




Financial Statements and Auditor's Report as of 31 December 2021



FINANCIAL STATEMENTS OF
THE CZECH NATIONAL BANK
FOR THE YEAR ENDED
31 DECEMBER 2021

The financial statements were approved by the Bank Board on 23 March 2022.

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

ASSETS		Note	2021 CZK million	2020 CZK million
1.	Gold	3.1.	13,483	12,247
2.	Receivables from the International Monetary Fund	3.2.	144,298	81,402
3.	Receivables from abroad including securities	3.3.	3,705,615	3,515,404
3.1.	Deposits at foreign banks and financial institutions		1,247,231	1,125,656
3.2.	Securities		2,446,375	2,342,561
3.3.	Other receivables from abroad		12,009	47,187
4.	Receivables from domestic banks	3.4.	0	0
5.	Tangible and intangible fixed assets	3.5.	3,370	3,341
5.1.	Tangible fixed assets		3,190	3,165
5.2.	Intangible assets		180	176
6.	Other assets	3.6.	6,995	7,474
6.1.	Other financial assets		5,128	4,920
6.2.	Other		1,867	2,554
TOTAL ASSETS			3,873,761	3,619,868

LIABILITIES		Note	2021 CZK million	2020 CZK million
1.	Notes and coins in circulation	3.7.	731,098	711,886
2.	Liabilities to the International Monetary Fund	3.2.	137,353	75,088
3.	Liabilities abroad	3.8.	194,643	143,839
3.1.	Loans received from abroad		134,897	9,280
3.2.	Other liabilities abroad		59,746	134,559
4.	Liabilities to domestic banks	3.9.	2,326,085	2,283,220
4.1.	Loans received		2,132,933	2,147,836
4.2.	Bank monetary reserves		105,752	72,464
4.3.	Other liabilities to banks		87,400	62,920
5.	Liabilities to the state and other public institutions	3.10.	540,217	422,749
6.	Other liabilities	3.11.	13,743	14,932
7.	Provisions	3.12.	0	0
8.	Revaluation reserve	3.13.	4,497	4,289
9.	Share capital	3.13.	1,400	1,400
10.	Funds	3.13.	0	0
11.	Accumulated loss brought forward	3.13.	-37,536	-129,217
12.	Profit or loss for the year	3.13.	-37,739	91,682
TOTAL LIABILITIES			3,873,761	3,619,868

OFF BALANCE SHEET		Note	2021 CZK million	2020 CZK million
1.	Guarantees issued	3.17.	804	804
2.	Issued loan commitments	3.2.	16,060	0
3.	Receivables from spot and term transactions	3.17.	402,985	529,014
4.	Liabilities from spot and term transactions	3.17.	403,737	530,180
5.	Guarantees received	3.17.	0	0
6.	Collateral received	3.17.	60,677	75,622

INCOME STATEMENT		Note	2021 CZK million	2020 CZK million
1.	Interest income and similar income	3.14.	15,525	19,435
1.1.	Interest from fixed income securities		15,111	18,774
1.2.	Other		414	661
2.	Interest expense and similar expense	3.14.	-33,992	-32,658
3.	Income from shares and interests		11,414	8,205
4.	Fee and commission income		654	546
5.	Fee and commission expenses		-262	-210
6.	Gains less losses from financial transactions	3.15.	-27,876	98,896
6.1.	Net foreign exchange gains/losses and foreign exchange spread		-90,336	19,281
6.2.	Other		62,460	79,615
7.	Other operating income		973	578
7.1.	Income from money issue		802	417
7.2.	Other		171	161
8.	Other operating expenses		-1,498	-578
8.1.	Expenses for production of notes and coins		-1,420	-507
8.2.	Other		-78	-71
9.	Administrative expenses	3.16.	-2,382	-2,240
9.1.	Personnel expenses		-2,013	-1,903
9.1.1.	Wages and salaries		-1,409	-1,325
9.1.2.	Social security and health insurance		-468	-443
9.1.3.	Training and employee benefits		-136	-135
9.2.	Other administration expenses		-369	-337
10.	Depreciation and amortization of fixed assets	3.5.	-311	-292
11.	Reversal of provisions for receivables and guarantees	3.12.	18	0
12.	Write offs, additions and utilization of provisions for receivables and guarantees	3.12.	-2	0
13.	Profit or loss for the year		-37,739	91,682

