funds and eligible liabilities to meet the MREL. Through a combination of retained earnings, new share issues and issues of eligible debt instruments, this buffer amounted to around CZK 906 billion for the sector as a whole at the end of the year.

In addition to increasing financial resilience, banks worked on enhancing their resolvability in line with the CNB's previously published expectations during 2023. These expectations are aimed, among other things, at gradually adjusting banks' internal procedures and processes, governance systems and information systems so that they are ready to respond effectively to crisis events in accordance with the resolution strategies described in the individual plans.

In the area of resolution financing, the CNB prescribed another regular contribution of almost CZK 4.5 billion to the Resolution Fund in 2023. The fund currently has around CZK 34 billion in contributions and is expected to reach the statutory target level of around CZK 36.6 billion by the end of 2024. This will further strengthen the Czech resolution framework in the form of quickly available, fixed-purpose funds which, subject to meeting the specified conditions, could be used to ensure access to funding or mitigate resolution-related risks.

In 2023, insolvency proceedings continued in respect of the assets of Sberbank CZ, whose banking licence had been revoked by the CNB in 2022 due to its inability to meet its obligations to its clients. The sale of part of its loan portfolio to Česká spořitelna was completed and the insolvency trustee successfully continued to sell its other assets (claims arising from non-performing loans, corporate bonds, etc.) during 2023, thus accumulating enough funds to pay all creditors at least 95% of their claims. At the start of November, the trustee submitted a petition to the court for partial distribution, which the court granted. However, an appeal filed by one creditor in December 2023 delayed the payment of partial distribution until 2024.

RESOLUTION
FUND

14 JANUARY 1993

GOVERNOR JOSEF TOŠOVSKÝ WRITES TO PRIME MINISTER VÁCLAV KLAUS

Some negative aspects of the monetary arrangement started to surface in the second half of 1992. These included a drop in foreign exchange reserves, which accelerated in early 1993 as distrust in the Czechoslovak monetary union increased on international financial markets.

The CNB's foreign exchange reserves declined by 43% in the first two weeks of the Czech Republic's existence. The danger of the reserves dwindling to zero prompted Governor Josef Tošovský to write to Prime Minister Václav Klaus warning of a further worsening of the situation. Most probably because of this letter, the Czech and Slovak leadership opened discussions on separating the Czechoslovak currency as fast as possible.

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4 ●

19 JANUARY 1993

THE GOVERNMENT GROUP MEETS

The first steps towards a possible currency separation were taken in late 1992. Even the agreement on the monetary arrangement failed to dispel concerns that a situation requiring a rapid currency separation could arise before the planned date of 30 June 1993.

The unfavourable developments caused these concerns to materialise. And so, on 19 January 1993, a government group consisting of the prime minister, the deputy prime ministers, several other ministers and representatives of commercial banks and the CNB met to discuss the situation. The group agreed that the currency had to be separated in coordination with the Slovak side within a short time period of four days. The plan also included a decision to prepare the settlement of payments with Slovakia and to prevent an inflow of cash into the Czech Republic by sealing the national border. That same day, Prime Minister Václav Klaus went to Piešťany to meet Prime Minister Vladimír Mečiar and discuss the separation date with him.

ODNÍ BANKA
ERNÉR

V Praze dne 14. ledn

MÍSTOPŘEDSEDA VLÁDY ČESKÉ REP
a ministr financí
Ing. Ivan Kočárník, CSc.

edsedo vlády,

osti s eskalací vývoje v oblasti devizových
árodní banky v prvních dnech ledna 1993 Vám
lám doplňující informace k dříve předloženému
oji devizové situace.

Vážený pane guvernére,

po schválení úst
Slovenské Federativní Re
zřejmé, že k 1. 1. 1993
České republiky a Sloven
podepsaná dne 29. října 19
ministři financí republik
bank smluvních stran
samostatných měn.

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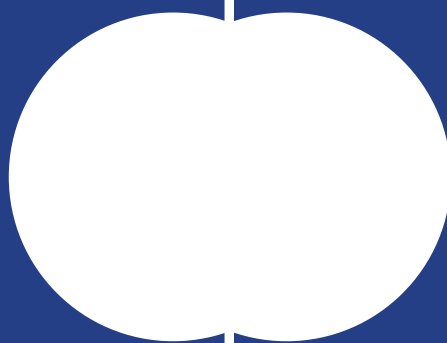
av. K l a u s, CSc.
y ČR

Žádám Vás proto
technickou přípravu měnov
českou měnu nastanou-
předpokládané Smlouvou o m

S pozdravem

Vážený pan
Ing. Josef T o š o v s k
guvernér SBČS
Na příkopě 28
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MONEY CIRCULATION, PAYMENT SYSTEMS AND PAYMENT INNOVATIONS

CURRENCY IN CIRCULATION

Banknotes and coins totalling CZK 708.9 billion were in circulation as of 31 December 2023, a modest decrease of about CZK 0.6 billion compared with 2022. This can be viewed as a return to the long-term trend after the period of 2020–2022, which was very unusual in this respect. Cash levels surged during that time due to the Covid pandemic and the events around Sberbank. However, the quantity of money in circulation started to decline in 2022, partly due to higher interest rates, and the situation stabilised in 2023.

In the area of payment innovations, the CNB started operating a "Pay a Contact" register in 2023. The Pay a Contact service makes it easier and quicker for customers to fill in payment details and reduces the risk of them entering the wrong beneficiary account number by mistake.

CURRENCY CIRCULATION

The CNB put into circulation a new 2023 version of the CZK 5,000 banknote due to necessary changes in printing technology. The new note has the same parameters and security features as the last, 2009 version. It can be told apart from the 1999 and 2009 versions by its different year of issue and governor's signature. The differences arising from the different printing technology are not visible to the public with the naked eye.

On 8 February 2023, the CNB issued a new CZK 1,000 banknote featuring an additional print to mark the 30th anniversary of the establishment of the CNB and the Czech currency. Detailed information about this banknote is available in section VIII of this Report.

Invalid CZK 100–2,000 banknotes, which are most easily identifiable by their thin silvery thread, continued to be exchanged in 2023. The CNB accepted 4.8 million such banknotes. However, it is also possible to exchange these banknotes at other banks until 30 June 2024. After that, they can only be exchanged at the CNB. As of 31 December 2023, a total of 42.2 million invalid banknotes were still in circulation.

The CNB issued eight commemorative coins in 2023. As part of the Municipal Heritage Sites cycle, it issued two CZK 5,000 gold coins, one dedicated to Kroměříž and the other to Hradec Králové. A CZK 500 commemorative silver coin featuring the Tatra 603 car was technically enhanced by a black inlay. The CNB also issued a further five CZK 200 commemorative silver coins.

NEW VERSION
OF THE CZK 5,000
BANKNOTE

TATRA 603
COMMEMORATIVE
COIN



COUNTERFEIT NOTES AND COINS IN 2023

A total of 3,539 counterfeit and altered Czech banknotes and coins and 766 counterfeit and altered foreign banknotes and coins were seized in the Czech Republic in 2023, i.e. 4,305 in total (2,325 more than in 2022). In all, 1,033 imitations were also seized.

In the area of cash handling, the CNB completed the project to replace coin-processing machines in February 2023. Two units are currently in operation at the Prague and Brno branches. They consist of a machine with electromagnetic checking for coins accepted from circulation, a machine with optical coin checking and an automatic system for packaging coins in bags with a checkweigher.



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 2023, the CNB conducted a total of 15 inspections under this law.

Inspections conducted as part of supervision of currency circulation in 2023

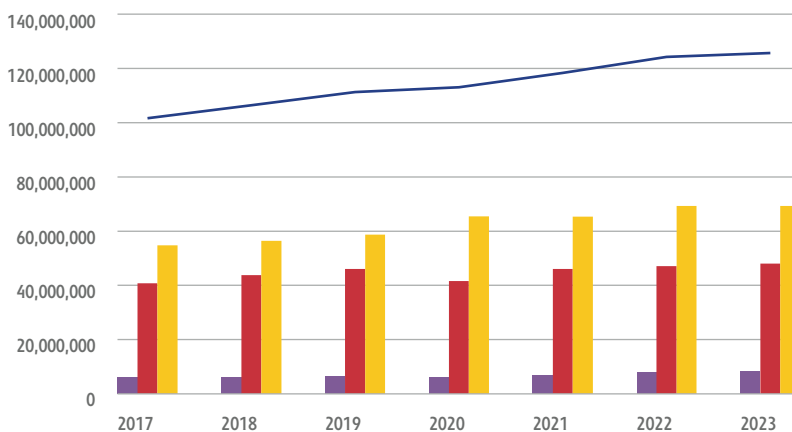
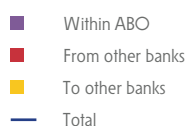
Entities	Number of inspections	Number of establishments inspected	Number of devices and exchange rates checked	Number of mystery shopping inspections
Banks	5	34	85	59
Operators of anonymous devices	5	18	31	-
Persons authorised to organise special courses	4	-	5	-
Casino operators	1	18	6	-

PAYMENT SYSTEMS AND PAYMENT INNOVATIONS

ABO

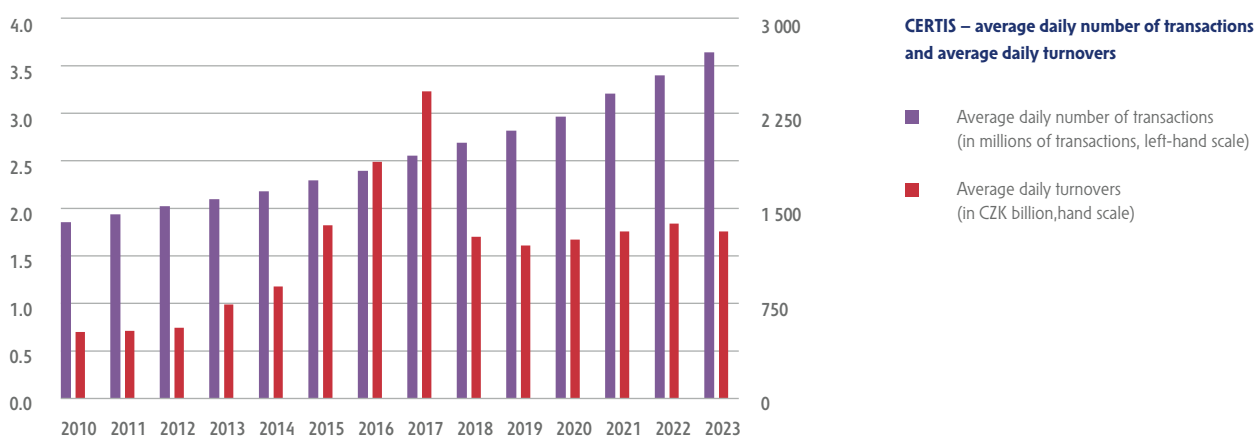
The CNB operates the ABO payment system, which was maintaining 25,930 accounts as of 31 December 2023 – 4,018 of them internal accounts, 5,488 employee accounts and 16,424 accounts of legal entities. The majority of the accounts of legal entities are subordinated to the Single Treasury Accounts. A total of 15,793 accounts are maintained in the Czech currency, 316 in euro and 85 in US dollars. 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 1.1% compared with 2022.

ABO – total transactions per year



CERTIS

The CNB also operates CERTIS (Czech Express Real Time Interbank Gross Settlement System). This system processes all domestic interbank transfers in Czech koruna, checking in real time whether banks have sufficient coverage for such transfers. In 2023, the CNB's clearing centre processed 910.3 million transactions (up by 6.3% year on year) with a total value of CZK 329,471 billion. The average daily number of transactions was 3.6 million. The average daily transaction turnover was CZK 1,318 billion.

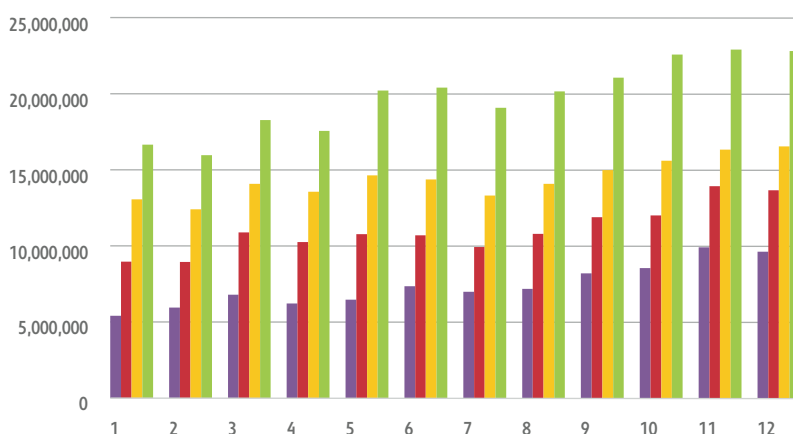
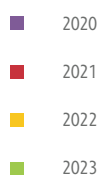


As of 31 December 2023, CERTIS had 46 direct participants with their own accounts and four third parties (institutions responsible for clearing, for example, card payments and securities transactions on the accounts of direct participants). One new direct participant joined CERTIS in 2023 – a financial institution based in the Czech Republic.

The upward trend in the use of instant payments accelerated last year. The total number of such payments increased by 37.5% compared to the previous year, when they had risen by 30.3%. The share of instant payments in total payments rose from 21% in 2022 to 27% in 2023. As of 31 December 2023, instant payments were being used by 14 CERTIS participants, up by two on the previous year. Bearing in mind the growing importance of and steady increase in the number of instant payments, the CNB is paying increased attention and making every effort to ensure the system works smoothly and without disruptions. The number of days in which more than one

million transactions are carried out is rising. Each transaction must be processed within six seconds. However, in reality, 99% of instant payments are processed within a second and a half (measured from the moment the payer's bank sends the payment order to CERTIS to the moment the beneficiary's bank receives the payment).

CERTIS – number of instant payment transactions



PAY A CONTACT
(IN CZECH ONLY)

The growing demand for digital payment solutions and innovations resulted in the launch of the Pay a Contact register service, which enables participating banks to offer easier money transfers. The main purpose of the register is to maintain links between telephone numbers and account numbers and account names. This data is administered by the participating banks and allows them to obtain an account number based on their knowledge of the corresponding telephone number. It is enough for banks' customers to know the beneficiary's telephone number when entering the payment instruction. The CNB made the register available to banks at the end of October 2023. The participating banks subsequently launched the Pay a Contact service to the public in November. A total of 443,000 telephone numbers were recorded in the register at the end of 2023.



20 JANUARY 1993

JOSEF TOŠOVSKÝ IS APPOINTED CNB GOVERNOR

The previous SBCS Governor Josef Tošovský became the head of the CNB after its establishment on 1 January 1993. Besides Tošovský, the bank's interim management board consisted of individuals who had represented the Czech side on the SBCS Bank Board – Jan Vít (Deputy Governor of SBCS federal headquarters), Miroslav Kerouš (SBCS Deputy Governor in charge of the management of the Czech headquarters) and Pavel Kysilka (SBCS Assistant Deputy Governor in charge of the management of the Czech headquarters).

Josef Tošovský was officially appointed CNB governor on 20 January 1993. The other members of the Bank Board were appointed on 12 February 1993. Jan Vít and Pavel Kysilka became deputy governors and Ota Kaftan, Miroslav Kučera and Jiří Pospíšil became the other board members, holding the posts of chief executive directors.



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DNE 20. LEDNA 1993 JMENOVAL PŘEDSEDA ČESKÉ NÁRODNÍ RADY JOSEFA TOŠOVSKÉHO GUVERNÉREM ČESKÉ NÁRODNÍ BANKY.

DNE 12. ÚNORA 1993 JMENOVAL PREZIDENT REPUBLIKY VÁCLAV HAVEL ČLENY BANKOVNÍ RADY:

VICEGUVERNÉRA ČNB JANA VÍTA,
VICEGUVERNÉRA ČNB PAVLA KYSILKU,
VRCHNÍHO ŘEDITELE OTU KAFTANA,
VRCHNÍHO ŘEDITELE MIROSLAVA KUČERU,
VRCHNÍHO ŘEDITELE JIŘÍHO POSPÍŠILA.

