
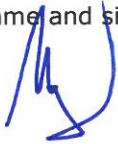
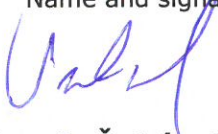


FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2018
TOGETHER WITH AUDITOR'S REPORT

2018

FINANCIAL STATEMENTS OF
THE CZECH NATIONAL BANK
FOR THE YEAR
ENDED 31 DECEMBER 2018

Date of preparation:	Signature of the Governor	Person responsible for accounting Name and signature	Person responsible for the financial statements Name and signature
1 March 2019	 Ing. J. Rusnok	 Ing. M. Mayer, LL.M.	 Ing. D. Šafránek, MBA

The financial statements and notes to the financial statements were approved by the CNB's Bank Board on 20 March 2019.

BALANCE SHEET

ASSETS		Note	2018 CZK million	2017 CZK million
1.	Gold	3.1.	546	602
2.	Receivables from the International Monetary Fund	3.2.	82 840	81 008
3.	Receivables from abroad, including securities	3.3.	3 167 269	3 120 494
3.1.	Deposits at foreign banks and financial institutions		1 279 864	1 323 050
3.2.	Securities		1 835 353	1 764 109
3.3.	Other receivables from abroad		52 052	33 335
4.	Receivables from domestic banks	3.4.	0	0
5.	Fixed assets	3.5.	3 237	3 308
5.1.	Tangible fixed assets		3 096	3 228
5.2.	Intangible assets		141	80
6.	Other assets	3.6.	6 741	6 729
6.1.	Other financial assets		4 496	4 302
6.2.	Other		2 245	2 427
TOTAL ASSETS			3 260 633	3 212 141

LIABILITIES AND EQUITY		Note	2018 CZK million	2017 restated CZK million
1.	Notes and coins in circulation	3.7.	618 629	593 854
2.	Liabilities to the International Monetary Fund	3.2.	79 643	81 282
3.	Liabilities abroad	3.8.	144 299	140 992
3.1.	Loans from foreign banks		0	27 248
3.2.	Other liabilities abroad		144 299	113 744
4.	Liabilities to domestic banks	3.9.	2 303 096	2 294 920
4.1.	Loans received		2 130 901	1 758 566
4.2.	Bank monetary reserves		98 039	92 721
4.3.	Other liabilities to banks		74 156	443 633
5.	Liabilities to the state and other public institutions	3.10.	282 275	269 895
6.	Other liabilities	3.11.	14 255	14 759
7.	Provisions	3.12.	258	245
8.	Revaluation reserve	3.13.	3 893	3 699¹
9.	Share capital	3.13.	1 400	1 400
10.	Funds	3.13.	0	60 389¹
11.	Accumulated loss brought forward	3.13.	-188 905	0
12.	Profit or loss for the period	3.13.	1 790	-249 294¹
TOTAL LIABILITIES AND EQUITY			3 260 633	3 212 141

OFF BALANCE SHEET		Note	2018 CZK million	2017 CZK million
1.	Guarantees issued	3.18.	1 062	1 049
2.	Issued loan commitments	3.2.	38 588	0
3.	Receivables from spot, term and futures transactions	3.18.	433 069	398 115
4.	Liabilities from spot, term and futures transactions	3.18.	433 407	397 498
5.	Guarantees received	3.18.	38 588	64 616
6.	Collateral received	3.18.	61 093	40 602

¹ 2017 data restated due to a change in accounting policies.

INCOME STATEMENT		Note	2018 CZK million	2017 restated CZK million
1.	Interest income and similar income	3.14.	18 783	14 457
1.1.	Interest from fixed income securities		18 132	13 864
1.2.	Other		651	593
2.	Interest expense and similar expense	3.14.	-36 805	-13 843
3.	Income from shares and other interests		7 499	6 764
4.	Fee and commission income		718	613
5.	Fee and commission expense		-170	-176
6.	Gains less losses from financial operations	3.15.	13 871	-255 840²
6.1.	Net foreign exchange gains / (losses) and foreign exchange spread		43 131	-270 365
6.2.	Other		-29 260	14 525 ²
7.	Other operating income		659	1 367
7.1.	Income from money issue		437	848
7.2.	Other		222	519
8.	Other operating expense		-566	-579
8.1.	Expenses for production of notes and coins		-508	-453
8.2.	Other		-58	-126
9.	Administration expense	3.16.	-2 040	-1 819
9.1.	Personnel expenses		-1 692	-1 494
9.1.1.	Wages and salaries		-1 171	-1 056
9.1.2.	Social and health security		-387	-352
9.1.3.	Training and employee benefits		-134	-86
9.2.	Other administration expenses		-348	-325
10.	Depreciation and amortisation of fixed assets	3.5.	-246	-238
11.	Reversal of provisions for receivables and guarantees, income from receivables already written off	3.11.	993	6
12.	Write offs, additions and utilisation of provisions for receivables and guarantees	3.11.	-906	-6
13.	Net PROFIT or LOSS for the period		1 790	-249 294²

² 2017 data restated due to a change in accounting policies.

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, including the maintenance of this system to ensure its fluency and efficiency, supervises the institutions operating on the financial market (banks, credit unions, securities traders, issuers of securities, collective investment undertakings, insurance companies, 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 organisations 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 manages foreign currency reserves and performs other activities as defined by the CNB Act and by other legislation.

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

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

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

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

The Bank uses its income to cover the necessary costs of its operations. The generated profit is allocated to its reserve fund and to other funds created from this profit, and for other uses within the Bank’s budget. Any remaining profit is transferred by the CNB to the state budget. The CNB submits an annual 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 2018, the members of the Bank Board and their office termination dates were as follows:

Ing. Jiří Rusnok

- Governor, until 30 June 2022

Ing. Marek Mora M.E.

- Vice-Governor, until 12 February 2023

Ing. Tomáš Nidetzký

- Vice-Governor, until 30 June 2022

Ing. Vojtěch Benda

- Member of the Bank Board, until 30 June 2022

prof. Ing. Oldřich Dědek, CSc.

