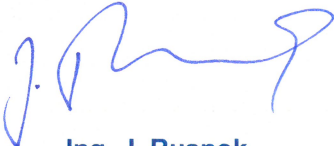

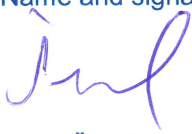


Financial Statements and Auditor's Report as of 31 December 2019



Czech National Bank — Financial Statements and Auditor's Report as of 31 December 2019

FINANCIAL STATEMENTS OF
THE CZECH NATIONAL BANK
FOR THE YEAR ENDED
31 DECEMBER 2019

Date of preparation:	Signature of the Governor	Person responsible for accounting Name and signature	Person responsible for the financial statements Name and signature
12 March 2020	 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 19 March 2020.

ASSETS		Note	2019 CZK million	2018 CZK million
1.	Gold	3.1.	493	546
2.	Receivables from the International Monetary Fund	3.2.	83 184	82 840
3.	Receivables from abroad, including securities	3.3.	3 356 214	3 167 269
3.1.	Deposits at foreign banks and financial institutions		1 335 973	1 279 864
3.2.	Securities		1 988 495	1 835 353
3.3.	Other receivables from abroad		31 746	52 052
4.	Receivables from domestic banks	3.4.	0	0
5.	Fixed assets	3.5.	3 118	3 237
5.1.	Tangible fixed assets		2 954	3 096
5.2.	Intangible assets		164	141
6.	Other assets	3.6.	6 889	6 741
6.1.	Other financial assets		4 633	4 496
6.2.	Other		2 256	2 245
TOTAL ASSETS			3 449 898	3 260 633

LIABILITIES		Note	2019 CZK million	2018 CZK million
1.	Notes and coins in circulation	3.7.	644 367	618 629
2.	Liabilities to the International Monetary Fund	3.2.	79 692	79 643
3.	Liabilities abroad	3.8.	138 795	144 299
3.1.	Loans from foreign banks		24 883	0
3.2.	Other liabilities abroad		113 912	144 299
4.	Liabilities to domestic banks	3.9.	2 408 337	2 303 096
4.1.	Loans received		2 255 227	2 130 901
4.2.	Bank monetary reserves		43 240	98 039
4.3.	Other liabilities to banks		109 870	74 156
5.	Liabilities to the state and other public institutions	3.10.	291 684	282 275
6.	Other liabilities	3.11.	10 811	14 255
7.	Provisions	3.12.	0	258
8.	Revaluation reserve	3.13.	4 029	3 893
9.	Share capital	3.13.	1 400	1 400
10.	Funds	3.13.	0	0
11.	Accumulated loss brought forward	3.13.	-187 115	-188 905
12.	Profit or loss for the period	3.13.	57 898	1 790
TOTAL LIABILITIES			3 449 898	3 260 633

OFF BALANCE SHEET		Note	2019 CZK million	2018 CZK million
1.	Guarantees issued	3.17.	804	1 062
2.	Issued loan commitments	3.2.	38 115	38 588
3.	Receivables from spot, term and futures transactions	3.17.	588 328	433 069
4.	Liabilities from spot, term and futures transactions	3.17.	587 618	433 407
5.	Guarantees received	3.17.	38 115	38 588
6.	Collateral received	3.17.	49 206	61 093

INCOME STATEMENT		Note	2019 CZK million	2018 CZK million
1.	Interest income and similar income	3.14.	24 004	18 783
1.1.	Interest from fixed income securities		22 276	18 132
1.2.	Other		1 728	651
2.	Interest expense and similar expense	3.14.	-61 391	-36 805
3.	Income from shares and interests		9 213	7 499
4.	Fee and commission income		655	718
5.	Fee and commission expense		-178	-170
6.	Gains less losses from financial operations	3.15.	87 712	13 871
6.1.	Net foreign exchange gains/(losses) and foreign exchange spread		-2 443	43 131
6.2.	Other		90 155	-29 260
7.	Other operating income		741	659
7.1.	Income from money issue		552	437
7.2.	Other		189	222
8.	Other operating expense		-653	-566
8.1.	Expenses for production of notes and coins		-591	-508
8.2.	Other		-62	-58
9.	Administration expense	3.16.	-2 177	-2 040
9.1.	Personnel expenses		-1 793	-1 692
9.1.1.	Wages and salaries		-1 242	-1 171
9.1.2.	Social and health security		-414	-387
9.1.3.	Training and employee benefits		-137	-134
9.2.	Other administration expenses		-384	-348
10.	Depreciation and amortisation of fixed assets	3.5.	-284	-246
11.	Reversal of provisions for receivables and guarantees, income from receivables already written off	3.12.	265	993
12.	Write offs, additions and utilisation of provisions for receivables and guarantees	3.12.	-9	-906
13.	Profit or loss for the period		57 898	1 790