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25 JANUARY 1993

THE MONETARY COMMITTEE MEETS IN SMOLENICE

The Monetary Committee met only twice. At its second and last meeting on 25 January 1993 in Smolenice, Slovakia, the Committee approved the text of an agreement between the two governments to terminate the agreement on the monetary arrangement and draft intergovernmental payment agreements. This was done because of an excessive drop in the foreign exchange reserves and simultaneous speculative capital transfers between the countries.

The Monetary Committee also discussed the date of the possible currency separation at this meeting. However, the final date was not fixed until the prime ministers of the two countries met on the night of 27 to 28 January 1993.

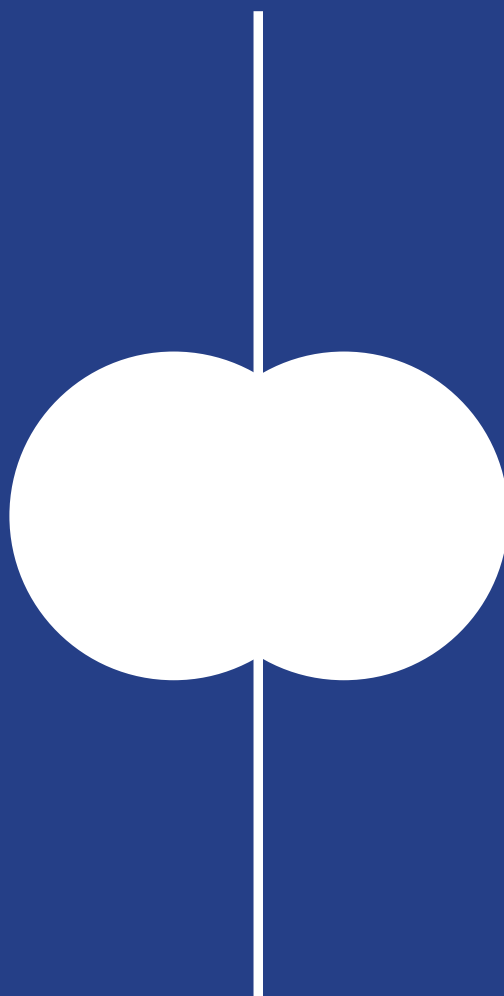
p. Jánošík, riaditeľ odboru bankových obchodov NBS

p. Pastuchová, riaditeľka odboru platobného

a zúčtovacieho styku NBS

p. Mathes, vrchný riaditeľ prevádzkového úseku NBS

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STATISTICAL AND RESEARCH ACTIVITIES

ARAD DATABASE

CNB statistics cover a wide range of data collected from financial and non-financial institutions. They serve primarily to safeguard the CNB's primary objectives in the areas of monetary policy, financial stability and financial market supervision. Overall, they involve the collection, processing, publication and subsequent reporting of almost 300 statistical statements from more than 10,000 entities. 2023 saw the implementation of a number of changes in this area, reflecting, for example, revisions made to international statistical and accounting standards, ECB regulations and the single European supervisory reporting framework and taking into account users' data quality and information content requirements. A new version of the ARAD public database, which plays a central role in the CNB's information service, has been available to users since January 2023.

The CNB organised its Research Open Day for the last time in 2023. It will be replaced by a new research workshop from 2024. The Czech-Slovak Economic Forum was held in October as part of the celebrations of the 30th anniversary of the CNB and the Czech koruna. The forum looked back at the currency separation and addressed current monetary policy issues such as (de)globalisation and central bank digital currencies.

STATISTICS

In the area of macroeconomic statistics, the CNB – in cooperation with the Czech Statistical Office (CZSO) – compiled, harmonised and published external statistics data, quarterly financial accounts and selected economic statistics. We also started preparing a benchmark revision, which we plan to publish in 2024. Following Croatia's accession to the euro area, changes were made to the territorial breakdown of the relevant aggregate external statistics. Work continued in cooperation with the CZSO on addressing the statistical effects of energy market fluctuations and the war in Ukraine. At international level, in coordination with the International Monetary Fund (IMF), the Organisation for Economic Cooperation and Development (OECD), the ECB and Eurostat, working groups continued consultations on topics and methodological documents for updating the international national accounts and balance of payments manuals.

The monetary and financial statistics dataset was expanded under the revised ECB regulation on payments statistics. Data are now available at quarterly and semi-annual frequency in the ARAD information system. Within the ESCB, the CNB continued to be involved in the preparation of a recast regulation on the collection of statistical information on investment funds, which the ECB advanced to the public consultation phase at the end of 2023. It is due to be approved by the Governing Council at the start of 2024.

In the area of microdata statistics, work continued on the project to connect the Central Credit Register (CCR) to Ana-Credit data, with the aim of launching test operation of the

NEW CENTRAL
CREDIT REGISTER
PROJECT

new system in January 2024. Upon completion of the project, banks and foreign bank branches will exchange information on the credit commitments of legal entities and self-employed persons based on AnaCredit data through the CCR. In 2023, the CNB also monitored European activities related to the integration of bank reporting for statistical, supervisory and resolution purposes, in particular the ECB's Integrated Reporting Framework (IReF). This project is focused mainly on euro area countries.

There were new developments in data collection from credit institutions for supervisory and resolution purposes in 2023, especially in the implementation of changes resulting from revisions of the European Banking Authority (EBA) reporting frameworks and the consolidation of reporting following the changes. In the area of capital market supervisory statistics, an amendment to a decree entered into force which imposes a reporting obligation on crowdfunding service providers. Turning to the insurance and pension management companies sectors, in addition to adjustments to existing methodologies, preparations started for the transition of insurance companies to accounting and reporting under International Financial Reporting Standards (IFRS). In all areas of supervisory statistics, the CNB placed an emphasis on monitoring and further enhancing data quality. The CNB expressed expert opinions on legislative and methodological aspects of supervisory reporting in working groups of European authorities and other organisations.

Following the launch of the new version of the ARAD database, which is a unified system for the presentation of time series of aggregate data for individual statistics and areas of the financial market, changes were also made to the way the data content is described. The new version offers broader data analysis capabilities, including machine access through an application data interface (API). As regards supervisory information systems, the implementation of new Criminal Register web services and their switchover to the new Criminal Register was completed.

The CNB operates the Central Register of Accounts for the state. The main aim of this database – containing information on more than 54.8 million accounts maintained in the Czech

Republic – is to provide information necessary for the detection of criminal activity and the prosecution of the perpetrators of crime and to safeguard the Czech Republic's important economic and financial interests and the security of the country. The entities authorised to use the available data are exclusively state institutions defined by law, primarily the tax and customs authorities. The use of the data in the system is rising steadily. In 2023, the CNB processed more than 4.1 million data requests from authorised entities, an increase of 64% compared with the previous year.

ECONOMIC RESEARCH

RESEARCH OPEN DAY

In May 2023, the CNB organised its last ever Research Open Day. Held on the occasion of the 30th anniversary of the CNB and the Czech koruna, the event presented the CNB's most important research work in recent years and the topics the CNB plans to address in its research in the period ahead. The Czech-Slovak Economic Forum was held in October. More detailed information about both research events associated with the 30th anniversary of the CNB and the Czech koruna is available in section VIII of this Report.

CZECH-SLOVAK ECONOMIC FORUM (IN CZECH ONLY)



The CNB published 18 research papers in the Working Paper Series and two in the Research and Policy Notes series in 2023. In the area of economic research, they mainly concerned monetary policy modelling and transmission, new data sources and central bank digital currency.

CNB researchers are active in several international initiatives and working groups. These groups allow for the exchange of experience and research findings between central banks, international organisations and academia. They include the Price-setting Microdata Analysis Network and the Household Finance and Consumption Network. As part of the latter, the CNB, in conjunction with the Czech Statistical Office (CZSO), conducts the Czech version of the international Household Finance and Consumption Survey, the first aggregate results of which for 2021 and 2022 were published at the end of 2023. The survey aims to report regularly on the financial situation and wealth of Czech households. It produces unique data – for example on equity – which cannot be determined by any other means than by conducting interviews in selected households. The results of this survey are available on the CZSO website.

HOUSEHOLD
FINANCE AND
CONSUMPTION
SURVEY
(IN CZECH ONLY)

FINANCIAL RESEARCH

In 2023, financial research projects focused mainly on the effects of macroprudential instruments, the extension of the analytical system, analyses of the behaviour of non-bank financial institutions and financial markets and the effects of transitioning to a low-emission economy. In addition to the CNB's publication series, the central bank's economists publish in prestigious international academic journals. In 2023, CNB 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 were involved, for example, in the activities of the International Banking Research Network, where central bank experts from around the world collaborate on analyses of issues pertaining to global and national banking sectors, as well as other aspects of the financial system and central bank policies. In 2023, CNB representatives took part in projects focusing on non-bank financial institutions and the effects of climate change on the financial sector. They also actively contribute to the ESCB's Challenges for Monetary Policy Transmission in a Changing World Research Network, which aims to improve our understanding of how monetary policy transmits to the real economy and the financial sector amid unprecedented shocks, structural changes in the economy and high inflation.

medzi vládou Slovenskej republiky a vládou Českej republiky
o zániku Zmluvy medzi vládou Slovenskej republiky a vládou
Českej republiky o menovom usporiadaní

O zániku československé rozhodli premiéři už 27.

P r a h a (šim, mru) - Dohodu o zániku společné
česko-slovenské měnové jednotky podepsali

27 JANUARY 1993

VÁCLAV KLAUS MEETS WITH VLADIMÍR MEČIAR

The Czech and Slovak governments agreed to terminate the agreement on the monetary arrangement on the night of 27 to 28 January 1993. Present at the meeting, which lasted until five o'clock in the morning, were Prime Ministers Václav Klaus and Vladimír Mečiar and, for the Czech side, Minister of Finance Ivan Kočárník and representatives of the CNB.

The meeting was confidential, as was the entire process of preparing the separation. The public was not informed about the preparation of the split until 29 January 1993, when the media reported Vladimír Mečiar's secret arrival in Prague on 27 January and the subsequent late-night meeting. The CNB was meanwhile putting the final touches to the key points of its information campaign, which it launched just a few days later.

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28 JANUARY 1993

COALITION PARTY CHAIRMEN AND IVAN KOČÁRNÍK MEET

The legislative process relating to the currency separation could now start. The procedure for submitting the currency separation act was discussed by the chairmen of the coalition parties at a meeting on 28 January 1993 attended by Minister of Finance Ivan Kočárník.

The plan was to present the draft law to the government on 29 January 1992 and then fast-track it to the Chamber of Deputies. In particular, the Chamber's Organisational Committee would have to allow the debate of the bill to be shortened from sixty to just one day. The final version of the law was to be submitted only 24 hours before the debate in plenary session. In the end, the carefully planned deadlines were met and the law was approved with only a few modifications at a closed session on 2 February 1993.

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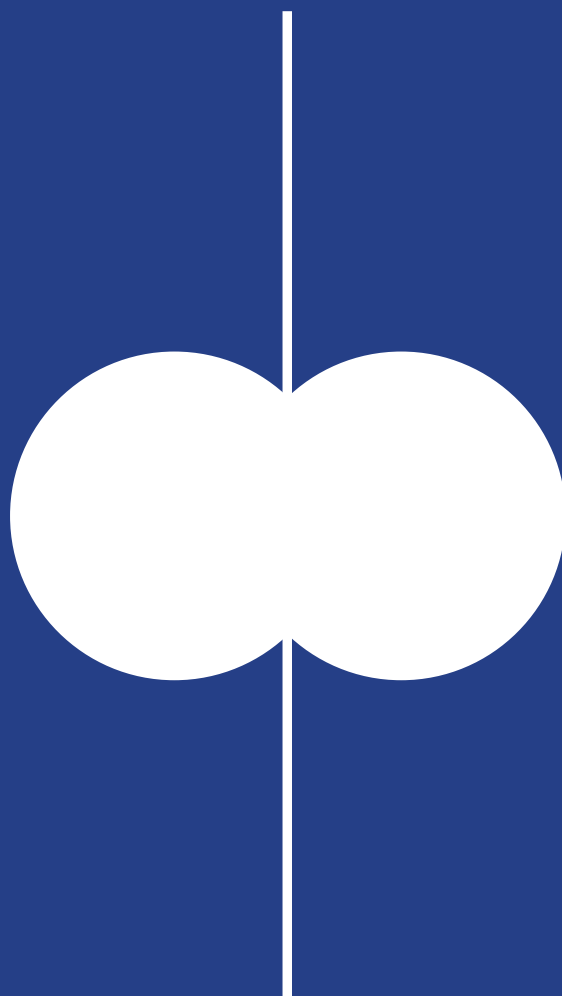
Částka 18



OBSAH:

60. Zákon o oddělení měny
61. Nařízení vlády k provedení zákona o oddělení měny
62. Vyhláška České národní banky, kterou se provádí zákon č. 60/1993 Sb., o oddělení měny
63. Vyhláška České národní banky o vydání bankovek po 200 Kč

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EUROPEAN AND INTERNATIONAL ISSUES

In 2023, the CNB, as a member of the ESCB, was active in the meetings of the ECB General Council, which focused, among other things, on reviewing macroeconomic, fiscal and monetary developments in the EU and around the world, as well as the economic effects of Russia's aggression against Ukraine. CNB representatives were involved in ESCB working bodies and assessed relevant draft EU and Member State legislation and ECB materials in written consultations. As part of its work in the European supervisory authorities (ESAs), the CNB contributed to numerous implementing measures, guidelines and explanatory opinions on the application of rules at EU level. The ESAs focused on sustainable and digital finance and the implementation of the Basel III framework for banks, among other things. CNB staff were actively involved in the ESAs at senior management level as well. The CNB-appointed member of the European Banking Authority (EBA) and the European Insurance and Occupational Pensions Authority (EIOPA) is Zuzana Silberová, Executive Director of the Financial Market Supervision Department, who completed her second term as a member of the EIOPA Management Board in 2023. The CNB-appointed member of the ESMA Board of Supervisors is Vojtěch Belling, Executive Director of the Financial Regulation and International Cooperation Department, who, from 21 November 2022 to 15 June 2024, is the first Czech to serve as Vice Chair of the ESMA. Before that, he was a member of the ESMA Board of Supervisors for several years. As an associate member, the CNB also participates in the work of the EU Committee, the main government body for European policy coordination.

In the area of international cooperation, the CNB actively engaged in discussions about the global monetary and financial system at the IMF and in other international organisations. The discussions at the IMF focused on, for example, the 16th General Review of Quotas, the IMF's borrowing instruments and the financing of IMF trust funds.

THE EUROPEAN UNION AND THE CNB'S INVOLVEMENT IN THE NATIONAL COORDINATION MECHANISM

Four meetings of the ECB General Council were held in 2023, at which the CNB was represented by Governor Aleš Michl and Deputy Governor Eva Zamrazilová. The meetings focused on reviewing macroeconomic, fiscal and monetary developments in the EU and around the world, the competitiveness of the European export sector in the context of the Covid-19 pandemic and the impacts of Russia's aggression against Ukraine and the energy crisis. The macroeconomic implications of climate change, the evaluation of climate stress tests, the Eurosystem's balance sheet and insurance against natural disasters were also discussed. CNB representatives were actively involved in the work of the ESCB's 13 committees and a large proportion of its sub-committees and working groups. The CNB also commented in written consultations on the ECB's draft opinions on selected legislative proposals of the EU.



Česká národní banka
@CNB_cz



Governor Aleš Michl (@MICHLi_) and Deputy Governor Eva Zamrazilová (@EZamrazilova) attended a meeting of the General Council @ecb today to discuss current macroeconomic developments and the financial market situation.



Within the bounds of its competence, the CNB also participated directly in the meetings of some formations of the EU Council and its working and advisory bodies, in particular informal meetings of the Economic and Financial Affairs Council, the Economic and Financial Committee and the Economic Policy Committee.