- Member of the Bank Board, until 12 February 2023

doc. Mgr. Tomáš Holub, Ph.D.

- Member of the Bank Board, until 30 November 2024

Ing. Aleš Michl

- Member of the Bank Board, until 30 November 2024

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. The financial statements of the CNB are prepared to give a true and fair view of its financial position, financial transactions and the results of its operations. The financial statements are prepared in compliance with the going concern assumption and the historical cost convention as modified by the revaluation of derivatives, shares and securities to fair values.

The financial statements comprise a balance sheet, income statement and accompanying notes including also a statement of changes in equity.

When preparing the financial statements and creating the structure of the financial statements, taking into account the comparability of data between the Eurosystem and the national regime, the Bank proceeds in line with the rules set by the European Central Bank for accounting and financial reporting in the European System of Central Banks as much as possible.

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.

2.2. Foreign Currencies and Special Drawing Rights

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

Exchange rates	Quantity	31 Dec 2018	31 Dec 2017
EUR	1	25.725	25.540
USD	1	22.466	21.291
JPY	100	20.447	18.915
GBP	1	28.762	28.786
CHF	1	22.827	21.824
CAD	1	16.484	16.983
AUD	1	15.860	16.639
SEK	1	2.508	2.594
SDR	1	31.246	30.249

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

2.3. Gold and Other Precious Metals

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

- **Long-term reserve** – gold placed abroad (marketable bars) and precious metals held at the Bank in the long term (bars, coins, medals).
- **Operating reserve** – precious metals held for the production of coins (bars, semi-finished products for the production of coins – “blanks”, demonetised coins etc.). Precious metals are either purchased for the reserve or transferred to it from the long-term reserve or from the cash reserve.
- **Collections reserve** – collections of coins, medals, counterfeits, legal tender specimens etc. The inventory includes precious metals recorded as other assets of the Bank rather than as gold and other precious metals.
- **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 and other precious metals are valued at average cost. Long-term reserves are valued at original cost, with the actual cost applied upon purchases. The Bank reduces its gold reserves depending on the regular issue of gold coins.

2.4. Securities

The Bank holds foreign debt securities and shares, reported in receivables from abroad, and capital instruments (shares and interests in companies other than subsidiaries or associates) that are recognised in other financial assets. These shares and interests represent participations reflecting the CNB's membership in international institutions.

Foreign debt securities and shares recorded in receivables from abroad are purchased in relation to the foreign currency reserves administration, in accordance with the CNB's predefined internal rules. They consist of money market and capital market securities. The shares are administered by external managers within the passive investment strategy consisting of maximum achievable replication of selected share indexes of advanced economies.

The Bank classifies all debt securities held in its portfolio as measured at fair value through profit or loss. The Bank also included the shares administered by external managers in the portfolio measured at fair value through profit or loss and accounts for them on an aggregate basis based on information from external managers.

Shares and interests representing participation in international institutions are included in the portfolio measured through equity.

Securities and interests are initially recognised 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 and subsequently revalued due to movements in exchange rates and market prices. Gains and losses from the revaluation of unsettled transactions are recognised in income statement line item 6.2. The moment the transaction is realised, the security is derecognised 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 measured at fair value through profit or loss is reported in income statement line item 1.1. Gains and losses realised upon the sale of the security are recognised 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 recognised in income statement line item 6.2.

Debt securities and shares are measured at fair value. The fair value is determined as a market price listed by a relevant stock exchange or another active market. If such fair value is not available, debt securities and shares are measured at cost including the straight-line amortisation of the capital gain/loss and interest accrued on a straight-line basis.

Gains and losses arising from changes in the fair value of bonds and shares measured at fair value through profit or loss are reported in income statement line item 6.2. Gains and losses arising from changes in the fair value of shares representing the participations are recognised directly in equity until the financial asset is derecognised or permanently impaired. In such cases the cumulative gain or loss previously recognised in equity is recognised in the income statement. The Bank typically measures the interests at cost (refer to Note 3.6.).

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

2.5. Repo Transactions and Securities Lending

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

Foreign securities deposited with foreign depositories may be used pursuant to an agreement in a lending scheme ("securities lending") operated by a depository performing the role of an agent or a direct borrower.

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

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

With both of the lending schemes, securities continue to be carried on the Bank's balance sheet at the original carrying amount; income from these operations is recognised 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 and payables to the International Monetary Fund ("IMF") are recorded on a gross basis, i.e. receivables and payables do not balance out. The membership quota at the IMF comprises a membership deposit and reserve position. 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 SDR but expressed in the local currency. Translation into Czech Crowns is performed using the exchange rate promulgated by the IMF.

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, 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 interest rate, currency or equity derivatives are recognised from the derivative trade date to the final settlement date in the amount of the underlying asset. The receivables and payables are subsequently remeasured to reflect changes in foreign exchange rates.

On the balance sheet, derivatives are recognised at their fair values in CZK, while the fair values of interest rate derivatives are recognised in foreign currencies (in the currency of the underlying instrument).

Fair values of futures are obtained from quoted market prices, in other cases the fair value is derived from discounted future cash-flow models (for swap and forward transactions) using the ruling foreign exchange rates. 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 gains less losses from financial operations. The Bank recognises all derivatives as available-for-sale derivatives and does not use hedge accounting.

2.10. Interest Income and Expense

Interest income and interest expense on all interest bearing instruments are accrued. Negative interest rates on assets, if any, are recognised as interest expense. Negative interest rates on liabilities are recognised 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 recognised 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 recognised immediately in the income statement when the service is provided.

2.12. Payables to and Receivables from Domestic Banks

Bank 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") on accounts in the CERTIS payment system (payment system account), cash withdrawal and deposit accounts, or in special accounts reserved for the MMR.

The MMR requirement is 2% of payables to non-banking entities arising from received deposits, loans and issued non-trading and other debt securities with maturity up to 2 years.

The above deposits bear interest equal to the current CZK two-week repo interest rate up to the pre-specified volume of minimum reserves, while the domestic banks are required to maintain the average MMR balance over the relevant maintenance period rather than on a daily basis.