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 2019, 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 Nidetzský

- 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 recommended 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 2019	31 Dec 2018
EUR	1	25.410	25.725
USD	1	22.621	22.466
JPY	100	20.844	20.447
GBP	1	29.866	28..762
CHF	1	23.416	22.827
CAD	1	17.413	16.484
AUD	1	15.885	15.860
SEK	1	2.432	2.508
SDR	1	31.281	31.246

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.

2.4. SECURITIES

Foreign debt securities and shares held as part of the foreign currency reserves administration are reported as part of receivables from abroad. These include securities traded on the money and capital market. Most of debt securities are managed by the banking transactions section. The portfolio of Mortgage Backed Securities (“MBS”) is managed by an external manager. The shares are also managed by external managers within the passive investment strategy consisting of maximum achievable replication of selected share indexes 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. The Bank also included the shares managed by external managers in the portfolio measured at fair value through profit or loss. The Bank accounts for all externally managed portfolios on an aggregate basis based on information from external managers.

The fair value of bonds administered internally is taken over as the bid price (“BID”) from the system operated by Bloomberg. In exceptional cases (e.g. when prices are not available), the Bank uses prices calculated using internal models based on straight-line accruals of the cost or fixed “spread” in respect of government bonds. Fair values of securities (shares and the MBS) of externally administered portfolios are taken over from the securities account manager (Bank of New York) or external managers.

Shares and interests representing participation in international institutions are included in the portfolio measured 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 shares in the ECB and SWIFT are measured at cost. 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 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 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 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.

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. The Bank typically measures the interests at cost (refer to Note 3.6.).

Dividends on shares measured through equity and 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 these 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

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

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

Liabilities to domestic banks from repo transactions (loans received) include the banks' surplus liquidity deposited with the CNB through monetary policy repo tenders. The CNB provides CNB treasury bills 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 Bank maintains 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 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 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 specific provision for impairment is reversed. Subsequent recoveries are credited to the current period income statement if previously written off.

Specific 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 3.18).

The Bank introduced a new calculation 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 specific provision mentioned above is negligible with respect to the volume of the CNB's assets (CZK 1.42 million), it is not recognised.

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/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 assets in years	
Buildings and structures	20 – 50
Machinery and equipment	
motor vehicles	4 – 5
office equipment and computers	3 – 4
banknote processing systems	10
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 for the year are included in the cost of the asset.

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 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.

2.20. 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 also provides contributions for capital pension schemes and life and casualty insurance. 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 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.

2.23. 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 recognises other assets taken into custody from clients and banks, assets in own custody and other carrying amounts including money supply (refer to Note 3.17.).

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, but are not reported in the financial statements.

Off Balance Sheet and Income Statement

3. ADDITIONAL INFORMATION

3.1. GOLD

	2019	2018
Gold (CZK million)	493	546
Long-term reserve	456	468
Operating reserve	37	78
Gold (thousand Troy ounces)	257	282
Long-term reserve	239	245
Operating reserve	18	37
Gold (tonnes)	8.0	8.8
Long-term reserve	7.4	7.7
Operating reserve	0.6	1.1
Gold (market value – CZK million)	8 841	8 117
Long-term reserve	8 232	7 075
Operating reserve	609	1 042

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

	2019	2018
Collections reserve		
Carrying amount – CZK million	20	11
Troy ounces – thousands	8	4
Tonnes	0.2	0.1
Market value – CZK million	227	105
Cash reserve – carrying amount	10	10

As at 31 December 2019, a foreign bank deposit denominated in gold amounted to CZK 337 million (5.5 t). As at 31 December 2018: CZK 337 million (5.5 t).

3.2. RECEIVABLES FROM AND PAYABLES TO THE INTERNATIONAL MONETARY FUND

CZK million	2019	2018
Membership quota at the IMF	68 702	68 345
Membership deposit	55 287	55 221
Reserve position	13 415	13 124
Long-term loan provided to the IMF	177	177
Deposits in the IMF	14 305	14 318
Total receivables from the IMF	83 184	82 840
Payable from the SDR allocation	24 405	24 422
Payable to the IMF from the bill of exchange	45 869	45 584
Current account with the IMF	9 418	9 637
Total payables to the IMF	79 692	79 643

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 the credit 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 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.