Within the framework of the EU Committee, the CNB worked with the relevant state administration bodies on preparing the positions of the Czech Republic on proposals discussed at the European level in 2023. Within the bounds of its competence and status as an associate member of the EU Committee, the CNB also helped prepare the positions of the Czech Republic for government representatives attending relevant meetings of EU bodies and the Czech Republic's contributions to the European Commission's public consultations.

The main topics discussed in 2023 included proposals for rules in the AML/CFT area, including the creation of an EU Anti-Money Laundering and Countering the Financing of Terrorism Authority, the review of the Solvency II regulatory framework for insurance companies and proposals for regulations enshrining the Basel III rules in EU law. The rules regulating crypto-asset markets and the use of AI tools and proposals to review economic governance were also discussed.

INTERNATIONAL MONETARY FUND AND OTHER INTERNATIONAL ORGANISATIONS AND CREDIT RATING AGENCIES

IMF MISSION REPORT

In 2023, the CNB actively engaged in discussions about the international monetary and financial system at the IMF, where it represents the Czech Republic. The spring meetings of the IMF and the World Bank were attended by Bank Board members Karina Kubelková and Jan Procházka and the annual meetings by Karina Kubelková. The main topics discussed were the completion of the 16th General Review of Quotas, the adjustment of the IMF's borrowing instruments and the financing of the IMF's trust funds. The CNB was involved as a lender in providing assistance to IMF member countries. As usual, 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 2023.

The CNB was also active in the other international organisations and groups of which it is a member. The CNB's most senior representatives regularly attended the meetings of the Bank for International Settlements, both the meetings of governors and

other platforms. The CNB also participated in the meetings of the Basel Consultative Group, which is part of the Basel Committee on Banking Supervision, and the 35th Annual Conference of the Group of Banking Supervisors from Central and Eastern Europe. CNB representatives also attended two meetings of the Financial Stability Board's Regional Consultative Group for Europe and selected OECD working bodies.



Česká národní banka
@CNB_cz



"Central bank tightening seems to be bearing fruit, but the world is entering a period of divergence on monetary policy," is being said repeatedly at this year's IMF and World Bank meeting in Marrakesh, at which the CNB is represented by Bank Board member Karina Kubelková.



The CNB also continued to work closely with major rating agencies (Moody's, Fitch Ratings and S&P Global) on the Czech Republic's sovereign credit rating. In this context, the CNB organised a visit by representatives of Fitch Ratings and Moody's to Prague in August and November as part of a review mission. These agencies left the Czech Republic's credit rating unchanged in 2023, while Moody's upgraded the Czech Republic's credit rating outlook from "negative" to "stable".

INTERNATIONAL COOPERATION ON THE FINANCIAL MARKET

In 2023, the CNB was involved in the work of the ESAs, which concentrated on further strengthening the convergence of supervisory practices of national supervisory authorities in the

EU. The ESAs paid particular attention to sustainable finance (ESG) and digital finance, with an emphasis on preparing for the implementation of the legal framework for markets in crypto-assets (MiCA) and digital and operational resilience (DORA). In this context, the EBA and ESMA published a set of consultation papers on regulatory technical standards and guidelines. ESMA also focused on the digitalisation of real estate investment services and related aspects of investor protection.

As regards sustainable finance, the ESAs addressed greenwashing, among other things, and issued opinions on a set of European standards for sustainability reporting. ESMA also prepared guidelines on the use of ESG- and sustainability-related terms in investment funds' names. The EBA and EIOPA also focused on the inclusion of ESG risks in the prudential framework for regulation and supervision in the insurance and banking sectors.

Risk reduction in the banking sector and the implementation of the Basel III framework to strengthen prudential regulatory standards, supervision and risk management were important issues for the EBA in 2023. In 2023, the EBA published, among other things, the first package of consultation papers on the revision of the regulatory technical standards for the calculation of capital requirements in the area of market risk.

Protecting investors and consumers is an integral part of the ESAs' tasks. In this context, ESMA issued several statements during the year aimed at retail investors (warning, for example, about the risks arising from the provision of both regulated and unregulated products and/or services by investment firms and about the risks of securities lending). In 2023, ESMA also launched common supervisory actions with national supervisory authorities on, among other things, investment firms' marketing communications and advertising, sustainability disclosures and the integration of sustainability risks in the investment fund sector. In 2023, EIOPA continued to work on the methodology for the calculation of indicators to assess value for money risks of unit-linked products. The methodology is to be used by supervisory authorities to identify potentially problematic products and by product manufacturers to compare themselves with their competitors.

In the conduct of supervision, the CNB collaborates with foreign supervisory authorities in supervisory colleges and elsewhere. In 2023, it was involved in six supervisory colleges for European banking groups and acted as consolidating supervisory authority in one case. The main activity of these colleges is to regularly assess the risk profiles of the individual banks which are members of the relevant banking groups. Such assessments are intended to determine the relevant capital and liquidity requirements.

The CNB was also involved in 11 supervisory colleges for European insurance groups. Their activities concentrated mainly on compliance with the Solvency II requirements, monitoring of capital positions in the context of current economic developments, risk assessments of supervised insurance companies and the assessment of group internal models.

In 2023, the central bank also participated 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, digitalisation and financial stability with regard to developments in the macroeconomic environment. They also concentrated on supervision of investments by pension systems. Further international consultations connected with the preparations for the final calibration and completion of the global insurance capital standard (ICS) was a central topic for the insurance sector.

FOREIGN TECHNICAL ASSISTANCE

As part of its foreign technical assistance programme, the CNB held three in-person seminars in 2023 – on money circulation, payment systems and macroeconomic modelling and forecasting. A total of 45 specialists from 20 central banks attended. The participants highly rated both the content of the seminars and the expertise and professionalism of the CNB experts who delivered the lectures. The CNB also held two in-person consultations based on requests from partner central banks, one for experts from the Central Bank of Albania in the area of translation services and the other for experts from the National Financial Supervisory Commission

of Vietnam in the area of financial market supervision and financial stability.

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, Cape Verde, Sierra Leone, Kazakhstan and Kyrgyzstan.

The CNB is involved in a follow-up EU-funded programme to enhance the capacity of central banks in the Western Balkans with a view to integrating them into the ESCB. The programme was launched in September 2022 and has a three-year implementation period. CNB experts will participate in technical assistance in the fields of restructuring banks, AML/CFT and financial stability.



á národní banka



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guvernéra České národní banky ing. Josefa T o š o v s k é h o

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Věc

Zpřesnění harmonogramu technického oddělení měn,
doporučení k jednání s Komerční bankou

Po zvážení výhod a nevýhod nedoporučujeme kolko-
vání bankovek v první fázi Českou spořitelnou. Při-
neslo by to příliš mnoho komplikací spojených zejmé-
na s účtováním zásob čs. peněz a hmotnou
odpovědností. Se zapojením České spořitelny je však
možno počítat ve druhé fázi kolkování (v časovém
intervalu mezi rozhodnutím o odluce a výměně a

guvernéra S

ze dne

jímž se stanoví

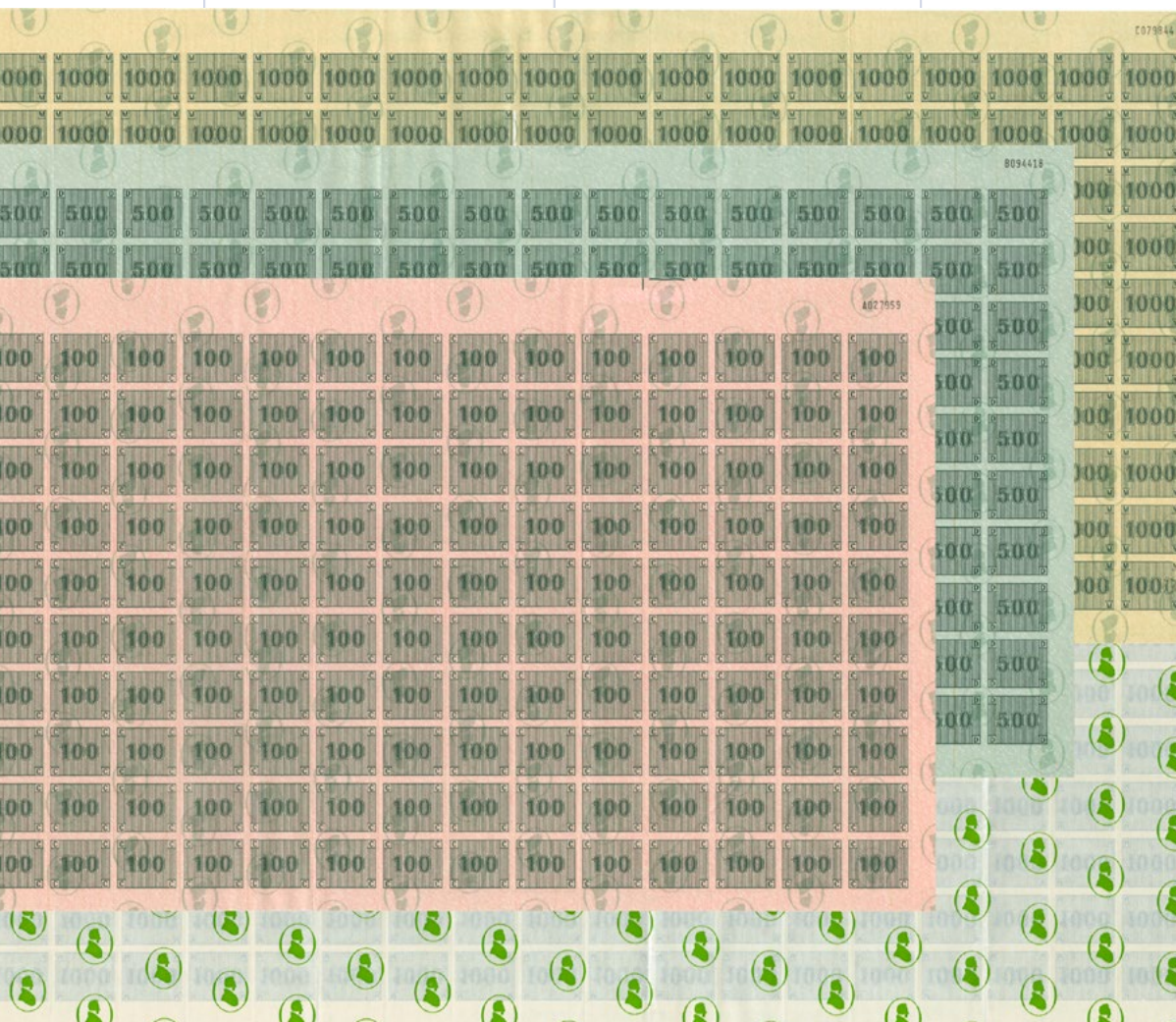
**ROZDĚLENÍ
POHLEDÁVEK, P.
BANKY ČESKÉ
PŘECHOD NA Č.
A NÁRODNÍ**

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o vypořádání majetkových

Vklad SBČS do BIS tvoří 8 000
CHF, tj. 74 mil. Kčs. (1 ak
Tyto akcie jsou vedeny na úč

Majetková účast SBČS v BIS
zúčtuje pohledávka NBS za
majetkové účasti. Při pou
majetkové účasti následující

ČNB.....5 334 akcií v hodno

NBS.....2 666 akcií v hodno

Dělení dividend za finanční
tj po konání valné hromady
schvalování dividend.

Za SBČS předal :

Ing Ota Kaftan, vrchní ředitel

Za ČNB převzal :

Ing Ota Kaftan, vrchní ředitel

V Praze dne 21.1.1993

29 JANUARY 1993

THE SBCS'S BALANCE SHEET IS CLOSED

As it became increasingly apparent after the June 1992 elections that it would not be feasible to keep the federation together, the SBCS started to prepare for its own possible demise. The first proposals to split its balance sheet between two new institutions were put forward as early as August, and the division started in September.

The principles of the split were mostly based on the population size ratio, i.e. 2:1 in favour of the CNB. This ratio was used for gold and equity, for example. By contrast, the territorial principle was applied mainly to financial institutions, the two nations themselves and the bank's property.

The SBCS's balance sheet was closed on 29 January 1993. Of its total assets and liabilities of CZK 386 billion, the CNB received CZK 268.1 billion and the NBS CZK 117.9 billion.

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1 FEBRUARY 1993

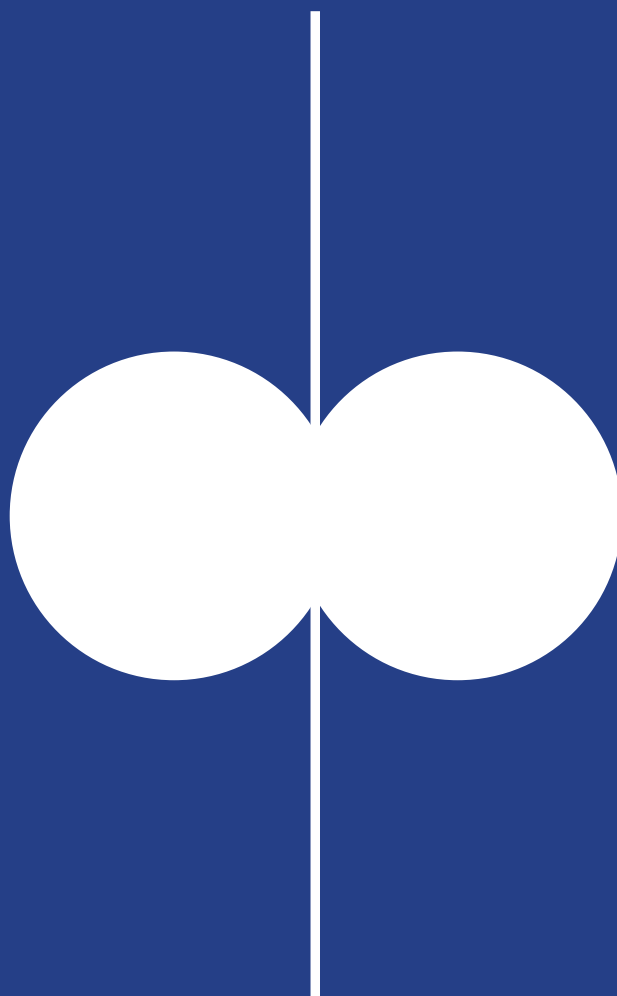
STAMPED BANKNOTES ARE DISTRIBUTED

With the date of the currency separation looming, the process of distributing the stamped banknotes could start. The banknotes were distributed to around 4,000 exchange points (mostly branches of Česká spořitelna and Česká pošta) between 1 and 3 February.

The exchange centres were managed by 75 regional and local groups, which were overseen by eight regional steering committees. The committees were in charge of directly managing and implementing the entire process. A central steering committee was responsible for methodological work. An operational team maintained contacts between the institutions 24 hours a day. It also organised and recorded the money shipments and coordinated the security of the distribution process.

At the apex of the organisational pyramid was a government group. However, it met only once, on 19 January 1993, when it set the overall course of the separation process.

6



INSTITUTIONAL CHANGES AND RATIONALISATION OF OPERATIONS

The line-up of the CNB Bank Board changed on 13 February 2023. The President of the Czech Republic appointed two new members Jan Kubíček and Jan Procházka, who replaced Oldřich Dědek and Marek Mora, whose terms of office expired. Incumbent Bank Board member Jan Frait was appointed new Deputy Governor at the same time. The Bank Board in its new line-up subsequently divided up the responsibilities for oversight of the CNB's activities among the members.

In 2023, the Bank Board set an example for the economy as a whole in its efforts to reduce operating costs. The rationalisation of the central bank's activities led to a decrease in the number of job positions and a reduction in wage costs.

REDUCTIONS IN OPERATING COSTS

At its meeting on 27 October 2022, the Bank Board tasked the executive directors of the CNB's organisational units with creating a medium-term plan for the activities of the units they manage for 2023–2028. This included conducting an analysis of the tasks performed. The main goal of the analysis was to identify ways to rationalise the central bank's activities.