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

Domestic banks also have an option to make overnight deposits of surplus liquidity with the CNB (deposit facility for deposit 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. Payables to the State

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

2.15. Provisions

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

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

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

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

Provisions against expected credit losses on other than classified receivables and other risk assets are recognised based on the historical cumulative probability of the debtor's default.

The Bank monitors and regularly reviews the level of the credit risk taken (refer to Note 3.17).

The Bank introduced a new model of financial asset impairment based on expected credit losses, under which the provision is reported before the credit loss originates.

In applying this approach, the Bank performed an analysis of all groups of financial assets. Given that the amount of the required provision mentioned above is negligible with respect to the volume of the CNB's assets (CZK 1.23 million), it is not recognised directly.

2.17 Year-on-Year Changes in Accounting Policies

In 2018, the Czech National Bank changed the accounting policy regarding the valuation of debt securities available for sale, which were included in "Available-for-sale securities" and remeasured to fair value gradually through valuation gains and losses in equity. Realised gains and losses were transferred to the income statement when the securities were sold.

Newly these debt securities are classified as financial assets measured at fair value through profit or loss. The reason for this is especially the alignment of the approach to share measurement with the measurement of foreign debt securities.

The impact of this change on the assets, liabilities and profit/loss was as follows:

CZK million	2017 disclosed	2017 restated	2017 change
Funds	60 081	60 389	308
Valuation gains and losses	-2 044	3 699	5 743
Profit or loss for the period	-243 243	-249 294	-6 051

The comparative data were restated to reflect this change.

2.18. Tangible and Intangible Fixed Assets

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

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

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

Estimated useful lives of tangible and intangible fixed assets in years

Buildings and structures	20 – 50
Machinery and equipment	
motor vehicles	4 – 5
office equipment and computers	3 – 4
cash processing machines	5 – 8
Furniture and fittings	5 – 10
Software	3 – 4
Other intangible assets	6

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

2.19. 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.

2.20. Income Tax and Profit Transfer to the State Budget

The Bank is exempt from income tax in accordance with Section 17(2) of Act No. 586/92 Coll. on Income Taxes, as amended. As a result, the Bank does not account for current or deferred tax. The Bank uses its income to cover the 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.

2.21. Staff Costs, Additional Pension Insurance 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 also provides contributions for capital pension schemes and life and casualty insurance. These contributions are accounted for directly as an expense.

Since 1 January 2010, employee benefits have been charged directly from the Bank's expenses.

2.22. 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 of the CR, the Bank's management is of the opinion that the presentation of a cash flow statement would not provide further significant information to the users of these financial statements.

2.23. Accounting Transaction Date

Accounting transactions are recognised 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 recognised on the balance sheet at the settlement date. Credit transactions, including repo transactions, are accounted for at the settlement date.

2.24. Off-Balance Sheet Assets and Liabilities

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

In the off-balance sheet the Bank recognises other assets taken into custody from clients and banks, assets in own custody and other carrying amounts including money supply (refer to Note 3.18.).

2.25. 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, but are not reported in the financial statements.

3. ADDITIONAL INFORMATION ON THE BALANCE SHEET, OFF BALANCE SHEET AND INCOME STATEMENT

3.1. Gold

	2018	2017
Gold (CZK million)	546	602
Long-term reserve	468	518
Operating reserve	78	84
Gold (thousand Troy ounces)	282	303
Long-term reserve	245	272
Operating reserve	37	31
Gold (tonnes)	8.8	9.4
Long-term reserve	7.7	8.4
Operating reserve	1.1	1.0
Gold (market value – CZK million)	8 117	8 377
Long-term reserve	7 075	7 504
Operating reserve	1 042	873

The Bank records other gold reserves reported separately as the 'Collections reserve' (part of other assets) and 'Cash reserve' (off balance sheet).

	2018	2017
Collections reserve		
Net book value – CZK million	11	11
Troy ounces – thousand	4	4
Tonnes	0.1	0.1
Market value – CZK million	105	100
Cash reserve – net book value	10	6

As at 31 December 2018, a foreign bank deposit denominated in gold amounted to CZK 337 million (5.5 t). As at 31 December 2017: CZK 345 million (5.6 t).

3.2. Receivables from and Payables to the International Monetary Fund

CZK million	2018	2017
Membership quota at the IMF	68 345	66 984
Membership deposit	55 221	57 654
Reserve position	13 124	9 330
Long-term loan provided to the IMF	177	171
Deposits in the IMF	14 318	13 853
Total receivables from the IMF	82 840	81 008
Payable from the SDR allocation	24 422	23 628
Payable to the IMF from the bill of exchange	45 584	44 755
Current account with the IMF	9 637	12 899
Total payables to the IMF	79 643	81 282

Receivables from the IMF result from the membership of the Czech Republic in this organisation. 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 a loan facility provided to the IMF. The reserve position of the CNB at the IMF represents a part of membership quota paid in foreign currency and is denominated in SDR. Payables to the IMF include the IMF deposits in the CNB, reflecting the sum of CZK held by the IMF, an interest-free bill of exchange and SDR allocation.

On 13 October 2017 the CNB concluded a new bilateral agreement with the IMF (a third agreement of this type in a row) which took effect on 12 September 2018. The undrawn element of the facility was EUR 1,500 million as at 31 December 2018, i.e. CZK 38,588 million. The loan collateral is disclosed in Note 3.18.