On 13 October 2017, the CNB concluded a new bilateral agreement with the IMF on a loan to the fund (the third agreement of this type) which took effect on 12 September 2018. As of 31 December 2019, the credit facility amounted to EUR 1,500 million, i.e. CZK 38,115 million (31 December 2018: EUR 1,500 million, i.e. CZK 38,588 million). The loan collateral is disclosed in Note 3.17.

3.3. RECEIVABLES FROM ABROAD INCLUDING SECURITIES

CZK million	2019	2018
Deposits at foreign banks and financial institutions	1 335 973	1 279 864
Current account balances	1 075 196	1 134 594
Deposits	260 777	145 270
Securities	1 988 495	1 835 353
Zero-coupon bonds	112 435	83 478
Government	106 437	81 233
Other	5 998	2 245
Coupon bonds	1 525 614	1 511 031
Government	1 180 944	1 094 902
Other	344 670	416 129
MBS	11 324	0
Shares	339 122	240 844
MSCI euro (in EUR)	207 194	159 054
of which financial institutions	37 479	30 141
S&P 500 (in USD)	68 537	39 019
of which financial institutions	8 887	5 210
FTSE 100 (in GBP)	9 767	5 141
of which financial institutions	1 978	1 050
Nikkei 225 (in JPY)	14 474	7 799
of which financial institutions	341	208
S&P TSX (in CAD)	25 430	18 739
of which financial institutions	8 331	6 282
S&P ASX 200 (in AUD)	13 720	11 092
of which financial institutions	4 093	3 602
Other receivables from abroad	31 746	52 052
Funds from reverse repo transactions	31 546	51 846
Foreign currencies	200	206
Receivables from abroad including securities	3 356 214	3 167 269

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

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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 external managers.

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 31,404 million as at 31 December 2019 (31 December 2018: CZK 50,911 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 2,711 million (31 December 2018: CZK 1,157 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	2019	2018
Bonds		
Collateral for transactions concluded with the counterparty (refer to Note 3.8.)	340	314
Automated lending scheme	745 638	296 549
Shares		
Lending scheme	13 486	9 425
Collateral in the form of other assets (refer to Note 3.17.)	14 476	10 102

3.4. RECEIVABLES FROM DOMESTIC BANKS

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

- Provided loans – as at 31 December 2019 and 2018, no transactions were concluded; and
- Securities (collateral switch) – as at 31 December 2019 and 2018, 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 20 million as at 31 December 2019 (31 December 2018: CZK 11 million).

CZK million	Land	Buildings	Machinery, furniture and fittings and other tangible assets	Acquisition of assets and prepayments made	Total
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
Net book value at 31 December 2018	164	2 747	158	27	3 096
Additions	0	4	46	79	129
Disposals	0	0	15	48	63
Depreciation	0	174	34	0	208
Net book value at 31 December 2019	164	2 577	155	58	2 954
Cost at 31 December 2019	164	6 946	2 778	58	9 946
Accumulated depreciation at 31 December 2019	0	4 369	2 623	0	6 992

CZK million	Software	Other intangible assets	Acquisition of intangible assets and prepayments made	Total
Cost at 31 December 2018	825	18	29	872
Accumulated amortisation at 31 December 2018	719	12	0	731
Net book value at 31 December 2018	106	6	29	141
Additions	110	3	116	229
Disposals	9	0	145	154
Amortisation	51	1	0	52
Net book value at 31 December 2019	156	8	0	164
Cost at 31 December 2019	926	21	0	947
Accumulated amortisation at 31 December 2019	770	13	0	783

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3.6. OTHER ASSETS

Other financial assets include the Bank's share in the ECB, BIS and the SWIFT. The share of the Czech Republic in the ECB's capital as at 31 December 2019 amounts to 1.6075% totalling EUR 6.6 million (as at 31 December 2018 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.

CZK million	2019	2018
Other financial assets	4 633	4 496
Share in the ECB	167	168
BIS and SWIFT shares	4 466	4 328
Receivables from former banks	0	0
Loss-making loans provided to former banks	1 358	1 358
Specific provision for loss-making loans provided to former banks (refer to Note 3.12.)	-1 358	-1 358
Other	2 256	2 245
Deferred expenses	20	19
Other precious metals	19	25
Positive fair value of interest rate swaps (refer to Note 3.17.)	90	1 275
Positive fair value of currency forwards (refer to Note 3.17.)	794	34
Margin account including profit/(loss) from change in fair value of futures (refer to Note 3.17.)	646	299
Loans to employees	231	186
Other operating receivables	466	425
Specific provisions against other operating receivables (refer to Note 3.12.)	-10	-18
Other assets	6 889	6 741