The rationalisation process continued until 30 September 2023, leading to a reduction of 83 job positions at the central bank, 77 of which were eliminated in 2023. In total, 124 positions were abolished and 41 new ones established. These changes resulted in a reduction in the annual wage bill of CZK 52.6 million and a decrease of 5% in the number of positions compared to the start of 2023. This was the first comprehensive streamlining of the CNB's operations in ten years.

As part of the rationalisation process, the CNB terminated the employment of 64 employees. They were able to avail of outplacement services, i.e. a set of measures to mitigate the negative impact of loss of employment. The Bank Board also decided to abolish the Financial Markets Department and the Resolution Department and transfer their duties and employees to a new Financial Markets and Resolution Department. The Bank Board also decided to abolish the Licensing and Enforcement Department and transfer its duties and employees to the supervisory departments. Last but not least, the Bank Board decided to abolish the Human Resources Department and incorporate HR, including the department's employees, into the Administration Department as of 1 January 2024. The total number of organisational units under the direct supervision of Bank Board members thus fell from 17 to 14.

"We had to tame the record rise in operating expenses, as the CNB should set an example for the public. We therefore started a rationalisation process at the CNB in 2023."

ALEŠ MICHL, GOVERNOR

–5.1%

ANNUAL CHANGE IN THE
NUMBER OF JOB POSITIONS

–17.6%

ANNUAL CHANGE IN THE
NUMBER OF EXECUTIVE
DIRECTORS REPORTING
TO THE BANK BOARD

MANAGEMENT AND ORGANISATION

BANK BOARD

The supreme governing body of the CNB is the Bank Board. It has seven members – the Governor, two Deputy Governors and four other Bank Board members. The Bank Board members as of 31 December 2023 were Governor Aleš Michl, Deputy Governor Eva Zamrazilová, Deputy Governor Jan Frait and members Karina Kubelková, Tomáš Holub, Jan Kubiček and Jan Procházka.

The Bank Board as of 12 February 2023

Back: Jan Frait, Karina Kubelková, Oldřich Dědek,
Tomáš Holub

Front: Marek Mora, Aleš Michl, Eva Zamrazilová



**The Bank Board as of 31 December 2023**

Back: Jan Procházka, Tomáš Holub, Karina Kubelková,
Jan Kubíček

Front: Eva Zamrazilová, Aleš Michl, Jan Frait

In accordance with the CNB's mandate, the Bank Board sets and implements monetary and macroprudential policy, decides on key measures relating to financial market supervision and deals with any crises on the financial market and in cash and non-cash money circulation. The Bank Board also sets rules for international cooperation. It also decides on organisational matters concerning the CNB and 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 of the organisational units assigned to them.

BANK BOARD

ORGANISATIONAL STRUCTURE

Fundamental decisions relating to the maintenance of price and financial stability and other duties are taken by the Bank Board. The executive directors of the CNB's organisational units are responsible for implementing the Bank Board's decisions and the day-to-day running of the bank.

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 CNB. They are subdivided into divisions and, in the case of the Cash Department, into divisions and branches. Coordination and advisory bodies are established 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

The Financial Markets Department and the Resolution Department were merged into the Financial Markets and Resolution Department as of 16 July 2023. Radek Urban, Executive Director of the Resolution Department, became Executive Director of the new Financial Markets and Resolution Department. The CNB also decided to abolish the Licensing and Enforcement Department as of 1 October 2023 and divide its duties between the Financial Market Supervision Department and the Financial Market Supervision Department II. Vladimír Kruliš became Executive Director of the General Secretariat on the same date. At the end of 2023, the Bank Board decided on other personnel changes at the level of executive directors of CNB organisational units with effect from 1 January 2024. Ladislav Kročák, Executive Director of the Financial Market Supervision Department II, became Executive Director of the Cash Department. He was replaced as Executive Director of the Financial Market Supervision Department II by Bank Board adviser and former CNB Deputy Governor Vladimír Tomšík.

Several other major changes took place in the CNB's organisational structure in 2023. The Bank Board approved the transfer of the Payment Services Methodology Division from the Budget and Accounting Department to the Cash Department and decided to rename it the Payment System Methodology Division with effect from 1 January. As of the same date, the activities of the Financial Market Supervision Department II were expanded to include supervision of compliance with the prohibition of unfair terms in consumer contracts. At the decision of the Bank Board, the Committee for Organisational Changes terminated its activity as an advisory body to the Bank Board on 30 May 2023.

ORGANISATIONAL CHART AS OF 31 DECEMBER 2023

**BANK
BOARD**



Aleš Michl
Governor

GENERAL SECRETARIAT

Vladimír Kruliš

ADMINISTRATION DEPARTMENT

Zdeněk Virius

HUMAN RESOURCES DEPARTMENT

Helena Dybová

Eva Zamrazilová
Deputy Governor

MONETARY DEPARTMENT

Petr Král

FINANCIAL MARKETS AND RESOLUTION DEPARTMENT

Radek Urban

Jan Frait
Deputy Governor

FINANCIAL MARKET SUPERVISION DEPARTMENT

Zuzana Silberová

INTERNAL AUDIT DEPARTMENT

Vladislav Jetenský

Karina Kubelková
Bank Board Member

FINANCIAL STABILITY DEPARTMENT

Libor Holub

CASH DEPARTMENT

Jan Mayer

Tomáš Holub
Bank Board Member

STATISTICS AND DATA SUPPORT DEPARTMENT

Petr Staněk

INFORMATION SYSTEMS DEPARTMENT

Milan Zirnsák

Jan Kubíček
Bank Board Member

BUDGET AND ACCOUNTING DEPARTMENT

Daniel Šafránek

**RISK MANAGEMENT AND TRANSACTIONS
SUPPORT DEPARTMENT**

Jan Schmidt

Jan Procházka
Bank Board Member

**FINANCIAL REGULATION AND
INTERNATIONAL COOPERATION DEPARTMENT**

Vojtěch Belling

FINANCIAL MARKET SUPERVISION DEPARTMENT II

Ladislav Kročák

HUMAN RESOURCES

RECRUITMENT AND PRESENTATION OF THE CNB ON THE LABOUR MARKET

Thanks to the CNB's comprehensive approach to hiring new employees, a wide range of positions were filled successfully in 2023, including key managerial and highly specialised posts. Given the dynamics of the labour market last year, the CNB's HR staff continuously adapted their recruitment methods.

Recruitment activities included regular meetings with the public at job fairs and discussion forums organised by universities and the CNB. Those interested in working for the CNB had the opportunity to meet HR staff at six recruitment events: one at the Faculty of Law at Charles University in Prague, one at the University of West Bohemia in Plzeň, one at Tomáš Baťa University in Zlín and three at the University of Economics in Prague.

In addition to the above face-to-face meetings, online tools helped to disseminate information about the CNB as an employer.

CAREERS
AT THE CNB
(IN CZECH ONLY)



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. An amendment to the collective agreement temporarily increased contributions intended mainly for pension savings and life insurance in 2022 and 2023 as partial compensation for lower wage growth.

PERSONNEL EXPENSES

In 2023, personnel expenses were affected mainly by the costs associated with the CNB's rationalisation activities. Employees who had to be dismissed by the CNB due to redundancy received severance pay totalling CZK 62.2 million. Personnel expenses totalled CZK 2,441 million in 2023, up by around 4.89% on a year earlier. As in 2022, personnel expenses were

affected by the severance pay paid to Board members Marek Mora and Oldřich Dědek, whose terms of office expired in 2023. This severance pay is compensation for not being allowed to work in the financial sector for an extended period after their employment ended at the CNB.

Salaries of Bank Board members in 2023
(in CZK)

Board Member	Gross salary ¹	Net salary ²
Aleš Michl	5,836,320	4,328,729
Eva Zamrazilová	4,723,997	3,484,771
Jan Frait	4,652,805	3,448,361
Tomáš Holub	3,985,723	2,987,046
Karina Kubelková	3,951,802	2,924,930
Jan Procházka – from 13 February 2023	3,595,796	2,635,985
Jan Kubiček – from 13 February 2023	3,575,838	2,647,216
Marek Mora – until 31 March 2023	1,331,348	1,056,559
Oldřich Dědek – until 31 March 2023	1,207,317	938,109

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.

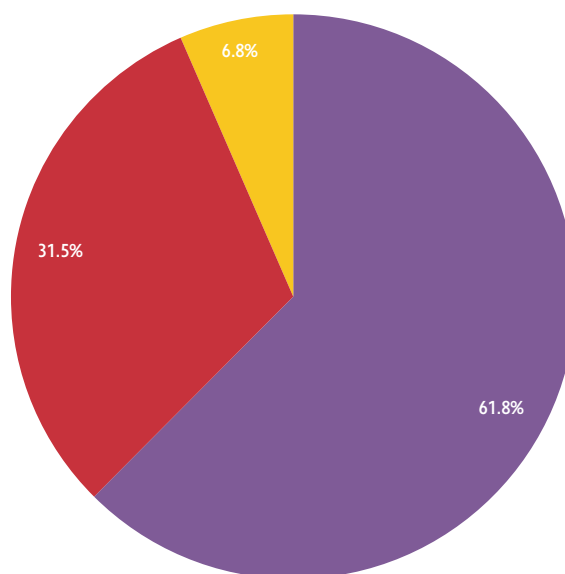
EDUCATION, AGE AND GENDER STRUCTURE

The CNB's low staff turnover, together with its natural generational turnover, helps to create a balanced age structure at the CNB in the long term. The CNB's emphasis on zero age discrimination when recruiting also contributes to the balanced age structure. The average age of new employees at the CNB is 40.7 years, while the average age of incumbent employees is only slightly higher at 46.9 years.

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.

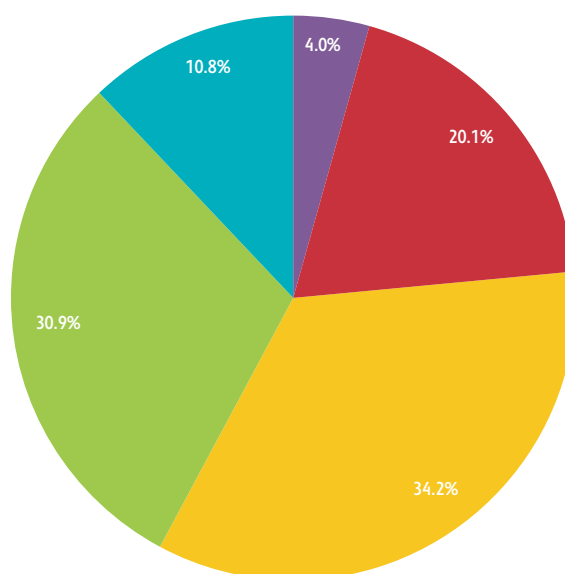
Employee structure by highest level of education attained as of 31 December 2023

- 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



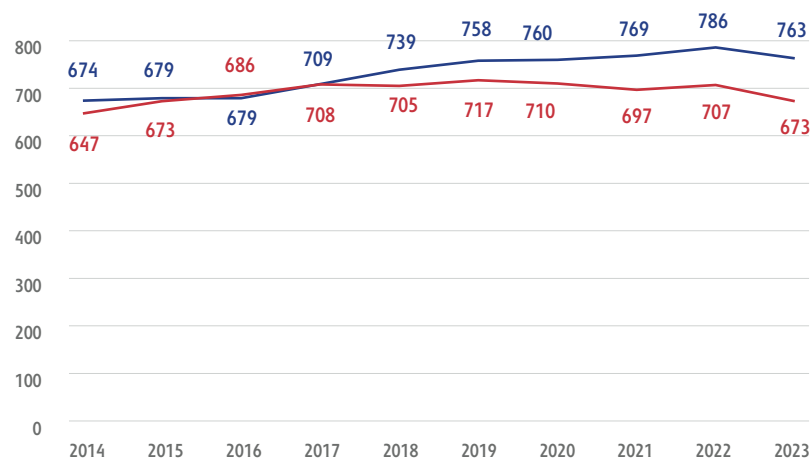
Age structure of employees as of 31 December 2023

- 29 or under
- 30–39
- 40–49
- 50–59
- Over 60



Numbers of men and women employed at the CNB

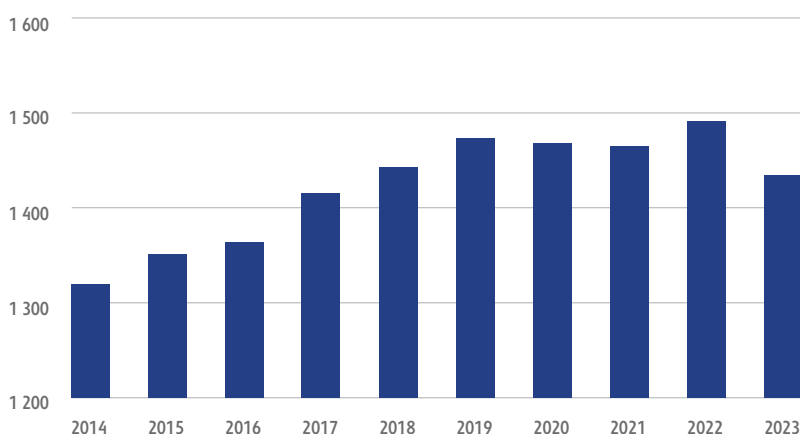
- Men
- Women



The CNB had 1,436 employees as of 31 December 2023, 57 less than at the end of 2022. The drop in the number of employees is due to the rationalisation of operations in 2023. The overall staff turnover rate in 2023 was 10.2%, up by more than 4.4 percentage points compared with 2022. The increase in staff turnover was largely due to the rationalisation process, during which the CNB made 64 employees redundant.

1,436

NUMBER OF EMPLOYEES
AT THE END OF 2023



Actual number of employees as of last day of year

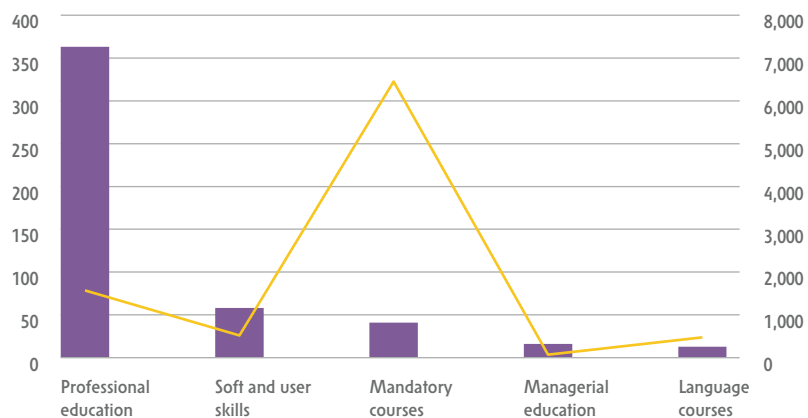
In 2023, professional development and training was focused on employee expertise and skills. Professional training accounted for 76% of the total number of training events, 35% of which were held in cooperation with the European System of Central Banks (ESCB) and other international institutions such as the International Monetary Fund and the Joint Vienna Institute. Professional training was expanded to include topics in the area of digitalisation, specifically distributed ledger technology (DLT), blockchain and the SDAT system. New investigative interview training was available to employees from the supervisory departments. The aim of this strategy was to consolidate and enhance the expertise and skills employees need to cope successfully with the increased demands arising from the domestic and global economic situation.

In the area of soft and managerial skills, support was crucial to manage the organisational changes arising from the rationalisation process and their effects on team functioning. Managers were therefore able to participate in training programmes focused on team leadership and cooperation, corporate culture, emotional leadership, performance appraisal and providing feedback.

Spending on CNB staff training totalled CZK 8.9 million in 2023.