3.3. Receivables from Abroad Including Securities

CZK million	2018	2017
Total deposits at foreign banks and financial institutions	1 279 864	1 323 050
Current accounts with banks	1 134 594	1 290 116
Deposits	145 270	32 934
Total securities	1 835 353	1 764 109
Zero-coupon bonds	83 478	88 222
Government	81 233	88 222
Other	2 245	0
Coupon bonds	1 511 031	1 411 590
Government	1 094 902	1 126 369
Other	416 129	285 221
Shares	240 844	264 297
MSCI euro (in EUR)	159 054	178 651
Of which financial institutions	30 141	39 433
S&P 500 (in USD)	39 019	38 611
Of which financial institutions	5 210	5 732
FTSE 100 (in GBP)	5 141	5 655
Of which financial institutions	1 050	1 232
Nikkei 225 (in JPY)	7 799	8 132
Of which financial institutions	208	234
S&P TSX (in CAD)	18 739	21 261
Of which financial institutions	6 282	7 361
S&P ASX 200 (in AUD)	11 092	11 987
Of which financial institutions	3 602	4 272
Total other receivables from abroad	52 052	33 335
Funds from reverse repo transactions	51 846	33 194
Foreign currencies	206	141
Total receivables from abroad	3 167 269	3 120 494

including securities

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. Foreign currency reserves are invested in compliance with its policy regulating foreign currency reserves management. The bonds portfolio is managed actively. The shares portfolio represents approximately 10% of the invested foreign currency reserves and is managed by two selected companies.

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 foreign banks are particularly represented by reverse repo transactions for which collateral was received in the amount of CZK 50,911 million as at 31 December 2018 (31 December 2017: CZK 32,805 million) (refer to Note 3.18.).

Deposits also include provided collateral in the form of cash placed in foreign banks in the total amount of CZK 1,157 million (31 December 2017: CZK 1,527 million) provided based on the framework agreements on derivatives transactions (ISDA Master Agreement, ISDA Credit Support Annex).

Collateral was additionally provided in the form of bonds and shares.

CZK million	2018	2017
Bonds		
Collateral under repo transaction contracts (refer to Note 3.8.)	0	27 192
Collateral for transactions concluded with the counterparty (refer to Note 3.8.)	314	134
Automated lending scheme	296 549	519
CZK million	2018	2017
Shares		
Lending scheme	9 425	7 171
Collateral in the form of other assets (refer to Note 3.18.)	10 102	7 573

3.4. Receivables from Domestic Banks

The CNB concludes reverse repo transactions with domestic banks in the form of:

- Provided loans – as at 31 December 2018 and 2017, no transactions were concluded; and
- Securities (collateral) switch – as at 31 December 2018 and 2017, no transactions were concluded.

3.5. Tangible and Intangible Fixed Assets

Approximately 98% of the Bank's assets at net book value are used for its operating needs. 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 11 million as at 31 December 2018 (CZK 11 million as at 31 December 2017).

Tangible fixed assets

CZK million	Land	Buildings	Machinery, furniture and fittings and other	Acquisition of assets and prepayments made	Total
Cost at 31 December 2017	164	6 935	2 741	15	9 855
Accumulated depreciation at 31 December 2017	0	4 022	2 605	0	6 627
Net book value at 31 December 2017	164	2 913	136	15	3 228
Additions	0	7	63	93	163
Disposals	0	0	57	81	138
Depreciation	0	173	-16	0	157
Net book value at 31 December 2018	164	2 747	158	27	3 096
Cost at 31 December 2018	164	6 942	2 747	27	9 880
Accumulated depreciation at 31 December 2018	0	4 195	2 589	0	6 784

Intangible fixed assets

CZK million	Software	Other intangible assets	Acquisition of intangible assets and prepayments made	Total
Cost at 31 December 2017	760	18	5	783
Accumulated amortisation at 31 December 2017	693	10	0	703
Net book value at 31 December 2017	67	8	5	80
Additions	70	0	97	167
Disposals	5	0	73	78
Amortisation	26	2	0	28
Net book value at 31 December 2018	106	6	29	141
Cost at 31 December 2018	825	18	29	872
Accumulated amortisation at 31 December 2018	719	12	0	731

3.6. Other Assets

Other financial assets include the CNB's share in the European Central Bank ("ECB"), the Bank for International Settlement ("BIS") and the Society for Worldwide Interbank Financial Telecommunication ("SWIFT"). The share of the Czech Republic in the ECB's capital as at 31 December 2018 amounts to 1.6075% totalling EUR 6.5 million (as at 31 December 2017 it amounted to 1.6075% totalling EUR 6.5 million). The share was calculated in line with Article 29 of the Statute using the population number and gross domestic product.

The BIS, SWIFT and ECB shares are non-tradable and their holding results from the participation of the CNB in these institutions. The ECB and SWIFT shares are measured at cost. The BIS shares are measured at the CNB's share on the paid-up portion of the BIS's net assets (or equity) reduced by 30%, which reflects the valuation of shares used by the BIS.

CZK million	2018	2017
Other financial assets	4 496	4 302
Share in the ECB	168	167
BIS and SWIFT shares	4 328	4 135
Total receivables from former banks	0	0
Loss-making loans provided to former banks	1 358	2 343
Specific provision for loss-making loans provided to former banks (refer to Note 3.12.)	-1 358	-2 343
Other	2 245	2 427
Deferred expenses	19	53
Other precious metals	25	44
Positive fair value of interest rate swaps (refer to Note 3.18.)	1 275	710
Positive fair value of currency forwards (refer to Note 3.18.)	34	407
Margin account including profit/(loss) from change in fair value of futures (refer to Note 3.18.)	299	443
Loans to employees	186	151
Other operating receivables	425	640
Specific provisions against other operating receivables (refer to Note 3.12.)	-18	-21
Total other assets	6 741	6 729

3.7. Notes and Coins in Circulation

In accordance with the law (the CNB Act), 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 CNB withdraws notes and coins from circulation that are worn-out, damaged or unfit for further circulation. In addition, the Bank oversees the processors of notes and coins (banks, security agencies, etc.) to ensure compliance with the stated circulation rules (Act No. 136/2011 Coll. on the Circulation of Notes and Coins).

To ensure the high quality of the currency, the Bank also issues new versions of notes with innovated security features.