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. The Bank additionally supervises processors of notes and coins (banks, security agencies, etc.) to make sure that the determined rules of cash circulation are adhered to (Act No. 136/2011 Coll., on the Circulation of Banknotes and Coins).

	million pieces		CZK million	
	2019	2018	2019	2018
Notes in circulation	489	474	624 240	599 811
CZK 5,000	32	32	159 344	158 833
CZK 2,000	141	129	281 894	258 481
CZK 1,000	141	141	141 139	141 176
CZK 500	45	44	22 384	22 074
CZK 200	65	65	12 920	12 917
CZK 100	65	63	6 557	6 330
Commemorative notes	0	0	2	0

	million pieces		CZK million	
	2019	2018	2019	2018
Coins in circulation	2 064	1 969	20 127	18 818
CZK 50	149	137	7 441	6 866
CZK 20	223	211	4 466	4 215
CZK 10	250	238	2 498	2 378
CZK 5	293	280	1 466	1 400
CZK 2	521	499	1 041	998
CZK 1	625	601	625	601
Commemorative coins	3	3	2 590	2 360
Notes and coins in circulation	2 553	2 443	644 367	618 629

3.8. LIABILITIES ABROAD

CZK million	2019	2018
Funds from repo transactions	24 883	0
Other liabilities abroad	113 912	144 299
Liabilities abroad	138 795	144 299

As of 31 December 2019, collaterals were provided as part of repo transactions and derivative transactions in the form of debt securities totalling CZK 340 million (31 December 2018: CZK 314 million) (refer to Note 3.3.).

In addition, foreign banks made deposits amounting to CZK 113,217 million (31 December 2018: CZK 143,455 million) and provided collaterals in the form of cash deposits of CZK 695 million (31 December 2018: CZK 844 million) in accordance with master agreements on derivative transactions (ISDA Master Agreement, ISDA Credit Support Annex).

3.9. PAYABLES TO DOMESTIC BANKS

CZK million	2019	2018
Loans received - repo transactions	2 255 227	2 130 901
Domestic bank reserves	43 240	98 039
Payment system accounts	35 369	90 612
Balances on cash withdrawal and deposit accounts	7 863	7 419
Special MMR accounts	8	8
Other liabilities to domestic banks	109 870	74 156
Short-term deposits received	109 797	74 065
Other liabilities	73	91
Liabilities to domestic banks	2 408 337	2 303 096

The CNB concludes reverse repo transactions with domestic banks in the form of received loans (collateral of the CNB's treasury bills) – in the amount of CZK 2,239,277 million as at 31 December 2019 (as at 31 December 2018: CZK 2,117,197 million).

For more information refer to Note 2.8 of Accounting Policies.

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3.10. PAYABLES TO THE STATE AND OTHER PUBLIC INSTITUTIONS

CZK million	2019	2018
CZK funds	289 591	280 090
Single Treasury Account and other state funds in CZK (refer to Note 2.14.)	244 657	241 449
Other deposits in CZK	44 934	38 641
Foreign currency funds	2 093	2 185
Single Treasury Account in EUR	106	219
Other deposits in foreign currencies	1 987	1 966
State and public institution deposits	291 684	282 275

3.11. OTHER LIABILITIES

CZK million	2019	2018
Negative fair value of foreign currency forwards (refer to Note 3.17.)	93	1 006
Negative fair value of interest rate swaps (refer to Note 3.17.)	1 702	554
Payables to the European Commission	6 224	8 625
Employee accounts	2 035	1 636
Other payables	757	2 434
Other liabilities	10 811	14 255

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

Other liabilities totalling CZK 757 million include liabilities of CZK 95 million owing to social security and health insurance premiums as at 31 December 2019 (2018: CZK 92 million). The Bank has no liabilities related to social security and health insurance that would be overdue.