Overview of CNB staff training in 2023

- Number of events (left-hand scale)
- Number of participants (right-hand scale)



200

DVĚSTĚ
KORUN
ČESKOSLOVENSKÝCH

STÁTNÍ BANKA
ČESKOSLOVENSKÁ
1992

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2 FEBRUARY 1993

PRIME MINISTER VÁCLAV KLAUS ANNOUNCES THE CURRENCY SEPARATION

The date of the possible currency separation started to be discussed immediately after Václav Klaus and Vladimír Mečiar met shortly after the elections in June 1992. With the separation expected to take place on 30 June 1993, a Monetary Committee was set up under the agreement on the monetary arrangement.

Although preparations for the separation intensified significantly in the second half of January 1993, for a long time there was no exact separation date. It seems that the final decision to set 8 February as the date was not made until the late-night talks of 27 to 28 January 1993. Despite being kept secret as far as possible, the date started to be speculated about in the large Czech dailies just a day later. However, it was not finally confirmed until Prime Minister Václav Klaus announced it in a television address on 2 February 1993.

V důsledku úpravy textů na nové bankovce hodnoty 200 Kč
došlo ke zpoždění zahájení výroby. Proto se první dodávky ne



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3 FEBRUARY 1993

THE COLLECTION OF LAWS IS PUBLISHED

For the currency separation to be implemented successfully, it was crucial for the individual steps of the process, including the publication of the relevant legislation in the Collection of Laws, to be taken in rapid succession.

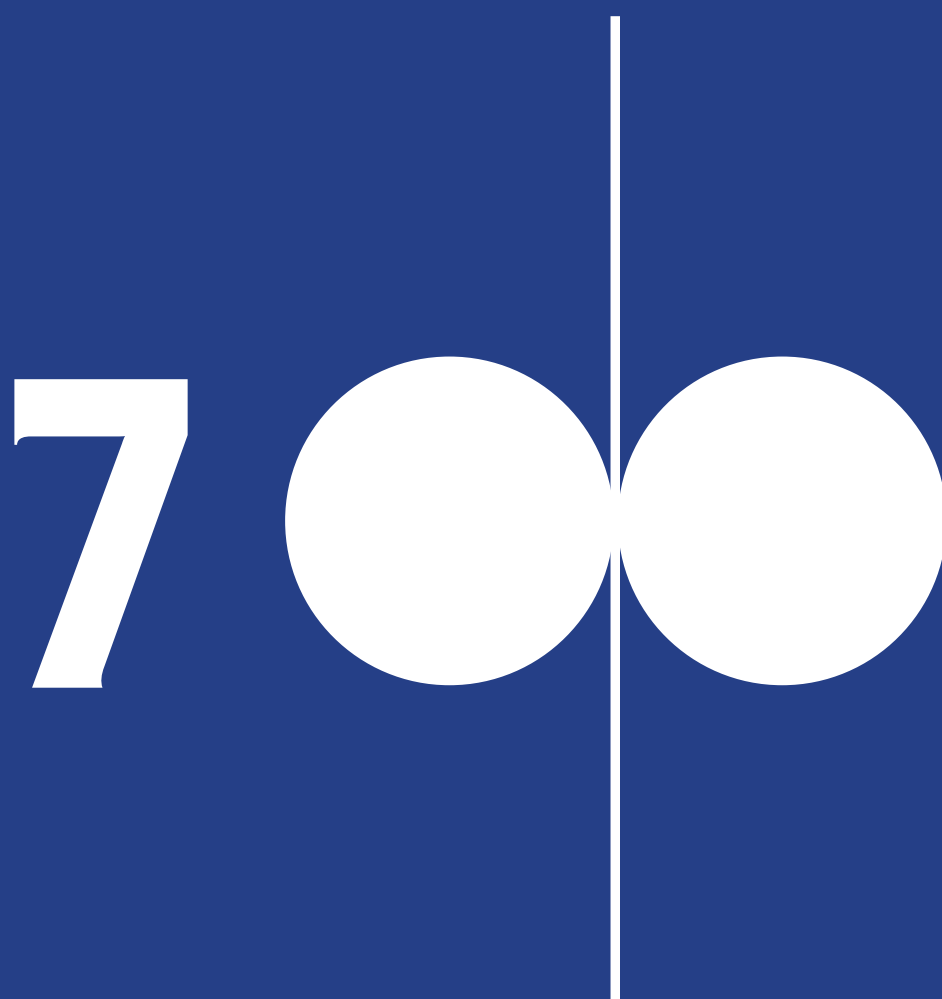
On 3 February 1993, four legislative acts governing the creation of the Czech currency were published in the Collection of Laws. Besides the Currency Separation Act, which provided the basic legislative framework for the separation, these were a government implementing regulation, a CNB implementing decree and a CNB decree on the issuance of CZK 200 banknotes. The government regulation only specified the date on which citizens, foreigners and legal entities could exchange the stamped banknotes and set limits on cash withdrawals from banks for a short period after the separation. The first-mentioned CNB decree set out all the details of the separation, while the second contained a detailed description of the new two-hundred-koruna banknote.

*SR a ČR o zřízení celních
přechodů na společné
česko-slovenské státní
hranici. Dotkne se to Dohody*

Vládní návrh zákona o oddělení měny projedná
český parlament na doporučení organizačního výboru
Poslanecké sněmovny dnes.

S vládním zněním zákona vyslovily okolování, do okamžiku oddělení

V zásadě je možná
zová výměna. Část
stanovenou hranici b
jako vklad (pošty)
úročené depozitum p
stanovené číselníky



THE CNB AND THE PUBLIC

The CNB's activities affect all Czech residents and a whole range of domestic and foreign public and commercial entities. Open and clear communication is thus one of the CNB's key instruments for achieving its statutory objectives. In 2023, the Czech economy faced a receding episode of high inflation. The CNB's communication activities therefore focused largely on explaining the causes of that inflation and the CNB's monetary policy response. Another important topic which permeated all communication last year was the 30th anniversary of the CNB and the establishment of the Czech currency.

VISITOR CENTRE –
100,000TH VISITOR

The financial soundness of our economy depends largely on the financial health and knowledge of each of us. It is primarily the job of the state to make the Czech public financial and economic literate. Nonetheless, the CNB has resolved to contribute to this objective thanks to its independence and necessary know-how. The CNB's financial and economic literacy projects are targeted mainly at higher-grade primary school pupils, secondary school pupils and the general public. The CNB Visitor Centre is the CNB's most important and largest financial and economic literacy project. The centre opened to the public in May 2022 and welcomed its 100,000th visitor in December 2023.

COMMUNICATIONS

The start of 2023 marked the 30th anniversary of the establishment of the CNB as the independent central bank of the newly established Czech Republic. The CNB therefore organised a series of events for the general public and the economic community marking 30 years of the CNB and the independent Czech currency. It issued a new CZK 1,000 banknote bearing a print of a banknote stamp from that period and an anniversary logo. The new note attracted massive media attention and public interest.

Tens of thousands of people visited an exhibition in the Visitor Centre commemorating banknote stamping and the creation of the Czech and Slovak banknotes and coins. The central bank also organised a series of seminars and conferences for the general public and the economic community. The CNB used the anniversary logo in all its communication in 2023. The logo was created by the leading Czech graphic designer and typographer Jan Solpera, who also designed the CNB's original logo.

The Czech economy last year faced slowly receding high inflation, which became one of the CNB's key communication topics. The central bank explained the causes of the high growth in prices and justified the steps taken in the fight against it. One of the communication objectives was to inform the public that the steps taken by the CNB were sufficient for it to meet its statutory mandate, namely to maintain only modest inflation over the long term, i.e. price stability.

A special subsection *Inflation on the retreat* was created on the CNB website last year. Readers can find there a selection of the most important articles and presentations by CNB

ANNIVERSARY
CZK 1,000
BANKNOTE
(IN CZECH ONLY)

INFLATION ON
THE RETREAT
(IN CZECH ONLY)

representatives mapping the causes of the approaching end of the inflation episode and forecasting the future path of inflation. In addition to articles, presentations and speeches by experts, the CNB organised a discussion forum in October. This allowed for a lively public debate on the subject with Governor Aleš Michl and Deputy Governor Eva Zamrazilová.

The annual inflation rate dropped steadily throughout 2023. The final quarter was the exception. On the face of it, inflation increased again due to the statistical effect of the autumn 2022 energy savings tariff. It was the CNB's task to explain this statistical anomaly to the public and the media and thus avert fears of a new inflation episode. It succeeded in doing so thanks to its communication activities, which included a series of articles, appearances by CNB representatives in the media and, last but not least, a narrowly focused presentation for economic journalists.

PAYMENT FRAUD
(IN CZECH ONLY)

Another key topic which affected the central bank's activities throughout 2023 was a rise in payment fraud. There were repeated attempts by fraudsters to misuse the names of Bank Board members and central bank experts to swindle people out of their savings using skilful manipulation tactics. The CNB drew attention to this at a news conference in spring 2023, at which it presented an educational video and a subsection of the website on payment fraud. These aim to alert the general public to the fact that CNB employees would never call individuals regarding the suspected misuse of their bank accounts. They also provide an easy-to-understand guide on what to look out for to protect your finances. The campaign continued on the central bank's social media channels throughout the year.

WWW.CNB.CZ

The CNB uses virtually all available channels to communicate with the public. Its main communication tool is its website at www.cnb.cz. In addition to the information required by law, the CNB provides a range of other data, articles by Bank Board members and experts and other high-quality content facilitating open communication with the public, fostering predictability of the central bank's actions and enhancing confidence in the CNB. The cnBlog is another tool used to explain the topics covered by CNB experts. In 2023, more than 50 blog articles by central bank experts were published for all target groups.

The CNB maintains a high level of activity on all the major social networks – X (formerly Twitter), LinkedIn, Facebook, Instagram – and also uses other on-line platforms such as YouTube, Spotify, Apple Podcasts and Google Podcasts. In 2023, the CNB extended its social media presence to Flickr, where it posts high-resolution photos of the most important events organised by the CNB or attended by its representatives, and to Bluesky and Threads. Blog articles by CNB authors are also published on Seznam Médium.

THE CNB ON FLICKR



Hello Bluesky!



As part of its direct communication with the public, the CNB regularly organises events, for example the above-mentioned discussion forum. The communication team is also ready to respond on a daily basis to queries from the public received via the website or by e-mail, regular mail or telephone. In the past year, members of the CNB communications team answered 6,339 telephone enquiries, handled 5,166 electronic submissions and replied to 839 correspondence submissions. These mostly related to financial market supervision and regulation, as well as statistics, monetary policy, financial stability, money circulation, numismatics and payments.

FINANCIAL AND ECONOMIC LITERACY

FINANCIAL AND
ECONOMIC
LITERACY
(IN CZECH ONLY)

The CNB contributes to the development of financial and economic literacy in the Czech Republic using a number of tools, the most important being its Visitor Centre. It also provides significant support to teachers who teach this subject, including through a wide range of teaching material and by providing training at its meetings with teachers. The main advantage of this tool is the multiplier effect, which makes it possible to reach large numbers of students. To this end, the CNB organised a meeting with teachers from the Hradec Králové region and students from the Faculty of Education at Hradec Králové University in 2023.

The CNB also explains the main financial and economic principles in life in a section of its website on financial and economic literacy. The aim is to guide ordinary users through the world of finance and help them make the right decisions. A special section is devoted to preventing the risk of financial impropriety. All of the CNB's teaching material is freely available on the web portal and the Visitor Centre website. Educational posts are another of the key instruments the CNB uses for education. The Visitor Centre put together a comprehensive teaching package *The World of Money and the Economy* to support the teaching of financial and economic literacy. It was published on Teachers' Day.

ACTIVITIES SUPPORTED BY THE CNB

The CNB supports and co-organises partner projects. It supported, among other things, the eighth edition of the student Economics Olympics, which was held under the auspices of CNB Deputy Governor Eva Zamrazilová. The CNB also supported the 15th edition of the competition for secondary school pupils for the best essay on financial literacy. 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 Global Money Week, whose main organisers are yourchance o.p.s. and the European Financial Planning Association Czech Republic, was also held under the auspices of the CNB, with the Ministry of Finance as national coordinator. The Visitor Centre provided its premises and expertise to competition projects organised by the Czech Banking Association (European Money Quiz), ABC Finančního vzdělávání (fingrplay.cz) and ČSOB (Philip's Cup of Economic Literacy).

ECONOMIC
OLYMPICS
(IN CZECH ONLY)

CNB GOVERNOR'S AWARD FOR OUTSTANDING CONTRIBUTION TO THE ADVANCEMENT OF FINANCIAL AND ECONOMIC LITERACY

In 2023, Governor Aleš Michl presented the first ever Award for Outstanding Contribution to the Advancement of Financial and Economic Literacy. The award went to Jana Doležalová, a maths and biology teacher from a primary school in Vimperk. She received it in person from the Governor in May 2023 at the celebrations to mark one year since the opening of the Visitor Centre. The Governor also announced the second year of the award at the ceremony. Anyone can submit a recommendation for the award through a web form on the CNB's website. Any individual who has demonstrated long-term dedication to promoting financial and economic literacy can be nominated. The next winner will be decided by the Governor in 2024 based on the recommendation of his advisory team.

NOMINATION
FOR THE CNB
GOVERNOR'S AWARD
(IN CZECH ONLY)



CNB VISITOR CENTRE

The CNB Visitor Centre has a comprehensive approach to the promotion and development of financial and economic literacy, offering the public a wide range of activities. Alongside tours of its permanent and temporary exhibitions, it organises accompanying themed events and lectures in its premises and hosts financial literacy competitions. It expands the reach of its educational programmes by means of activities outside the CNB building. The centre offers 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

VISITOR CENTRE EXHIBITIONS

There are two main exhibitions at the Prague Visitor Centre. The first, *People and Money*, examines the history of the currency and central banking in the Czech lands. The second, *Exploring the Currency*, focuses on the present day and on the current role of the CNB. The Visitor Centre also has a *People and Money* exhibition located in Brno, which presents the history of the currency and central banking, emphasising the specifics of the Moravian region. It is accompanied by a permanent exhibition *Beauty in Glass and Metal* dedicated to the life and work of sculptor Jiří Harcuba.

In 2023, the Prague exhibitions welcomed 67,244 visitors, almost half of whom were primary and secondary school pupils. Due to the high level of interest from primary and secondary school pupils, the number of guided tours was

increased from the original 8 to 11 a day in 2023. A further 4,510 people visited the exhibition in Brno. The 100,000th visitor to the centre was welcomed by CNB Governor Aleš Michl in December 2023.

In 2023, the Visitor Centre added a new exhibition called *Breakup! Establishment of the Czech and Slovak Currencies in 1993*, at which those interested in our monetary history could learn about the process of splitting the Czech and Slovak Federative Republic and the State Bank of Czechoslovakia and creating the new currencies.



OTHER ATTRACTIONS AT THE VISITOR CENTRE

In addition to the year-round programme, various activities were held in the course of the year, including special one-day programmes for the general public, lectures and themed events. The preparation of teaching materials and other resources for educators is also part of the centre's educational remit.

One type of accompanying event at the Visitor Centre were theme days, which link financial topics with important

holidays, anniversaries and international days. Themed worksheets and engaging educational and creative activities on each topic were prepared for visitors. The Visitor Centre's first anniversary celebrations, featuring a programme filled with activities, games and presentations, attracted 1,300 visitors.



Aleš Michl

@MICHLiQ__

I'll be there.



Česká národní banka

@CNB__cz

The Visitor Centre celebrates its first birthday on 20 May 2023. In its first year, it has welcomed more than 60,000 visitors. Come celebrate its first birthday.



In 2023, the Visitor Centre also offered special lectures to the public. During the Open House Prague event in May, visitors gained information about the history of the CNB headquarters building. Experts from the CNB and the State Printing Office organised a series of public lectures for the temporary exhibition *Breakup! Establishment of the Czech and Slovak Currencies in 1993*.

The CNB Visitor Centre's outreach programme is an equally important endeavour. This helps to expand financial and economic education by organising activities outside the bank. In 2023, those interested were able to enjoy outreach programmes, 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, Brno, Karviná and Zlín. In

May, the Visitor Centre also participated in the Brno Museum Night, drawing 480 visitors for the evening tour.