	Million pieces		CZK million	
	2018	2017	2018	2017
Notes in circulation	474	461	599 811	576 447
CZK 5,000	32	31	158 833	155 464
CZK 2,000	129	118	258 481	236 509
CZK 1,000	141	145	141 176	144 807
CZK 500	44	42	22 074	20 986
CZK 200	65	63	12 917	12 477
CZK 100	63	62	6 330	6 204
Coins in circulation	1 969	1 861	18 818	17 407
CZK 50	137	125	6 866	6 261
CZK 20	211	196	4 215	3 927
CZK 10	238	225	2 378	2 245
CZK 5	280	265	1 400	1 324
CZK 2	499	474	998	948
CZK 1	601	573	601	574
Commemorative coins	3	3	2 360	2 128
Total notes and coins in circulation	2 443	2 322	618 629	593 854

3.8. Liabilities Abroad

CZK million	2018	2017
Funds from repo transactions	0	27 248
Other liabilities abroad	144 299	113 744
Total liabilities abroad	144 299	140 992

As at 31 December 2018, collateral provided for repo transactions and derivative transactions in the form of debt securities was CZK 314 million (as at 31 December 2017: CZK 27,326 million) (refer to Note 3.3.).

In addition, foreign banks provided deposits of CZK 143,455 million (31 December 2017: CZK 112,651 million) and collateral in the form of cash deposits in the total amount of CZK 844 million (31 December 2017: CZK 1,093 million) in accordance with the master agreements on derivatives transactions (ISDA Master Agreement, ISDA Credit Support Annex).

3.9. Payables to Domestic Banks

CZK million	2018	2017
Loans received - repo transactions	2 130 901	1 758 566
Total domestic bank reserves	98 039	92 721
Payment system accounts	90 612	87 507
Balances on cash withdrawal and deposit accounts	7 419	5 170
Special MMR accounts	8	44
Total other liabilities to domestic banks	74 156	443 633
Short-term deposits received	74 065	443 529
Other liabilities	91	104
Total liabilities to domestic banks	2 303 096	2 294 920

The CNB concludes reverse repo transactions with domestic banks primarily in the form of:

- Received loans (collateral of the CNB's treasury bills) – in the amount of CZK 2,117,197 million as at 31 December 2018 (as at 31 December 2017: CZK 1,734,540 million).

For more information refer to Note 2.8 of Accounting Policies.

3.10. Payables to the State and Other Public Institutions

CZK million	2018	2017
Total CZK funds	280 090	268 349
Single Treasury Account and other state funds in CZK (refer to Note 2.14.)	241 449	234 618
Other deposits in CZK	38 641	33 731
of which the Deposit Insurance Fund	37 585	33 062
Total foreign currency funds	2 185	1 546
Single Treasury Account in EUR	219	119
Other deposits in foreign currencies	1 966	1 427
Total state and public institution deposits	282 275	269 895

The Bank maintains a system of CZK, EUR and selected foreign-currency accounts for the purposes of Treasury and provides an agreed scope of banking services in respect of these accounts. The accounts are maintained pursuant to Section 3 (h) of Act No. 218/2000 Coll., on Budgetary Rules and Change to Certain Acts (budgetary rules).

3.11. Other Liabilities

CZK million	2018	2017
Negative fair value of foreign currency forwards (refer to Note 3.18.)	1 006	0
Negative fair value of interest rate swaps (refer to Note 3.18.)	554	486
Payables to the European Commission	8 625	6 529
Employee accounts	1 636	1 332
Other liabilities	2 434	6 412
Total other liabilities	14 255	14 759

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

Other liabilities totalling CZK 2,434 million include the Bank's liabilities of CZK 92 million owing to social security and health insurance premiums as at 31 December 2018 (2017: CZK 79 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 January 2017	Additions	Write-offs	Release	31 December 2017	Additions	Write-offs	Release	31 December 2018
Specific provisions	2 365	0	-1	0	2 364	0	-985	-3	1 376
Classified loans of former banks (refer to Note 3.6.)	2 343	0	0	0	2 343	0	-985	0	1 358
Other operating receivables (refer to Note 3.6.)	22	0	-1	0	21	0	0	-3	18

CZK million	1 January 2017	Additions	Usage	FX differences	31 December 2017	Additions	Usage	FX differences	31 December 2018
Provisions	294	5	-5	-49	245	5	-5	13	258
Guarantees for clients (refer to Note 3.18)	294	5	-5	-49	245	5	-5	13	258

3.13. Equity

CZK million	Share capital	Funds	Accumulated losses	Revaluation reserve	Profit/loss for the reporting period	Total equity
Balance as at 1 January 2017	1 400	14 161	-549	4 400	46 469	65 881
Profit distribution for 2016	0	0	549	0	-549	0
General reserve fund subsidy	0	45 920	0	0	-45 920	0
Revaluation reserve not included in profit	0	0	0	-6 444	0	-6 444
Loss for 2017	0	0	0	0	-243 243	-243 243
Impact of accounting policy change	0	308	0	5 743	-6 051	0
Balance at 31 December 2017 (restated)	1 400	60 389	0	3 699	-249 294	-183 806
Profit distribution for 2017	0	0	-249 294	0	249 294	0
Decrease in accumulated loss	0	-60 389	60 389	0	0	0
Revaluation reserve not included in profit	0	0	0	194	0	194
Profit for 2018	0	0	0	0	1 790	1 790
Balance at 31 December 2018	1 400	0	-188 905	3 893	1 790	-181 822

Revaluation reserve

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.).

Funds

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. 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.

3.14. Net Interest Income

CZK million	2018	2017
Total interest income and similar income	18 783	14 457
Total interest on securities	18 132	13 864
Interest on zero-coupon bonds	129	290
Interest on coupon bonds	18 003	13 574
Total other interest income	651	593
Interest on inter-bank deposits	648	590
Interest on employees loans	3	3
Total interest expense and similar expense	36 805	13 843
Interest on liabilities to banks	36 766	13 832
Interest on liabilities to employees and other clients	39	11
Net interest income	-18 022	614

Net interest income represents the difference between interest received and interest paid on securities and deposits.