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

CZK million	1 Jan 2018	Additions	Write-offs	Release	31 Dec 2018	Additions	Write-offs	Release	31 Dec 2019
Specific provisions	2 364	0	-985	-3	1 376	0	0	-8	1 368
Classified loans of former banks (refer to Note 3.6.)	2 343	0	-985	0	1 358	0	0	0	1 358
Other operating receivables (refer to Note 3.6.)	21	0	0	-3	18	0	0	-8	10

CZK million	1 Jan 2018	Additions	Release	FX differences	31 Dec 2018	Additions	Release	FX differences	31 Dec 2019
Provisions	245	5	-5	13	258	0	-257	-1	0
Guarantees for clients (refer to Note 3.17)	245	5	-5	13	258	0	-257	-1	0

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3.13. EQUITY

CZK million	Revaluation reserve	Share capital	Funds	Accumulated losses	Profit/loss for the reporting period	Total equity
Balance as at 1 January 2018	3 699	1 400	60 389	0	-249 294	-183 806
Profit distribution for 2017	0	0	0	-249 294	249 294	0
Decrease in accumulated loss	0	0	-60 389	60 389	0	0
Revaluation reserve not included in profit	194	0	0	0	0	194
Profit for 2018	0	0	0	0	1 790	1 790
Balance as at 31 December 2018	3 893	1 400	0	-188 905	1 790	-181 822
Profit distribution for 2018	0	0	0	1 790	-1 790	0
Revaluation reserve not included in profit	136	0	0	0	0	136
Profit/loss for 2019	0	0	0	0	57 898	57 898
Balance as at 31 December 2019	4 029	1 400	0	-187 115	57 898	-123 788

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. 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	2019	2018
Interest income and similar income	24 004	18 783
Interest on securities	22 276	18 132
Interest on zero-coupon bonds	65	129
Interest on coupon bonds	22 155	18 003
Interest on MBS	56	0
Other interest income	1 728	651
Interest on inter-bank deposits	1 726	648
Interest on employees loans	2	3
Interest expense and similar expense	61 391	36 805
Interest on liabilities to banks	61 313	36 766
Interest on liabilities to employees and other clients	78	39
Net interest income	-37 387	-18 022

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	2019	2018
Foreign exchange gains or losses and foreign exchange spread	-2 443	43 131
Foreign exchange gains/losses	898	42 263
Foreign exchange spread	-3 341	868
Other	90 155	-29 260
Gains/losses from revaluation and sale of bonds	31 675	-4 504
Gains/losses from revaluation and sale of MBS	-16	0
Gains/losses from revaluation and sale of shares	59 044	-26 794
Net gains/(losses) from currency forwards	1 708	2 062
Net gains/(losses) from interest rate futures	-120	-62
Net gains/(losses) from interest rate swaps	-2 640	278
Net gains/(losses) from share futures	504	-240
Gains/losses from financial operations	87 712	13 871

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.

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3.16. OTHER EXPENSES

CZK million	2019	2018
Personnel costs	1 793	1 692
Salaries	1 242	1 171
Social security and health insurance	414	387
Cost of personnel training	14	14
Employee benefits	123	120
Other administrative expense	384	348
Rental	4	3
Other	380	345
Total administration expenses	2 177	2 040

As at 31 December 2019, the average recalculated headcount including the Bank Board amounted to 1,439 employees (as at 31 December 2018: 1,419 employees).

3.17. OFF-BALANCE SHEET ITEMS

GUARANTEES

CZK million	2019	2018
Issued guarantees	804	1 062
To clients (refer to Note 3.12.)	0	258
For deposits held by IPB	4	4
Consolidation of the banking sector – sale of part of the business of Agrobanka Praha a. s.	800	800
Guarantees received	38 115	38 588
State guarantee to secure the loan to the IMF	38 115	38 588

During 2019, provisions for potential losses from issued guarantees were released. As of 31 December 2019, provisions amounted to CZK 0 (31 December 2018: CZK 258 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 Czech Republic to secure the CNB's loan to the IMF, Act No. 179/2018 Coll., on Provision of State Guarantee of the Czech Republic to Secure the Czech National Bank's loan to the International Monetary Fund, was adopted.

COLLATERAL RECEIVED

CZK million	2019	2018
Repo transactions	31 404	50 911
Automated lending scheme (securities lending) (refer to Note 3.3.)	14 476	10 102
Derivatives and additional collateral	623	80
Swap transactions	2 703	0
Collateral received	49 206	61 093

SPOT TRANSACTIONS AND FINANCIAL DERIVATIVES

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

CZK million	2019	2018
Off-balance sheet receivables	588 328	433 069
from currency forward transactions	462 907	389 630
from interest rate swap transactions	37 098	38 027
from interest rate futures transactions	629	2 646
from share futures transactions	2 395	2 005
from unsettled interest rate spot transactions	70 334	759
from unsettled currency spot transactions	7 320	2
from interest forward transactions	7 645	0
Off-balance sheet payables	587 618	433 407
from currency forward transactions	462 212	389 968
from interest rate swap transactions	37 098	38 027
from interest rate futures transactions	629	2 646
from share futures transactions	2 395	2 005
from unsettled interest rate spot transactions	70 334	759
from unsettled currency spot transactions	7 305	2
from interest forward transactions	7 645	0

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

CZK million	2019	2018
Off-balance sheet receivables from forward transactions	462 907	389 630
Off-balance sheet payables from forward transactions	462 212	389 968
Positive fair value (refer to Note 3.6.)	794	34
Negative fair value (refer to Note 3.11.)	93	1 006

All currency forwards will mature in 2020.