CNB ARCHIVE

CNB ARCHIVE

In the context of the Czech archive network, the CNB Archive is a public specialised archive. It cares for the archive documents produced by the CNB and its legal predecessors – as a rule the most important Czech and Czechoslovak banks operating in our territory since the second half of the 19th century. Information about the banks themselves and their customers can be retrieved from the archive collections. The collections thus offer a unique view of the political, economic, social and cultural 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. A total of 269 visits were made to the research room in 2023. Most of the visitors were students and teachers from domestic and foreign universities specialising in economics or history, and employees of research institutions. Also important is the Archive's research work for the general public in the field of economic and social history. A total of 218 queries were processed in this way in 2023.

An in-depth examination of historical documents from the central bank's archives made it possible in 2023 to bring the CNB headquarters building in Prague closer to what it looked like in 1942. The CNB's archivists found that gold-painted initials of the building's then owner – Živnostenská banka – had originally been located on the window grilles on the ground floor. In 1943, however, at the decision of the German occupation authorities, they were removed and melted down for the war effort. After that, they fell into oblivion for a long time. However, CNB archivists discovered evidence of their existence in archive documents. Thanks to that, these decorative elements now adorn the bank's building again.

The CNB Archive also offers the general public the opportunity to view its archive collections by means of exhibitions. As well as its own temporary exhibition *Breakup! Establishment of*

the Czech and Slovak currencies in 1993 at the Visitor Centre, documents from the CNB Archive could be found in another three exhibition projects to which it made loans. The exhibition *Czech and Slovak Architecture*, held at the Prague Castle Riding School in late October and early November 2023, presented documents showing the past and present importance of the Czech and Slovak architectural heritage. The panel exhibitions *Landscape on Banknotes* (September–December 2023, National Museum of Agriculture, Prague) and *From Rags to Paper: The Haases – Businessmen, Visionaries, Patrons* (September–October 2023, Vrané nad Vltavou) offered a unique view of the history of Czechoslovak paper money. In addition, the CNB Archive offers educational tours of its premises on the history of Czech and Czechoslovak finance.

SPECIAL LIBRARY

The special library provides CNB staff and outside specialists with lending, advisory, reference, bibliographic and research services. The library offers registered readers remote access to full-text documents in the National Digital Library and to licensed databases and electronic journals. Since 2023, the electronic catalogue available on the CNB website has been part of the nationwide Knihovny.cz portal, which provides unified access to the services of Czech libraries.

The special library had 2,604 active readers last year, with 13,639 on-line or in-person visits.

LIBRARY'S
ELECTRONIC
CATALOGUE

CONGRESS CENTRE

The CNB Congress Centre is located in the listed building of the former Commodity Exchange. As usual, the CNB used the centre in 2023 for meetings between its top management and representatives of other central banks, financial markets, staff associations and trade unions, as well as analysts and journalists. The CNB's specialised units organised conferences, lectures, presentations, seminars and meetings of ECB committees and working groups in the Congress Centre. External partners held numerous economic education events for schoolchildren and students, cultural, social and charitable events, concerts, conferences and several gala dinners combined, for example, with industry award ceremonies. In 2023, the CNB achieved the highest rental income since the Congress Centre was opened.

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, or to applicants on the basis of applications. The following text gives details on applications for information under Article 18 of the Act in 2023.

1. Number of applications for information under the Act: 86
2. Number of decisions refusing an application: 1
3. Number of appeals submitted against decisions: 1
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: One complaint was lodged against the way in which part of an application had been dealt with, as the CNB had not provided all information to the applicant. The complaint was dealt with under the procedure laid down in Article 16a(5) of the Act, and a decision refusing the provision of information was issued.

8. Other information relating to application of the Act:

The number of applications received in 2023 stayed at almost the same level as in 2022 (when 85 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 and legislation.

NOVÉ Č E S K É M I N C E



NEW CZECH
CIRCULATING COINS

NEUE
TSCHESCHISCHE
MÜNZEN



1 ●

2 ●

3 ●

4 ●

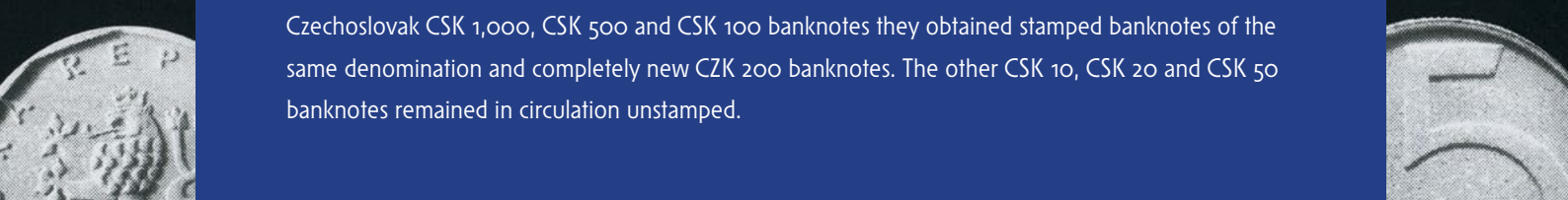




4 FEBRUARY 1993

EXCHANGE CENTRES OPEN

More than 3,800 exchange centres opened at 10.00 a.m. on Thursday, 4 February 1993. Citizens above 15 years of age could exchange banknotes of a maximum total value of CZK 4,000. In addition, they could receive a further CZK 1,000 for each child under 15 years old. In exchange for Czechoslovak CSK 1,000, CSK 500 and CSK 100 banknotes they obtained stamped banknotes of the same denomination and completely new CZK 200 banknotes. The other CSK 10, CSK 20 and CSK 50 banknotes remained in circulation unstamped.



5



6



7



8




8 FEBRUARY 1993

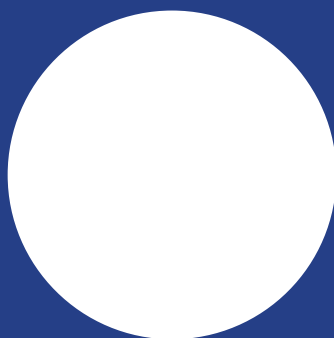
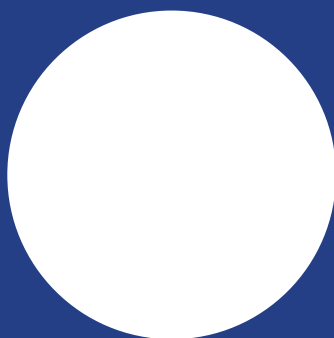
THE CZECH KORUNA IS BORN

The Czech koruna was born on the night of 7 to 8 February. Czech and Slovak politicians, especially Václav Klaus and Vladimír Mečiar, were instrumental in the peaceful separation of the currency. However, credit should also be given to the top representatives of the central banks, such as Josef Tošovský and Pavel Kysilka on the Czech side and Marián Tkáč on the Slovak side, and to other CNB and NBS employees. Another approximately 40,000 people at banks and post offices and in the army and the police were also involved directly or indirectly in the creation of the two currencies.

The successful separation of the two currencies benefited not only the new central banks, but also the public, as the entire process went off peacefully, with no complications. Most importantly from the public's perspective, there was no damage to assets. However, we should also take a long-term view of this success, as it engendered a high degree of trust in the Czech koruna — a trust it still enjoys today.



8



30TH ANNIVERSARY OF THE ESTABLISHMENT OF THE CNB AND THE CZECH CURRENCY

Last year, 30 years elapsed since the Czech National Bank was officially established. The CNB replaced the State Bank of Czechoslovakia (SBCS), which, together with the Czech and Slovak Federative Republic, ceased to exist on 1 January 1993. Thirty years also passed since the introduction of the Czech currency. The process that culminated in the separation of the Czech currency from the Czechoslovak one started only in mid-1992. The preparation and production of banknote stamps, the organisation of the separation and the selection of the designers of the new notes and coins were just some of the steps on the unusually fast yet successful road to the Czech koruna, which the Czech public encountered for the first time on 8 February 1993.



The central bank organised a series of activities to mark this anniversary. They were accompanied throughout the year by a logo created for the CNB by Jan Solpera. He is not only an important figure in Czech graphic design, but also the creator of the font used for the Czech banknotes designed by Oldřich Kulháněk in the early 1990s.

ANNIVERSARY CZK 1,000 BANKNOTE

PRODUCTION OF
THE ANNIVERSARY
CZK 1,000 NOTE
AT THE STATE
PRINTING WORKS
OF SECURITIES
(IN CZECH ONLY)

On 8 February 2023, exactly 30 years after the start of the currency separation, the CNB issued an anniversary banknote – a 2008 version CZK 1,000 koruna note featuring the CNB's 30th anniversary logo printed in the coupon on the left. To the right of the logo is a facsimile of the stamp that was applied to Czechoslovak one-thousand koruna notes in 1993. The stamp and the logo are printed in four-colour copper print using dark green, grey and optically variable ink that changes colour from green to blue when tilted in the light. A total of 200,000 of these anniversary notes, which can be used to pay for goods and services, were produced. Thousands of people came to the CNB's offices in Prague, Brno, České Budějovice, Hradec Králové, Ostrava, Plzeň and Ústí nad Labem to obtain them in exchange for standard notes of the same denomination.



Česká národní banka
@CNB_cz

The State Printing Works of Securities in Prague has produced an anniversary CZK 1,000 banknote featuring an additional print. Governor Aleš Michl and Bank Board member Oldřich Dědek came to the State Printing Works of Securities in Prague in December to launch the final stage in the production process – banknote numbering.



BANKNOTE STAMPING IN 1993

During the planning for the separation of the Czech currency, the original idea was to label all the circulating CSK 10, 20, 50, 100, 500 and 1,000 notes with stick-on or printed stamps. For time and operational reasons, however, only the three highest denominations – CSK 100, 500 and 1,000 – were stamped in the end. The stamps were sketched by Leopold Surga, Director of the SBCS Currency Circulation Division. The stick-on stamps were prepared and printed by the well-known UK printing house Thomas De La Rue at its works in Bogota, Colombia. Only the CZK 1,000 stamp was directly printed on the banknotes. The central bank took advantage of the fact that the State Printing Works of Securities in Prague had a large number of unfinished CSK 1,000 notes in stock at the start of 1993. It no longer made sense to complete these as Czechoslovak notes, nor would it have been cost-effective to have them officially destroyed. The stamps were printed on the notes by the State Printing Works using engravings by Miloš Ondráček.



EXHIBITION: *BREAKUP!* *ESTABLISHMENT OF THE* *CZECH AND SLOVAK* *CURRENCIES* *IN 1993*

OPENING OF
THE *BREAKUP!*
EXHIBITION
(IN CZECH ONLY)

Tens of thousands of people visited the exhibition *Breakup! Establishment of the Czech and Slovak Currencies in 1993*, which opened at the CNB Visitor Centre in February 2023. Prepared by the CNB in partnership with the State Printing Works of Securities and the Czech Mint, the exhibition – divided into three thematic parts – commemorated the creation of the Czech and Slovak korunas at the start of 1993 and described the role played by the central bank in the currency separation. The exhibition explained the circumstances surrounding the dissolution of the Czech and Slovak Federative Republic, the status of the State Bank of Czechoslovakia and the creation of the central banks of the Czech Republic and Slovakia. It also examined the monetary situation after the establishment of the Czech Republic and the reasons why the initial plan to maintain the Czechoslovak monetary union until the end of July 1993 was soon abandoned. It presented the legislative, organisational and technical aspects of the separation of the Czech and Slovak currencies. Last but not least, visitors could learn about the creation of the two countries' banknotes and coins, which replaced the federal and stamped issues.

CONFERENCE: 30 YEARS OF THE CNB – THE JOURNEY OF CZECH BANKING

A conference *30 Years of the CNB – The Journey of Czech Banking* held in April 2023 commemorated the important milestones the Czech banking sector had passed since the establishment of the Czech Republic. It also offered a unique platform for reflecting on and sharing the experience gained on that journey. A series of panel discussions provided an opportunity to look back on the transformation and subsequent stabilisation of the banking sector, the effect of the global financial crisis on the sector and the regulatory response to the crisis. The current and future challenges, risks and opportunities facing banks – including the central bank – were also discussed.



30 YEARS OF THE
CNB – THE JOURNEY
OF CZECH BANKING
(OPENING SPEECH BY
DEPUTY GOVERNOR
JAN FRAIT; IN CZECH
ONLY)

"We have a banking sector that is sound, efficient and modern. Despite the trend towards concentration observed in many sectors of the economy for years, we still see strong competition among the institutions in our banking sector, as well as considerable diversity, which drives innovation."

JAN FRAIT, DEPUTY GOVERNOR

RESEARCH OPEN DAY

Another event relating to the 30th anniversary of the CNB and the Czech currency was the annual international Research Open Day in May, at which CNB researchers presented selected papers to the academic and wider professional community. The speakers also included renowned world economists, central bankers and monetary policy experts. The CNB's traditional Economic Research Awards were again presented during last year's Research Open Day. The winning article was *Cooling the mortgage loan market: The effect of recommended borrower-based limits on new mortgage lending* by Martin Hodula, Milan Szabo and Lukáš Pfeifer (all CNB Financial Stability Department) and Martin Melecký (VSB – Technical University of Ostrava). In 2024, the Research Open Day will be replaced by a new annual CNB research workshop.

CZECH-SLOVAK ECONOMIC FORUM

The Czech-Slovak Economic Forum held in October 2023 offered a historical look at the currency separation and more. The first discussion panel, moderated by Deputy Governor Eva Zamrazilová, focused on the details of the successful currency separation in 1993. The events of 30 years ago were reviewed by Pavel Kysilka, former Acting Governor of the CNB, and Elena Kohútiková, former Deputy Governor of the National Bank of Slovakia (NBS). The second panel – on globalisation and deglobalisation from the monetary policy perspective of central banks – was moderated by Deputy Governor Jan Frait and attended by former CNB Governor Miroslav Singer, former CNB Deputy Governor Vladimír Tomšík and Michal Horváth, Minister of Finance of the Slovak Republic and former Chief Economist of the NBS. Finally, the third panel, moderated by Petr Král, Executive Director of the Monetary Department, dealt with central bank digital currencies. Former CNB Deputy Governor Oldřich Dědek and Adriana Lojschová, Head of the Monetary Policy Analysis Section of the NBS Economic and Monetary Analysis Department, joined the discussion in this panel.

CZECH-SLOVAK
ECONOMIC
FORUM (OPENING
SPEECH BY DEPUTY
GOVERNOR EVA
ZAMRAZILOVÁ;
IN CZECH ONLY)

CNB DISCUSSION FORUM 2023




The story of 30 years of Czech banking was one of the main topics of the Discussion Forum organised in October by the CNB in partnership with the Faculty of Management and Economics of Tomas Bata University in Zlín. In addition to Governor Aleš Michl, Deputy Governor Jan Frait and Bank Board member Jan Kubiček, the speakers at the central bank's regular event included other prominent economists and guests. The discussions focused, among other things, on milestones in the development of domestic banks and banking supervision – from the transformation period, when the CNB was entrusted with supervision of the newly emerging banking sector, through to the gradual integration of supervision into the central bank as we know it today.



**FINANCIAL
STATEMENTS AND
AUDITOR'S REPORT AS
OF 31 DECEMBER 2023**

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

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

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

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

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

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

1. GENERAL INFORMATION

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

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

The Bank sets the monetary policy, issues bank notes and coins, manages the circulation of currency and inter-bank clearing and the settlement system of banks and foreign bank branches. It supervises the institutions operating on the financial market (banks, credit unions, securities traders, issuers of securities, collective investment undertakings, insurance companies, pension funds, consumer loan providers) and supervises a specific area of client protection with entities operating on the financial market which are subject to the CNB’s supervision pursuant to other legal regulations. As a central bank, it provides banking services to the state and the public sector and maintains the accounts of organizations

and entities connected to the state budget. Based on an agreement with the Ministry of Finance of the Czech Republic (the “MF”) and in accordance with budgetary rules, the Bank performs transactions related to the issuing of government bonds and to financial market investments. In addition, it handles foreign currency reserves and performs other activities as defined by the CNB Act and by other legislation.