3.15. Gains less Losses from Financial Operations

CZK million	2018	2017 restated
Net foreign exchange gains / (losses) and foreign exchange spread	43 131	-270 365
Foreign exchange gains / (losses)	42 263	-270 981
Foreign exchange spread	868	616
Other	-29 260	14 525*
Gains from sales of bonds	1 511	3 279
Losses from sales of bonds	-6 015	-3 498
Impact of accounting policy change	0	-6 051
Profit / (loss) from revaluation and sale of shares	-26 794	22 891
Net gains / (losses) from currency forwards	2 062	-1 935
Net gains / (losses) from interest rate futures	-62	-26
Net gains / (losses) from interest rate swaps	278	-386
Net gains / (losses) from share futures	-240	251
Gains less losses from financial operations	13 871	-255 840*

*Change of 2017 values due to accounting policy change.

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 Expenses

Administration expenses

CZK million	2018	2017
Total personnel costs	1 692	1 494
Salaries	1 171	1 056
of which the Bank Board	31	30
Social and health security	387	352
Other social costs and employee benefits	120	67
Costs of personnel training	14	19
Total other administration expense	348	325
Rental	3	3
Other	345	322
Total administration expenses	2 040	1 819

As at 31 December 2018, the average recalculated headcount including the Bank Board amounted to 1,419 employees (as at 31 December 2017: 1,375 employees).

3.17. Financial Risks

Liquidity risk

The Bank monitors and manages the structure and duration of its foreign currency reserves in compliance with its missions.

Interest rate risk

The Bank takes on exposure resulting from fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Changes in interest rates result in a change in the market value of securities held in the portfolio of the Bank.

Currency risk

The Bank takes on exposure resulting from fluctuations in prevailing foreign currency exchange rates on its financial position and cash flows. Most of the assets and liabilities denominated in foreign currency are made up of foreign currency reserves, support the CNB's ability to perform intervention and insure against a Balance of Payments crisis, and result from performing the Bank's currency policy. Due to the necessity to keep foreign currency reserves and subordinate their development to the primary statutory target of monetary stability, the CNB cannot reduce the risk of the strengthening of the Czech currency against major foreign currencies.

Credit risk and the concentration of liabilities

The Bank manages the levels of credit risk it undertakes during the management of foreign currency reserves by placing limits on the amount of risk accepted in relation to one borrower or group of borrowers and to geographical segments. Such risks are monitored on an ongoing basis and are subject to review at least once per year.

Liquidity risk

CZK million		Up to 1 month	1 – 3 months	3 - 12 months	1 – 5 years	Over 5 years	Unspecified	Total
Gold	2018	0	0	0	0	0	546	546
	2017	0	0	0	0	0	602	602
Receivables from the IMF	2018	0	0	0	0	0	82 840	82 840
	2017	0	0	0	0	0	81 008	81 008
Zero-coupon bonds	2018	13 623	8 749	24 766	36 100	240	0	83 478
	2017	15 093	19 189	11 062	42 878	0	0	88 222
Coupon bonds	2018	3 625	18 715	78 990	956 777	452 924	0	1 511 031
	2017	2 006	15 413	95 235	888 000	410 936	0	1 411 590
Shares	2018	0	0	0	0	0	240 844	240 844
	2017	0	0	0	0	0	264 297	264 297
Deposits, loans and other receivables from abroad	2018	1 331 916	0	0	0	0	0	1 331 916
	2017	1 356 385	0	0	0	0	0	1 356 385
Receivables from domestic banks	2018	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Tangible and intangible assets	2018	0	0	0	0	0	3 237	3 237
	2017	0	0	0	0	0	3 308	3 308
Other assets	2018	2 041	0	19	26	159	4 496	6 741
	2017	2 223	0	53	1	150	4 302	6 729
Total assets	2018	1 351 205	27 464	103 775	992 903	453 323	331 963	3 260 633
	2017	1 375 707	34 602	106 350	930 879	411 086	353 517	3 212 141
Notes and coins in circulation	2018	0	0	0	0	0	618 629	618 629
	2017	0	0	0	0	0	593 854	593 854
Liabilities to the IMF	2018	0	0	0	0	0	79 643	79 643
	2017	0	0	0	0	0	81 282	81 282
Liabilities abroad	2018	144 224	0	75	0	0	0	144 299
	2017	140 916	0	76	0	0	0	140 992
Liabilities to domestic banks	2018	2 303 096	0	0	0	0	0	2 303 096
	2017	2 294 920	0	0	0	0	0	2 294 920
Liabilities to the state	2018	282 275	0	0	0	0	0	282 275
	2017	269 895	0	0	0	0	0	269 895
Other liabilities	2018	14 253	0	1	1	0	0	14 255
	2017	14 106	0	471	182	0	0	14 759
Provisions	2018	0	0	0	0	0	258	258
	2017	0	0	0	0	0	245	245
Equity	2018	0	0	0	0	0	-181 822	-181 822
	2017	0	0	0	0	0	-183 806	-183 806
Total liabilities	2018	2 743 848	0	76	1	0	516 708	3 260 633
	2017	2 719 837	0	547	182	0	491 575	3 212 141
Net liquidity gap	2018	-1 392 643	27 464	103 699	992 902	453 323	-184 745	0
	2017	-1 344 130	34 602	105 803	930 697	411 086	-138 058	0