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.).

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

CZK million	2019	2018
Off-balance sheet receivables from interest rate swap transactions	37 098	38 027
Off-balance sheet payables from interest rate swap transactions	37 098	38 027
Positive fair value (refer to Note 3.6.)	90	1 275
Negative fair value (refer to Note 3.11.)	1 702	554

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	2019	2018
Off-balance sheet receivables from interest rate futures transactions	629	2 646
Off-balance sheet payables from interest rate futures transactions	629	2 646
Net gain/(loss) from change in fair values of interest rate futures transactions for the reporting period (refer to Note 3.15.)	-120	-62
Off-balance sheet receivables from share futures transactions	2 395	2 005
Off-balance sheet payables from share futures transactions	2 395	2 005
Net gain/(loss) from change in fair values of futures transactions for the reporting period (refer to Note 3.15.)	504	-240
Net gain/(loss) from change in fair values of futures transactions for the reporting period	384	-302
Cash on margin account	262	601
Margin account including settled change in fair value of interest rate futures transactions (refer to Note 3.6.)	646	299

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 2019 and 2018.

3.18. 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.

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LIQUIDITY RISK

CZK million		Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Unspecified	Total
Gold	2019	0	0	0	0	0	493	493
	2018	0	0	0	0	0	546	546
Receivables from the IMF	2019	0	0	0	0	0	83 184	83 184
	2018	0	0	0	0	0	82 840	82 840
Zero-coupon bonds	2019	32 846	36 979	11 342	30 227	1 041	0	112 435
	2018	13 623	8 749	24 766	36 100	240	0	83 478
Coupon bonds	2019	7 328	9 215	93 047	905 413	510 611	0	1 525 614
	2018	3 625	18 715	78 990	956 777	452 924	0	1 511 031
MBS	2019	396	0	0	0	10 928	0	11 324
	2018	0	0	0	0	0	0	0
Shares	2019	0	0	0	0	0	339 122	339 122
	2018	0	0	0	0	0	240 844	240 844
Deposits, loans and other receivables from abroad	2019	1 367 719	0	0	0	0	0	1 367 719
	2018	1 331 916	0	0	0	0	0	1 331 916
Receivables from domestic banks	2019	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
Tangible and intangible assets	2019	0	0	0	0	0	3 118	3 118
	2018	0	0	0	0	0	3 237	3 237
Other assets	2019	2 006	0	20	38	191	4 634	6 889
	2018	2 041	0	19	26	159	4 496	6 741
Total assets	2019	1 410 295	46 194	104 409	935 678	522 771	430 551	3 449 898
	2018	1 351 205	27 464	103 775	992 903	453 323	331 963	3 260 633
Notes and coins in circulation	2019	0	0	0	0	0	644 367	644 367
	2018	0	0	0	0	0	618 629	618 629
Liabilities to the IMF	2019	0	0	0	0	0	79 692	79 692
	2018	0	0	0	0	0	79 643	79 643
Liabilities abroad	2019	138 719	0	76	0	0	0	138 795
	2018	144 224	0	75	0	0	0	144 299
Liabilities to domestic banks	2019	2 408 337	0	0	0	0	0	2 408 337
	2018	2 303 096	0	0	0	0	0	2 303 096
Liabilities to the state	2019	291 684	0	0	0	0	0	291 684
	2018	282 275	0	0	0	0	0	282 275
Other liabilities	2019	10 811	0	0	0	0	0	10 811
	2018	14 253	0	1	1	0	0	14 255
Provisions	2019	0	0	0	0	0	0	0
	2018	0	0	0	0	0	258	258
Equity	2019	0	0	0	0	0	-123 788	-123 788
	2018	0	0	0	0	0	-181 822	-181 822
Total liabilities	2019	2 849 551	0	76	0	0	600 271	3 449 898
	2018	2 743 848	0	76	1	0	516 708	3 260 633
Net liquidity gap	2019	-1 439 256	46 194	104 333	935 678	522 771	-169 720	0
	2018	-1 392 643	27 464	103 699	992 902	453 323	-184 745	0