When pursuing its objectives, the Bank cooperates with the central banks of other countries, the authorities supervising the banks, with resolution authorities of other countries, and with financial markets of other countries, and with international financial institutions and international authorities involved in the supervision of the financial market, with international resolution authorities, negotiates relevant agreements and the Single Resolution Board.

The Bank is a part of the European Central Banks System and contributes to the achievement of its objectives and tasks. It is also a part of the European System of Financial Supervision and cooperates with the European Systemic Risk Board and with European supervisory authorities.

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

The Bank uses its income to cover the necessary costs of its operations. The generated profit is allocated to its reserve fund and to other funds created from this profit, and for other uses within the Bank’s budget. Any remaining profit is transferred by the CNB to the state budget. The CNB submits 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 2023, the members of the Bank Board and their office termination dates were as follows:

Ing. Aleš Michl, Ph.D.

Governor, until 30 June 2028

doc. Ing. Eva Zamrazilová, CSc.

Vice-Governor, until 30 June 2028

prof. Dr. Ing. Jan Frait

Vice-Governor, until 30 June 2028

Ing. Karina Kubelková, Ph.D., MBA

Member of the Bank Board, until 30 June 2028

doc. Mgr. Tomáš Holub, Ph.D.

Member of the Bank Board,
until 30 November 2024

Ing. Jan Kubíček

Member of the Bank Board,
until 12 February 2029

Ing. Jan Procházka

Member of the Bank Board,
until 12 February 2029

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

2. ACCOUNTING POLICIES

2.1. Basis of preparation

The financial statements are prepared in accordance with the Act on Accounting, Decree No. 501/2002 Coll. issued by the Ministry of Finance of the CR and Czech Accounting Standards for financial institutions and for financial instruments in compliance with the Decree also with the International Financial Reporting Standards (IFRS). The financial statements of the CNB are prepared to give a true and fair view of its financial position, financial transactions and the results of its operations. The arrangement, definition of content and scope of items for disclosure in the notes to the financial statements were adopted in accordance with the rules set by the European Central Bank for accounting and financial reporting in the European System of Central Banks. Therefore the notes to the financial statements do not contain all information required in compliance with IFRS that are designed primarily for commercial entities.

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

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

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

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

2.2. Foreign currencies and special drawing rights

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

Exchange rates	Quantity	31/ 12/ 2023	31/ 12/ 2022
EUR	1	24.725	24.115
USD	1	22.376	22.616
JPY	100	15.811	17.152
GBP	1	28.447	27.200
CHF	1	26.688	24.496
CAD	1	16.885	16.706
AUD	1	15.193	15.373
SEK	1	2.229	2.167
SDR	1	30.021	30.098
CNY	1	3.150	3.279
DKK	1	3.318	3.243
NOK	1	2.200	2.294
PLN	1	5.694	5.152
XAG	1	17.386	17.429
XAU	1	1,483.678	1,319.893
XPT	1	712.940	744.486

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

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

2.3. Gold and other precious metals

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

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

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

2.4. Securities

CNB has currently no regime in place for the purchase of domestic securities. Foreign debt securities and shares held as part of the foreign currency reserves are reported as part of receivables from abroad. These include securities traded on the money and capital markets. Most of debt securities portfolios are managed by the Financial Markets and Resolution Department. The MBS (US “Mortgage Backed Securities”) portfolio is managed by external managers. In 2023, the shares were managed partly internally by the Financial Markets and Resolution Department and partly by external managers, with all shares gradually being taken

under internal management while this transition to internal management was completed in 2023. All share portfolios pursue an investment strategy consisting of maximum achievable replication (“passive replication”) of selected share indices of advanced economies.

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

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

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

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

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

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

In rare instances where the price supplier fails to obtain sufficient information from liquid markets, prices are calculated using models based on market data. A systematic exception is short-term debt securities issued under the so-called Euro Commercial paper programs, the prices of which are not usually quoted on the market. These bonds are measured using the present value of future cash flows using exclusively observable market indicators. The market interest rate shall be the interest rate achieved by the same issuers on the primary securities market.

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

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

of inflation linked bonds, interest income changes depending on changes in inflation coefficients. Interest from bonds is reported in income statement line item 1.1. Gains and losses realized upon the sale of the security are recognized as the difference between the selling price and the current value of the security in the accounting books as at the sale date. Gains and losses from sales are recognized in income statement line item 6.2.

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

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

2.5. Repo transactions and securities lending

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

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

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

If the Bank does not receive collateral directly, the depository guarantees that the lent securities are returned or reimbursed for in cash.

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

2.6. Notes and coins in circulation

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

2.7. Receivables from and liabilities to the International monetary fund

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

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

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

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

2.8. Issued securities

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

2.9. Derivative financial instruments

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

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

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

Market values are determined using discounted future cash-flow models (for FX swap and FX forward transactions) using the ruling foreign exchange rates. Interest rate swap transactions are valued using the Bloomberg's standard valuation tool Swap Manager (also using discounted future cash-flow model). Cash flows in forward and outright swap operations are discounted using money market rates. Futures are valued at the closing price of the relevant exchange on

the given day. All market prices are calculated using publicly available information from financial markets. Fair values of derivatives are presented in other assets or in other liabilities when they are positive or negative, respectively. Changes in the fair value of derivatives are included in the income statement line 6.2 Other. The Bank recognizes all derivatives as available-for-sale derivatives and does not use hedge accounting.

2.10. Interest income and interest expense

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

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

2.11. Fee income

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

2.12. Payables to and receivables from domestic banks

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

The MMR requirement is 2% of payables to non-banking entities arising from received deposits, loans and issued non-trading and other debt securities with maturity up to 2 years. These deposits bear interest at the announced two-week repo rate. In September 2023, the CNB decided to abolish interest, effective from 5 October, or from the first day of the new reserve requirement maintenance cycle. The CNB took this step with the aim of reducing the costs of monetary policy while maintaining its effectiveness. Banks in the Czech Republic do not have to maintain a set amount on a daily basis, but on average over a given maintenance period.

Liabilities to domestic banks from repo transactions (loans received) include the banks’ surplus liquidity deposited with the CNB through monetary policy repo tenders. The Bank provides CNB treasury bills as collateral in these transactions. The basic duration of these operations is usually 14 days, while repos with shorter/longer maturities are executed from time to time depending on the interbank money market liquidity changes. Repo transactions are revalued on a monthly basis.

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

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

2.13. Other receivables

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

2.14. Liabilities to the government and other public institutions

The Bank maintains a system of income and expense accounts and other accounts for the government and its organizational units and other entities pursuant to Section 3(h) of Act No. 218/2000 Coll., on Budgetary Rules. The Bank also provides selected banking services on these accounts. Account balances are reflected in the balance of the Single Treasury Account (STA) in CZK and EUR; from August 2023, the Bank also maintains the account in USD. Funds of the government and other public institutions deposited with the CNB are reflected in liabilities.

2.15. Provisions

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

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

2.16. Specific provisions

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

In addition, in accordance with IFRS 9 the Bank applies a calculation model of financial asset impairment based on expected credit losses based on the historical cumulative probability of the debtor's default. In applying this approach, the Bank performed an analysis of all groups of financial assets. Given that the amount of the required specific provision mentioned above is negligible with respect to the volume of the CNB's assets (CZK 0.97 million and CZK 1.01 million in 2023 and 2022, respectively), it is not recognized.

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

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

2.17. Tangible and intangible fixed assets

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

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

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

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

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

2.18. Value added tax

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

2.19. Income tax and profit transfer to the state budget

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

2.20. Staff costs and employee benefits

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

2.21. Cash flow statement

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

2.22. Accounting transaction date

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

2.23. Other off balance sheet items

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

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

2.24. Subsequent events

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

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

3. ADDITIONAL INFORMATION

3.1. Gold

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

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

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

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

3.2. Receivables from and payables to the International monetary fund

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

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

3.3. Receivables from abroad including securities

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

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

¹ – Financial instruments classified as measured at amortized cost. ² – Financial instruments classified as measured at fair value and at market prices directly from financial markets (refer to Note 2.4.).

³ – Financial instruments classified as measured at fair value and at market prices directly from financial markets (refer to Note 2.4.) with exceptions valued using models which in 2023 represented Commercial papers at value CZK 26,397 million (in 2022 at value of CZK 2,165 million).

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

Other receivables from abroad are particularly represented by reverse repo transactions for which collateral was received in the amount of CZK 194,058 million (2022: CZK 16,375 million) (refer to Note 3.17.).

Deposits also include provided collateral in the form of cash placed in foreign banks in the total amount of CZK 689 million (2022: CZK 2,643 million) provided based on the framework agreements on derivatives transactions (ISDA Master Agreement, ISDA Credit Support Annex and GMRA Master Agreements).

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

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

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

3.4. Receivables from domestic banks

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

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

3.5. Tangible and intangible fixed assets

The Bank did not provide any tangible or intangible fixed assets as collateral and does not hold any fixed assets under finance lease contracts. Other tangible assets include the collection of coins and medals made of precious metals in the amount of CZK 368 million (2022: CZK 324 million) for which the value of precious metals is remeasured at fair value through profit or loss.

CZK million	Land	Buildings	Machinery, furniture and fittings and other tangible assets	Acquisition of assets and prepayments made	Total
Acquisition cost as at 31 December 2022	164	7,095	2,989	40	10,288
Accumulated depreciation as at 31 December 2022	0	4,891	2,221	0	7,112
Net book value as at 31 December 2022	164	2,204	768	40	3,176
Additions	0	28	240	215	483
Disposals	0	0	200	229	429
Change in accumulated depreciation	0	178	−40	0	138
Net book value as at 31 December 2023	164	2,054	848	26	3,092
Acquisition cost as at 31 December 2023	164	7,123	3,029	26	10,342
Accumulated depreciation as at 31 December 2023	0	5,069	2,181	0	7,250

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

3.6. Other assets

Other financial assets include the Bank's share in the ECB, BIS and the SWIFT. The share of the Czech Republic in the ECB's capital amounts to 1.9623% totaling EUR 7.9 million (in 2022 it amounted to 1.8794% totaling EUR 7.6 million). The share was calculated in line with Article 29 of the ESCB and ECB Statute using the population number and gross domestic product.

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

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

3.7. Notes and coins in circulation

The Bank has the exclusive right to issue Czech notes and coins (including commemorative notes and coins) to be put into circulation and to manage circulation. The Bank withdraws from circulation worn-out and damaged notes and coins, or those unsuitable

for further circulation. In addition, it supervises processors of notes and coins (banks, security agencies, etc.) to make sure that they adhere to the determined rules of cash circulation (Act No. 156/2011 Coll., on the Circulation of Banknotes and Coins).

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

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

3.8. Liabilities abroad

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

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

In addition, foreign banks made deposits in CZK amounting to CZK 842 million (2022: CZK 3,001 million) and provided collaterals in the form of cash deposits of CZK 2,486 million (2022: CZK 2,340 million) in accordance with master agreements on derivative transactions (ISDA Master Agreement, ISDA Credit Support Annex and GMRA Master Agreements).

3.9. Liabilities to domestic banks

CZK million	2023	2022
Loans received - repo transactions	2,373,402	1,896,729
Domestic bank reserves	77,394	112,131
Payment system accounts	71,210	105,148
Balances on cash withdrawal and deposit accounts	6,149	6,975
Special MMR accounts	35	8
Other liabilities to domestic banks	105,242	66,919
Short-term deposits received	96,221	44,706
Other payables	9,021	22,213
Liabilities to domestic banks	2,556,038	2,075,779

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

For more information refer to Notes 2.5 and 2.8.

3.10. Liabilities to the government and other public institutions

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

STA = Single Treasury Account, refer to Note 2.14.

3.11. Other liabilities

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

¹ – refer to Note 3.17.

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

Other liabilities totaling CZK 585 million include liabilities of CZK 78 million owing to social security and health insurance premiums (2022: CZK 173 million). The Bank has no liabilities related to social security and health insurance that would be overdue.

3.12. Provisions, specific provisions and write-offs of assets

CZK million	1/ 1/ 2022	Additions	Use due to write-offs	Reversals	31/ 12/ 2022	Additions	Use due to write-offs	Reversals	31/ 12/ 2023
Specific provisions	1,352	0	0	0	1,352	0	1	9	1,342
Classified loans of former banks (refer to Note 3.6.)	1,340	0	0	0	1,340	0	0	9	1,331
Other operating receivables (refer to Note 3.6.)	12	0	0	0	12	0	1	0	11

CZK million	1/ 1/ 2022	Additions	Reversals	FX differences	31/ 12/ 2022	Additions	Reversals	FX differences	31/ 12/ 2023
Provisions	0	0	0	0	0	0	0	0	0
Guarantees for clients (refer to Note 3.17)	0	0	0	0	0	0	0	0	0

3.13. Equity

CZK million	Revaluation reserve	Share capital	Funds	Accumulated losses	Profit/loss for the year	Total equity
Balance as at 1 January 2022	4,497	1,400	0	−37,536	−37,739	−69,378
Distribution of 2021 profit	0	0	0	−37,739	37,739	0
Other (rounding effect)	0	0	0	0	0	0
Revaluation reserve not included in profit	26	0	0	0	0	26
Profit/(loss) for 2022	0	0	0	0	−411,855	−411,855
Balance as at 31 December 2022	4,523	1,400	0	−75,275	−411,855	−481,207
Distribution of 2022 profit	0	0	0	−411,855	411,855	0
Other (rounding effect)	0	0	0	0	0	0
Revaluation reserve not included in profit	47	0	0	0	0	47
Profit/(loss) for 2023	0	0	0	0	55,108	55,108
Balance as at 31 December 2023	4,570	1,400	0	−487,130	55,108	−426,052

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

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

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

3.14. Net interest income

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

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

3.15. Gains less losses from financial transactions

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

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

3.16. Other costs

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

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

3.17. Off-balance sheet items

GUARANTEES

CZK million	2023	2022
Guarantees issued	800	804
Guarantees for clients (refer to Note 3.12)	0	0
For deposits held by IPB	0	4
Consolidation of the banking sector	800	800
Guarantees received	0	0

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

COLLATERAL RECEIVED

CZK million	2023	2022
Repo transactions	194,058	16,375
Collateral received for securities granted within the lending scheme	51,448	72,720
Derivatives and additional collateral	256	1,197
Gold swap	57,130	2,052
Collateral received	302,892	92,344

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

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

SPOT TRANSACTIONS AND FINANCIAL DERIVATIVES

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

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

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

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

All currency forwards will mature in 2024.

The foreign currency forwards do not qualify for hedge accounting as defined by Czech accounting regulations and, accordingly, are treated as derivatives held for trading. Gains and losses from the change in the fair value of these foreign currency forwards are reported in gains less losses from financial operations. Gains and losses from revaluation arising from changes in foreign exchange rates are reported under net foreign exchange gains/(losses) and foreign exchange spread (refer to Note 3.15.).

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

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

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

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

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

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

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

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

ASSETS HELD IN CUSTODY

The Bank did not receive any financially significant assets from third parties to be held in custody in 2023 and 2022, respectively.

3.18. Financial risks

LIQUIDITY RISK

The Bank monitors and manages the structure of its foreign currency reserves with respect to the use of its

foreign currency reserves taking into consideration developments in financial markets and size of the reserves. For these purposes, the Bank has allocated a portion of foreign reserve assets to the so-called liquidity tranche in which it maintains funds that are intended for immediate need. In addition, the Bank invests part of the investment tranche in government bonds of the most advanced countries and in shares listed on the largest world's stock exchanges; these bonds and shares are also the most liquid instruments on the market. From the placement point of view, the Bank breaks down its international reserves into a liquidity tranche, which accounted for 21.2% at the end of 2023, and an investment tranche, which accounted for 78.8% of the actively managed part of its international reserves.