Interest rate risk

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	2018	0	0	0	0	0	546	546
	2017	0	0	0	0	0	602	602
Receivables from the IMF	2018	0	0	0	0	0	82 840	82 840
	2017	0	0	0	0	0	81 008	81 008
Zero-coupon bonds	2018	13 623	8 749	24 766	36 100	240	0	83 478
	2017	15 093	19 189	11 062	42 878	0	0	88 222
Coupon bonds	2018	11 516	36 381	97 954	912 485	452 695	0	1 511 031
	2017	13 404	37 630	116 458	833 380	410 718	0	1 411 590
Shares	2018	0	0	0	0	0	240 844	240 844
	2017	0	0	0	0	0	264 297	264 297
Deposits, loans and other receivables from abroad	2018	1 331 916	0	0	0	0	0	1 331 916
	2017	1 356 385	0	0	0	0	0	1 356 385
Receivables from domestic banks	2018	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
Tangible and intangible assets	2018	0	0	0	0	0	3 237	3 237
	2017	0	0	0	0	0	3 308	3 308
Other assets	2018	2 060	0	0	26	159	4 496	6 741
	2017	2 276	0	0	1	150	4 302	6 729
Total assets	2018	1 359 115	45 130	122 720	948 611	453 094	331 963	3 260 633
	2017	1 387 158	56 819	127 520	876 259	410 868	353 517	3 212 141
Notes and coins in circulation	2018	0	0	0	0	0	618 629	618 629
	2017	0	0	0	0	0	593 854	593 854
Liabilities to the IMF	2018	0	0	0	0	0	79 643	79 643
	2017	0	0	0	0	0	81 282	81 282
Liabilities abroad	2018	144 299	0	0	0	0	0	144 299
	2017	140 992	0	0	0	0	0	140 992
Liabilities to domestic banks	2018	2 303 096	0	0	0	0	0	2 303 096
	2017	2 294 920	0	0	0	0	0	2 294 920
Liabilities to the state	2018	282 275	0	0	0	0	0	282 275
	2017	269 895	0	0	0	0	0	269 895
Other liabilities	2018	14 253	0	1	1	0	0	14 255
	2017	14 106	0	471	182	0	0	14 759
Provisions	2018	0	0	0	0	0	258	258
	2017	0	0	0	0	0	245	245
Equity	2018	0	0	0	0	0	-181 822	-181 822
	2017	0	0	0	0	0	-183 806	-183 806
Total liabilities	2018	2 743 923	0	1	1	0	516 708	3 260 633
	2017	2 719 913	0	471	182	0	491 575	3 212 141
Net interest sensitivity gap	2018	-1 384 808	45 130	122 719	948 610	453 094	-184 745	0
	2017	-1 332 755	56 819	127 049	876 077	410 868	-138 058	0

Currency risk

CZK million		CZK	EUR	USD	JPY	GBP	CAD	AUD	SEK	Other	Total
Gold	2018	0	0	0	0	0	0	0	0	546	546
	2017	0	0	0	0	0	0	0	0	602	602
Receivables from the IMF	2018	55 221	0	0	0	0	0	0	0	27 619	82 840
	2017	57 654	0	0	0	0	0	0	0	23 354	81 008
Zero-coupon bonds	2018	0	53 930	2 246	24 544	0	0	0	0	2 758	83 478
	2017	0	60 857	1 062	5 486	0	0	0	12 184	8 633	88 222
Coupon bonds	2018	0	562 788	626 373	0	0	195 931	99 704	23 499	2 736	1 511 031
	2017	0	622 754	488 380	0	0	180 242	99 951	20 263	0	1 411 590
Shares	2018	0	159 054	39 019	7 799	5 141	18 739	11 092	0	0	240 844
	2017	0	178 651	38 611	8 132	5 655	21 261	11 987	0	0	264 297
Deposits, loans and other receivables from abroad	2018	0	1 125 483	29 228	61 479	83	295	131	12 437	102 780	1 331 916
	2017	0	1 192 288	4 975	56 816	70	259	1 972	1 595	98 410	1 356 385
Receivables from domestic banks	2018	0	0	0	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0	0	0	0
Tangible and intangible assets	2018	3 226	0	0	0	0	0	0	0	11	3 237
	2017	3 297	0	0	0	0	0	0	0	11	3 308
Other assets	2018	338	526	1 369	33	39	53	31	0	4 352	6 741
	2017	715	843	812	40	45	80	38	0	4 156	6 729
Total assets	2018	58 785	1 901 781	698 235	93 855	5 263	215 018	110 958	35 936	140 802	3 260 633
	2017	61 666	2 055 393	533 840	70 474	5 770	201 842	113 948	34 042	135 166	3 212 141
Notes and coins in circulation	2018	618 629	0	0	0	0	0	0	0	0	618 629
	2017	593 854	0	0	0	0	0	0	0	0	593 854
Liabilities to the IMF	2018	55 221	0	0	0	0	0	0	0	24 422	79 643
	2017	57 654	0	0	0	0	0	0	0	23 628	81 282
Liabilities abroad	2018	143 455	635	209	0	0	0	0	0	0	144 299
	2017	112 651	25 999	815	0	0	0	1 527	0	0	140 992
Liabilities to domestic banks	2018	2 303 096	0	0	0	0	0	0	0	0	2 303 096
	2017	2 294 920	0	0	0	0	0	0	0	0	2 294 920
Liabilities to the state	2018	280 090	219	1 965	0	1	0	0	0	0	282 275
	2017	268 349	119	1 427	0	0	0	0	0	0	269 895
Other liabilities	2018	11 904	866	1 483	0	0	0	0	2	0	14 255
	2017	8 074	6 516	168	0	1	0	0	0	0	14 759
Provisions	2018	0	0	258	0	0	0	0	0	0	258
	2017	0	0	245	0	0	0	0	0	0	245
Equity	2018	-185 791	0	0	0	0	0	0	0	3 969	-181 822
	2017	-181 851	440	-4 940	0	0	-1 617	47	334	3 781	-183 806
Total liabilities	2018	3 226 604	1 720	3 915	0	1	0	0	2	28 391	3 260 633
	2017	3 153 651	33 074	-2 285	0	1	-1 617	1 574	334	27 409	3 212 141
Net assets/(liabilities)	2018	-3 167 819	1 900 061	694 320	93 855	5 262	215 018	110 958	35 934	112 411	0
	2017	-3 091 985	2 022 319	536 125	70 474	5 769	203 459	112 374	33 708	107 757	0
Net off-balance sheet assets	2018	0	28 444	236 937	86 877	80 558	119	132	2	0	433 069
	2017	21	50 265	153 517	60 831	67 192	0	1	15 312	2	347 141
Net off-balance sheet liabilities	2018	0	-17 233	-199 772	-91 212	-111	-16 955	-132	0	-107 992	-433 407
	2017	-21	-38 338	-127 062	-62 230	-3	0	0	-12 174	-106 696	-346 524
Net foreign exchange position	2018	-3 167 819	1 911 272	731 485	89 520	85 709	198 182	110 958	35 936	4 419	-338
	2017	-3 091 985	2 034 246	562 580	69 075	72 958	203 459	112 375	36 846	1 063	617