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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	2019	0	0	0	0	0	493	493
	2018	0	0	0	0	0	546	546
Receivables from the IMF	2019	0	0	0	0	0	83 184	83 184
	2018	0	0	0	0	0	82 840	82 840
Zero-coupon bonds	2019	32 846	36 979	11 342	30 227	1 041	0	112 435
	2018	13 623	8 749	24 766	36 100	240	0	83 478
Coupon bonds	2019	27 793	30 546	92 061	869 735	505 479	0	1 525 614
	2018	11 516	36 381	97 954	912 485	452 695	0	1 511 031
MBS	2019	395	0	0	0	10 929	0	11 324
	2018	0	0	0	0	0	0	0
Shares	2019	0	0	0	0	0	339 122	339 122
	2018	0	0	0	0	0	240 844	240 844
Deposits, loans and other receivables from abroad	2019	1 367 719	0	0	0	0	0	1 367 719
	2018	1 331 916	0	0	0	0	0	1 331 916
Receivables from domestic banks	2019	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
Tangible and intangible assets	2019	0	0	0	0	0	3 118	3 118
	2018	0	0	0	0	0	3 237	3 237
Other assets	2019	2 026	0	0	38	191	4 634	6 889
	2018	2 060	0	0	26	159	4 496	6 741
Total assets	2019	1 430 779	67 525	103 403	900 000	517 640	430 551	3 449 898
	2018	1 359 115	45 130	122 720	948 611	453 094	331 963	3 260 633
Notes and coins in circulation	2019	0	0	0	0	0	644 367	644 367
	2018	0	0	0	0	0	618 629	618 629
Liabilities to the IMF	2019	0	0	0	0	0	79 692	79 692
	2018	0	0	0	0	0	79 643	79 643
Liabilities abroad	2019	138 795	0	0	0	0	0	138 795
	2018	144 299	0	0	0	0	0	144 299
Liabilities to domestic banks	2019	2 408 337	0	0	0	0	0	2 408 337
	2018	2 303 096	0	0	0	0	0	2 303 096
Liabilities to the state	2019	291 684	0	0	0	0	0	291 684
	2018	282 275	0	0	0	0	0	282 275
Other liabilities	2019	10 811	0	0	0	0	0	10 811
	2018	14 253	0	1	1	0	0	14 255
Provisions	2019	0	0	0	0	0	0	0
	2018	0	0	0	0	0	258	258
Equity	2019	0	0	0	0	0	-123 788	-123 788
	2018	0	0	0	0	0	-181 822	-181 822
Total liabilities	2019	2 849 627	0	0	0	0	600 271	3 449 898
	2018	2 743 923	0	1	1	0	516 708	3 260 633
Net interest sensitivity gap	2019	-1 418 848	67 525	103 403	900 000	517 640	-169 720	0
	2018	-1 384 808	45 130	122 719	948 610	453 094	-184 745	0