INTEREST RATE RISK

The Bank holds financial instruments in its foreign reserves, the price of which is sensitive to changes in market interest rates. This sensitivity is expressed by modified duration. The bank manages interest rate risk by setting the modified duration of the benchmarks for individual portfolios, the maximum possible deviation of the modified duration of the portfolios from the relevant benchmarks, and the total duration limit for the entire actively managed international reserves. These limits are set with regard to the use of foreign reserves, their amount and expected return.

CURRENCY RISK

The CZK value of foreign currency reserves is exposed to changes in the CZK exchange rate versus individual foreign currencies in which foreign reserves are held. Due to the necessity to keep foreign currency reserves and subordinate their development to the primary statutory target of monetary stability, the CNB is not able to fully eliminate the risk of decrease

of CZK value of foreign currency reserves from the strengthening of the Czech currency against major foreign currencies. However, by appropriate diversification into several currencies, the Bank seeks to reduce this risk to at least partially take advantage of the opposing movements in the CZK exchange rate against currencies in foreign reserves.

CREDIT RISK AND THE CONCENTRATION OF LIABILITIES

The Bank manages the levels of credit risk it undertakes during the management of foreign currency reserves by placing limits on the amount of risk accepted in relation to one borrower or group of borrowers and to geographical segments. Such risks are monitored on a monthly basis and are subject to review several times per year. The basic measure of credit risk is the rating of the borrower or issuer of a security from reputable rating agencies as well as the internal credit risk assessment model.

LIQUIDITY RISK

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

CZK million		Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	Total
Gold	2023	0	0	0	0	0	45,510	45,510
	2022	0	0	0	0	0	15,785	15,785
Receivables from the IMF	2023	0	0	0	0	0	140,640	140,640
	2022	0	0	0	0	0	143,955	143,955
Zero-coupon bonds	2023	41,323	11,322	34,555	969	0	0	88,169
	2022	2,166	0	28,095	4,075	0	0	34,336
Coupon bonds	2023	902	4,289	49,950	739,861	956,946	0	1,751,948
	2022	2,208	3,834	103,319	828,001	681,064	0	1,618,426
MBS	2023	681	237	66	28	40,610	0	41,622
	2022	389	67	134	48	39,308	0	39,946
Shares	2023	0	0	0	0	0	602,314	602,314
	2022	0	0	0	0	0	493,664	493,664
Deposits, loans and other receivables from abroad	2023	696,911	0	0	0	0	0	696,911
	2022	872,561	0	0	0	0	0	872,561
Receivables from domestic banks	2023	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Tangible and intangible fixed assets	2023	0	0	0	0	0	3,288	3,288
	2022	0	0	0	0	0	3,376	3,376
Other assets	2023	7,972	0	32	52	409	5,201	13,666
	2022	9,026	0	27	44	399	5,155	14,651
Total assets	2023	747,789	15,848	84,603	740,910	997,965	796,953	3,384,068
	2022	886,350	3,901	131,575	832,168	720,771	661,935	3,236,700

CZK million		Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	Total
Notes and coins in circulation	2023	0	0	0	0	0	708,869	708,869
	2022	0	0	0	0	0	709,477	709,477
Liabilities to the IMF	2023	0	0	0	0	0	132,151	132,151
	2022	0	0	0	0	0	136,536	136,536
Liabilities abroad	2023	113,654	0	0	0	0	0	113,654
	2022	235,320	0	0	0	0	0	235,320
Liabilities to domestic banks	2023	2,556,038	0	0	0	0	0	2,556,038
	2022	2,075,779	0	0	0	0	0	2,075,779
Liabilities to the government	2023	283,117	0	0	0	0	0	283,117
	2022	512,218	0	0	0	0	0	512,218
Other liabilities	2023	16,291	0	0	0	0	0	16,291
	2022	48,577	0	0	0	0	0	48,577
Provisions	2023	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Equity	2023	0	0	0	0	0	–426,052	–426,052
	2022	0	0	0	0	0	–481,207	–481,207
Total liabilities	2023	2,969,100	0	0	0	0	414,968	3,384,068
	2022	2,871,894	0	0	0	0	364,806	3,236,700
NET LIQUIDITY GAP	2023	–2,221,311	15,848	84,603	740,910	997,965	381,985	0
	2022	–1,985,544	3,901	131,575	832,168	720,771	297,129	0

INTEREST RATE RISK

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

CZK million		Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not sensitive to the interest rate	Total
Gold	2023	0	0	0	0	0	45,510	45,510
	2022	0	0	0	0	0	15,785	15,785
Receivables from the IMF	2023	0	0	0	0	0	140,640	140,640
	2022	0	0	0	0	0	143,955	143,955
Zero-coupon bonds	2023	41,323	11,322	34,555	969	0	0	88,169
	2022	2,166	0	28,095	4,075	0	0	34,336
Coupon bonds	2023	24,594	15,574	78,883	695,389	937,508	0	1,751,948
	2022	20,358	11,626	127,786	792,415	666,241	0	1,618,426
MBS	2023	681	237	66	28	40,610	0	41,622
	2022	389	67	134	48	39,308	0	39,946
Shares	2023	0	0	0	0	0	602,314	602,314
	2022	0	0	0	0	0	493,664	493,664
Deposits, loans and other receivables from abroad	2023	696,911	0	0	0	0	0	696,911
	2022	872,561	0	0	0	0	0	872,561
Receivables from domestic banks	2023	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Tangible and intangible fixed assets	2023	0	0	0	0	0	3,288	3,288
	2022	0	0	0	0	0	3,376	3,376
Other assets	2023	8,005	0	0	51	409	5,201	13,666
	2022	9,053	0	0	44	399	5,155	14,651

CZK million		Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not sensitive to the interest rate	Total
Total assets	2023	771,514	27,133	113,504	696,437	978,527	796,953	3,384,068
	2022	904,527	11,693	156,015	796,582	705,948	661,935	3,236,700
Notes and coins in circulation	2023	0	0	0	0	0	708,869	708,869
	2022	0	0	0	0	0	709,477	709,477
Liabilities to the IMF	2023	0	0	0	0	0	132,151	132,151
	2022	0	0	0	0	0	136,536	136,536
Liabilities abroad	2023	113,654	0	0	0	0	0	113,654
	2022	235,320	0	0	0	0	0	235,320
Liabilities to domestic banks	2023	2,556,038	0	0	0	0	0	2,556,038
	2022	2,075,779	0	0	0	0	0	2,075,779
Liabilities to the government	2023	283,117	0	0	0	0	0	283,117
	2022	512,218	0	0	0	0	0	512,218
Other liabilities	2023	16,291	0	0	0	0	0	16,291
	2022	48,577	0	0	0	0	0	48,577
Provisions	2023	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
Equity	2023	0	0	0	0	0	–426,052	–426,052
	2022	0	0	0	0	0	–481,207	–481,207
Total liabilities	2023	2,969,100	0	0	0	0	414,968	3,384,068
	2022	2,871,894	0	0	0	0	364,806	3,236,700
NET LIQUIDITY GAP	2023	–2,197,586	27,133	113,504	696,437	978,527	381,985	0
	2022	–1,967,367	11,693	156,015	796,582	705,948	297,129	0

CURRENCY RISK

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

CZK million		CZK	EUR	USD	JPY	GBP	CAD	AUD	CNY	Other	Total
Gold	2023	0	0	0	0	0	0	0	0	45,510	45,510
	2022	0	0	0	0	0	0	0	0	15,785	15,785
Receivables from the IMF	2023	45,996	0	0	0	0	0	0	0	94,644	140,640
	2022	50,160	0	0	0	0	0	0	0	93,795	143,955
Zero-coupon bonds	2023	0	42,520	2,215	14,090	0	0	0	0	29,344	88,169
	2022	0	32,171	0	0	0	0	0	0	2,165	34,336
Coupon bonds	2023	0	645,995	718,835	0	83,011	177,728	93,966	0	32,413	1,751,948
	2022	0	617,631	601,987	0	69,516	158,670	89,670	50,759	30,193	1,618,426
MBS	2023	0	0	41,622	0	0	0	0	0	0	41,622
	2022	0	0	39,946	0	0	0	0	0	0	39,946
Shares	2023	0	282,258	156,933	47,643	27,551	57,708	30,221	0	0	602,314
	2022	0	243,921	125,463	21,461	24,390	51,298	27,131	0	0	493,664
Deposits, loans and other receivables from abroad	2023	0	595,021	19,278	79,081	90	88	808	0	2,545	696,911
	2022	0	686,467	8,648	51,993	6,070	113	104	20	119,146	872,561
Receivables from domestic banks	2023	0	0	0	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0	0	0	0
Tangible and intangible fixed assets	2023	2,918	0	0	0	0	0	0	0	370	3,288
	2022	3,052	0	0	0	0	0	0	0	324	3,376
Other assets	2023	3,135	1,471	3,532	84	157	184	73	0	5,030	13,666
	2022	3,729	1,924	3,643	50	115	151	52	0	4,987	14,651
Total assets	2023	52,049	1,567,265	942,415	140,898	110,809	235,708	125,068	0	209,856	3,384,068
	2022	56,941	1,582,114	779,687	73,504	100,091	210,232	116,957	50,779	266,395	3,236,700

CZK million		CZK	EUR	USD	JPY	GBP	CAD	AUD	CNY	Other	Total
Notes and coins in circulation	2023	708,869	0	0	0	0	0	0	0	0	708,869
	2022	709,477	0	0	0	0	0	0	0	0	709,477
Liabilities to the IMF	2023	45,996	0	0	0	0	0	0	0	86,155	132,151
	2022	50,160	0	0	0	0	0	0	0	86,376	136,536
Liabilities abroad	2023	872	98,833	7,234	0	0	0	4,120	0	2,595	113,654
	2022	3,036	195,133	12,749	0	9,954	0	5,300	0	9,148	235,320
Liabilities to domestic banks	2023	2,556,038	0	0	0	0	0	0	0	0	2,556,038
	2022	2,075,779	0	0	0	0	0	0	0	0	2,075,779
Liabilities to the government	2023	282,693	237	187	0	0	0	0	0	0	283,117
	2022	463,836	47,043	1,338	0	1	0	0	0	0	512,218
Other liabilities	2023	14,374	1,639	166	0	112	0	0	0	0	16,291
	2022	14,667	33,565	161	0	160	0	24	0	0	48,577
Provisions	2023	0	0	0	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0	0	0	0
Equity	2023	-430,718	0	0	0	0	0	0	0	4,666	-426,052
	2022	-485,830	0	0	0	0	0	0	0	4,623	-481,207
Total liabilities	2023	3,178,124	100,709	7,587	0	112	0	4,120	0	93,416	3,384,068
	2022	2,831,125	275,741	14,248	0	10,115	0	5,324	0	100,147	3,236,700
Net assets/liabilities (-)	2023	-3,126,075	1,466,556	934,828	140,898	110,697	235,708	120,948	0	116,440	0
	2022	-2,774,184	1,306,373	765,439	73,504	89,976	210,232	111,633	50,779	166,248	0
Net off-balance sheet assets	2023	412	205,549	48,214	27,170	5,658	5,816	84	0	0	292,903
	2022	0	139,034	130,647	23,410	6,648	3,495	4,398	0	7	307,639
Net off-balance sheet liabilities	2023	-16	-88,491	-37,639	-120,311	-9,075	-8,603	-84	0	-29,357	-293,576
	2022	0	-62,022	-61,202	-53,152	-4,263	-6,779	-6,825	0	-112,762	-307,005
Net open currency position	2023	-3,125,679	1,583,614	945,403	47,757	107,280	232,921	120,948	0	87,083	-673
	2022	-2,774,184	1,383,385	834,884	43,762	92,361	206,948	109,206	50,779	53,493	634

CREDIT RISK AND CONCENTRATION
OF LIABILITIES

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

ASSETS

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

LIABILITIES

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

3.19. Contingents liabilities

In accordance with the Agreement for the payment of operating costs and losses related to assumed assets that are incurred in connection with the fulfilment of the Consolidation Programme concluded on 29 June 2000, as amended, the CNB charges against income the amounts it pays for the acknowledged reasonable operating costs of the Ministry of Finance of the Czech Republic (until 31 December 2007 the costs of Česká konsolidační agentura a.s.). In 2023 these costs amounted to CZK 0.1 million (2022: CZK 0.1 million). The Bank does not recognize any provisions for these contingencies as they are immaterial.

PENDING LITIGATION

As a result of the activities the CNB conducted pursuant to its role in supporting and maintaining the stability of the banking sector, the CNB or third parties are defendants in several court proceedings. Based on consultation with external lawyers and internal analyses, the CNB does not consider it probable that the outcome of these legal cases will result in any material outflow of the CNB's resources and, therefore, has not recognized any provisions. Similarly, the Bank evaluates the contingencies and commitments from legal cases which relate to the activities of the former authorities of financial market supervision and which the Bank keeps on the basis

of Act No. 57/2006 Col., on the Amendment of Acts Connected with the Unification of Financial Market Supervision. According to this Act, any financial liabilities arising from these legal cases would be reimbursed by the state.

3.20. Related party transactions

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

In accordance with internal rules the CNB provides the members of the Bank Board and senior management with services consisting of maintaining current and deposit accounts and special purpose loans, especially for housing. The loans to the members of the Bank Board and senior management are provided under standard conditions same as loans to other employees of the Bank. In 2023, a Bank Board member was provided a loan with an exception to the usual terms and conditions; the exception was granted in accordance with internal regulations and related to the term of the loan.

3.21. Subsequent Events

The CNB's management is not aware of any other subsequent events that would have a material impact on the financial statements for the year ended 31 December 2023.

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

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

INDEPENDENT AUDITOR'S REPORT

To the Bank Board of the Czech National Bank:

Opinion

We have audited the accompanying financial statements of the Czech National Bank prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2023, and the income statement for the year then ended, and notes to the financial statements, including a material accounting policy information. For details of the Czech National Bank, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Czech National Bank as at 31 December 2023, and of its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

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

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon and information also included in the Financial Report submitted to the House of Deputies of the Czech Parliament for 2023. The Bank Board of the Czech National Bank is responsible for the other information.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Roman Hauptfleisch, Auditor
License No. 2009

20 March 2024
Prague, Czech Republic

ABBREVIATIONS

ABO	Automated Banking Operations
AI	artificial intelligence
AML/CFT	anti-money laundering/combating the financing of terrorism
AML Act	Act on Certain Measures against Money Laundering and Terrorist Financing
AnaCredit	Analytical Credit Datasets
Basel III	international regulatory framework for the banking sector
CERTIS	Czech Express Real Time Interbank Gross Settlement System
CNB	Czech National Bank
CSDB	Centralised Securities Database
CZK	Czech koruna
CZSO	Czech Statistical Office
DORA	Digital Operational Resilience Act
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
EuGB	European green bond
EUR	euro
FTSE 100	benchmark index for the UK stock market
GDP	gross domestic product
IAIS	International Association of Insurance Supervisors
ICT	information and communications technology
IMF	International Monetary Fund
IOPS	International Organisation of Pension Supervisors
IOSCO	International Organization of Securities Commissions
IReF	the ECB's Integrated Reporting Framework
LTV	loan-to-value

MiCA	Markets in Crypto-Assets Regulation
MONEYVAL	regional committee within the Council of Europe which assesses the quality of AML/CFT measures
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
NBS	Národná banka Slovenska
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
SEPA	Single Euro Payments Area
Solvency II	Directive on Insurance and Reinsurance
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process

COUNTRY ABBREVIATIONS

AT	Austria	HU	Hungary
BE	Belgium	IE	Ireland
BG	Bulgaria	IT	Italy
CZ	Czech Republic	LT	Lithuania
DE	Germany	LV	Latvia
DK	Denmark	NL	Netherlands
EE	Estonia	PL	Poland
ES	Spain	PT	Portugal
FI	Finland	RO	Romania
FR	France	SE	Sweden
GR	Greece	SI	Slovenia
HR	Croatia	SK	Slovakia

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