Credit risk and the concentration of liabilities**ASSETS**

CZK million	2018	2017
Czech Republic	5 598	5 690
Germany	909 810	994 895
France	348 113	365 583
Netherlands	59 500	44 244
Austria	14 827	24 807
Slovakia	550 134	546 624
Luxembourg	45 645	43 739
Spain	16 337	19 081
Other Eurozone countries	53 079	43 875
Switzerland	111 356	111 800
Sweden	40 829	35 471
Denmark	5 495	21 657
United Kingdom	28 589	29 648
Norway	9 707	15 135
Other European countries	28	20
USA	661 409	539 359
Canada	220 938	195 452
Australia	85 318	104 302
Japan	93 679	70 359
Other countries	242	400
Geographical concentration of assets	3 260 633	3 212 141
Of which deposits and bonds:		
Central governments and central banks	2 450 630	2 518 427
Government agencies	385 498	279 072
Commercial banks	51 543	5 637
BIS	3 951	23 677
Securities secured with other assets	29 102	0
Total deposits and bonds	2 920 724	2 826 813

LIABILITIES

Czech republic	3 028 066	2 983 338
USA	79 831	81 443
Eurozone countries	120 055	97 540
Other European countries	10 001	27 915
Other countries	22 680	21 905
Geographical concentration of liabilities	3 260 633	3 212 141

3.18. Off-Balance Sheet Items

Guarantees

CZK million	2018	2017
Total issued guarantees	1 062	1 049
To clients (refer to Note 3.12.)	258	245
For deposits held by IPB	4	4
Consolidation of the banking sector – sale of part of the business of Agrobanka Praha a. s.	800	800
Total guarantees received	38 588	64 616
State guarantee to secure the loan to the IMF	38 588	64 616

The identified need for provisions for expected losses on the guarantee issued to clients was CZK 258 million as at 31 December 2018 (31 December 2017: CZK 245 million) (refer to Note 3.12.).

The Bank has not recognised 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.

For the purposes of providing a state guarantee of the CR to secure the CNB's loan to the IMF, Act No. 179/2018 Coll. was adopted.

Collateral received

CZK million	2018	2017
Repo transactions	50 911	32 805
Automated lending scheme (securities lending) (refer to Note 3.3.)	10 102	7 573
Collateral for transactions concluded with the counterparty	80	224
Total collateral received	61 093	40 602

Spot transactions and derivative financial instruments

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

CZK million	2018	2017
Off-balance sheet receivables	433 069	398 115
from currency forward transactions	389 630	347 046
from interest rate swap transactions	38 027	33 105
from interest rate futures transactions	2 646	0
from share futures transactions	2 005	1 928
from unsettled interest rate spot transactions	759	15 941
from unsettled currency spot transactions	2	95
Off-balance sheet payables	433 407	397 498
from currency forward transactions	389 968	346 429
from interest rate swap transactions	38 027	33 105
from interest rate futures transactions	2 646	0
from share futures transactions	2 005	1 928
from unsettled interest rate spot transactions	759	15 941
from unsettled currency spot transactions	2	95

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

CZK million	2018	2017
Off-balance sheet receivables from forward transactions	389 630	347 046
Off-balance sheet payables from forward transactions	389 968	346 429
Positive fair value (refer to Note 3.6.)	34	407
Negative fair value (refer to Note 3.11.)	1 006	0

All currency forwards will mature in 2019.

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	2018	2017
Off-balance sheet receivables from interest rate swap transactions	38 027	33 105
Off-balance sheet payables from interest rate swap transactions	38 027	33 105
Positive fair value (refer to Note 3.6.)	1 275	710
Negative fair value (refer to Note 3.11.)	554	486

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

CZK million	2018	2017
Off-balance sheet receivables from interest rate futures transactions	2 646	0
Off-balance sheet payables from interest rate futures transactions	2 646	0
Net gain/(loss) from change in fair values of interest rate futures transactions for the reporting period (refer to Note 3.15.)	-62	-26
Off-balance sheet receivables from share futures transactions	2 005	1 928
Off-balance sheet payables from share futures transactions	2 005	1 928
Net gain/(loss) from change in fair values of futures transactions for the reporting period (refer to Note 3.15.)	-240	251
Net gain/(loss) from change in fair values of futures transactions for the reporting period	-302	225
Cash on margin account	601	218
Margin account including settled change in fair value of interest rate futures transactions (refer to Note 3.6.)	299	443

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 2018 and 2017.

3.19. Contingent Liabilities

In accordance with the Agreement on the payment of operating costs and losses related to assumed assets that are incurred in connection with the fulfilment of the Consolidation Programme concluded on 29 June 2000, 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 2018 these costs were CZK 0.1 million (2017: CZK 0.1 million). The Bank does not recognise any provisions for these contingencies as they are immaterial.

Ongoing lawsuits

As a result of the transactions the CNB conducted in the past 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 recognised 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 the same conditions as loans to other employees of the Bank.

3.21. Subsequent Events

As part of the regular five-year update of capital with the ECB, the capital key for the CNB is increased from 1.6075% to 1.6172% as at 1 January 2019. The subscribed capital is increased from EUR 174.0 million to EUR 175.1 million and paid in capital from EUR 6.5 million to EUR 6.6 million.

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 2018.

INDEPENDENT AUDITOR'S REPORT **To the Bank Board of the Czech National Bank**

Having its registered office at: Na Příkopě 28, 115 03 Prague 1

Opinion

We have audited the accompanying financial statements of the Czech National Bank prepared on the basis of accounting regulations applicable in the Czech Republic, which comprise the balance sheet as at 31 December 2018, and the income statement and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the assets and liabilities of the Czech National Bank as at 31 December 2018, and of its expenses and income and its profit or loss for the year then ended in accordance with accounting regulations applicable 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 guidelines. 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 the Annual Report

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. 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. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

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; and
- The other information is prepared in compliance with applicable law or regulation.

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 of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

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 regulations applicable 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 Company 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 ISAs 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 Bank'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.

In Prague on 21 March 2019

Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

Diana Rádl Rogerová
registration no. 2045