Off Balance Sheet and Income Statement

CURRENCY RISK

CZK million		CZK	EUR	USD	JPY	GBP	CAD	AUD	SEK	Other	Total
Gold	2019	0	0	0	0	0	0	0	0	493	493
	2018	0	0	0	0	0	0	0	0	546	546
Receivables from the IMF	2019	55 287	0	0	0	0	0	0	0	27 897	83 184
	2018	55 221	0	0	0	0	0	0	0	27 619	82 840
Zero-coupon bonds	2019	0	44 042	5 998	54 462	0	0	0	279	7 654	112 435
	2018	0	53 930	2 246	24 544	0	0	0	0	2 758	83 478
Coupon bonds	2019	0	563 715	624 363	0	0	207 546	106 589	22 955	446	1 525 614
	2018	0	562 788	626 373	0	0	195 931	99 704	23 499	2 736	1 511 031
MBS	2019	0	0	11 324	0	0	0	0	0	0	11 324
	2018	0	0	0	0	0	0	0	0	0	0
Shares	2019	0	207 194	68 537	14 474	9 767	25 430	13 720	0	0	339 122
	2018	0	159 054	39 019	7 799	5 141	18 739	11 092	0	0	240 844
Deposits, loans and other receivables from abroad	2019	0	1 106 684	77 311	62 652	210	99	191	15 143	105 429	1 367 719
	2018	0	1 125 483	29 228	61 479	83	295	131	12 437	102 780	1 331 916
Receivables from domestic banks	2019	0	0	0	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0	0	0	0
Tangible and intangible assets	2019	3 097	0	0	0	0	0	0	0	21	3 118
	2018	3 226	0	0	0	0	0	0	0	11	3 237
Other assets	2019	1 153	710	286	66	63	68	59	0	4 484	6 889
	2018	338	526	1 369	33	39	53	31	0	4 352	6 741
Total assets	2019	59 537	1 922 345	787 819	131 654	10 040	233 143	120 559	38 377	146 424	3 449 898
	2018	58 785	1 901 781	698 235	93 855	5 263	215 018	110 958	35 936	140 802	3 260 633
Notes and coins in circulation	2019	644 367	0	0	0	0	0	0	0	0	644 367
	2018	618 629	0	0	0	0	0	0	0	0	618 629
Liabilities to the IMF	2019	55 287	0	0	0	0	0	0	0	24 405	79 692
	2018	55 221	0	0	0	0	0	0	0	24 422	79 643
Liabilities abroad	2019	113 217	531	8 107	0	0	13 553	0	3 387	0	138 795
	2018	143 455	635	209	0	0	0	0	0	0	144 299
Liabilities to domestic banks	2019	2 408 337	0	0	0	0	0	0	0	0	2 408 337
	2018	2 303 096	0	0	0	0	0	0	0	0	2 303 096
Liabilities to the state	2019	289 591	106	1 986	0	1	0	0	0	0	291 684
	2018	280 090	219	1 965	0	1	0	0	0	0	282 275
Other liabilities	2019	8 559	530	1 720	0	1	0	0	0	1	10 811
	2018	11 904	866	1 483	0	0	0	0	2	0	14 255
Provisions	2019	0	0	0	0	0	0	0	0	0	0
	2018	0	0	258	0	0	0	0	0	0	258
Equity	2019	-127 894	0	0	0	0	0	0	0	4 106	-123 788
	2018	-185 791	0	0	0	0	0	0	0	3 969	-181 822
Total liabilities	2019	3 391 464	1 167	11 813	0	2	13 553	0	3 387	28 512	3 449 898
	2018	3 226 604	1 720	3 915	0	1	0	0	2	28 391	3 260 633
Net assets/liabilities (-)	2019	-3 331 927	1 921 178	776 006	131 654	10 038	219 590	120 559	34 990	117 912	0
	2018	-3 167 819	1 900 061	694 320	93 855	5 262	215 018	110 958	35 934	112 411	0
Net off-balance sheet assets	2019	0	116 249	271 901	97 014	95 510	7 460	194	0	0	588 328
	2018	0	28 444	236 937	86 877	80 558	119	132	2	0	433 069
Net off-balance sheet liabilities	2019	0	-106 394	-233 189	-126 748	-267	-7 463	-194	0	-113 363	-587 618
	2018	0	-17 233	-199 772	-91 212	-111	-16 955	-132	0	-107 992	-433 407
Net foreign exchange position	2019	-3 331 927	1 931 033	814 718	101 920	105 281	219 587	120 559	34 990	4 549	710
	2018	-3 167 819	1 911 272	731 485	89 520	85 709	198 182	110 958	35 936	4 419	-338

Off Balance Sheet and Income Statement

CREDIT RISK AND CONCENTRATION OF LIABILITIES**ASSETS**

CZK million	2019	2018
Czech Republic	5 083	5 598
Germany	950 964	909 810
France	288 298	348 113
Netherlands	122 870	59 500
Austria	8 713	14 827
Slovakia	546 366	550 134
Luxembourg	22 104	45 645
Spain	19 104	16 337
Other Eurozone countries	53 452	53 079
Switzerland	115 418	111 356
Sweden	46 130	40 829
Denmark	8 101	5 495
United Kingdom	43 695	28 589
Norway	12 634	9 707
Other European countries	40	28
USA	735 912	661 409
Canada	245 595	220 938
Australia	93 657	85 318
Japan	131 336	93 679
Other countries	426	242
Geographical concentration of assets	3 449 898	3 260 633
Of which deposits and bonds:		
Central governments and central banks	2 595 934	2 450 630
Government agencies	303 899	385 498
Commercial banks	4 485	51 543
BIS	22 900	3 951
Securities secured with other assets	45 396	29 102
Total deposits and bonds	2 972 614	2 920 724

LIABILITIES

Czech Republic	3 225 187	3 028 066
USA	79 813	79 831
Eurozone countries	119 152	120 055
Other European countries	25 532	10 001
Other countries	214	22 680
Geographical concentration of liabilities	3 449 898	3 260 633

Off Balance Sheet and Income Statement

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 2019 these costs amounted to CZK 0.1 million (2018: 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

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 2019.

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 2019, 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 2019, 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 20 March 2020

Audit firm:

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



Statutory auditor:

Diana Rádí Rogerová
registration no. 2045