1. GENERAL INFORMATION

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

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

The Bank sets the monetary policy, issues bank notes and coins, manages the circulation of currency and inter-bank clearing and the settlement system of banks and foreign bank branches. It supervises the institutions operating on the financial market (banks, credit unions, securities traders, issuers of securities, collective investment undertakings, insurance companies, pension funds, consumer loan providers) and supervises a specific area of client protection with entities operating on the financial market which are subject to the CNB’s supervision pursuant to other legal regulations. As a central bank, it provides banking services to the state and the public sector and maintains the accounts of organizations and entities connected to the state budget. Based on an agreement with the Ministry of Finance of the Czech Republic (the “MF”) and in accordance with budgetary rules, the Bank performs transactions related to the issuing of government bonds and to financial market investments. In addition, it handles foreign currency reserves and performs other activities as defined by the CNB Act and by other legislation.

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

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

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

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

The Bank uses its income to cover the necessary costs of its operations. The generated profit is allocated to its reserve fund and to other funds created from this profit, and for other uses within the Bank’s budget. Any remaining profit is transferred by the CNB to the state budget. The CNB submits a Financial Report on its operations to the Chamber of Deputies of the Czech Parliament within three months of the calendar year-end.

The supreme management body of the Bank is the Bank Board of the CNB. The members include the Governor of the Bank, two Vice-Governors of the Bank, and four other Bank Board members. The members of the Bank Board are appointed and recalled by the President of the CR. The members of the Bank Board are appointed for a period of six years for a maximum of two terms of office. The Bank Board, among others, sets monetary and macroprudential policies, including instruments for their implementation, and decides about measures concerning the supervision of financial markets.

As at 31 December 2021, 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 Nidetzky

- 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, Ph.D.

- 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 and for financial instruments in compliance with the Decree also with the International Financial Reporting Standards (IFRS). The financial statements of the CNB are prepared to give a true and fair view of its financial position, financial transactions and the results of its operations. The arrangement, definition of content and scope of items for disclosure in the notes to the financial statements were adopted in accordance with the rules set by the European Central Bank for accounting and financial reporting in the European System of Central Banks. Therefore the notes to the financial statements do not contain all information required in compliance with IFRS that are designed primarily for commercial entities.

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

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

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

Explanation Added for Translation into English

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

2.2. FOREIGN CURRENCIES AND SPECIAL DRAWING RIGHTS

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

Exchange rates	Quantity	31 Dec 2021	31 Dec 2020
EUR	1	24.860	26.245
USD	1	21.951	21.387
JPY	100	19.069	20.747
GBP	1	29.585	29.190
CHF	1	24.066	24.298
CAD	1	17.275	16.789
AUD	1	15.919	16.512
SEK	1	2.425	2.614
SDR	1	30.723	30.803
CNY	1	3.458	3.273
DKK	1	3.343	3.527
NOK	1	2.488	2.507
PLN	1	5.408	5.755
XAG	1	16.138	18.058
XAU	1	1,274.157	1,291.864
XPT	1	683.559	732.533

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

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

2.3. GOLD AND OTHER PRECIOUS METALS

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

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

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

2.4. SECURITIES

CNB has currently no regime in place for the purchase of domestic securities. Foreign debt securities and shares held as part of the foreign currency reserves are reported as part of receivables from abroad. These include securities traded on the money and capital markets. Most of debt securities are managed by the banking transactions section. The MBS (US "Mortgage Backed Securities") portfolio is managed by external managers. The shares are also managed predominantly 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 for the following reasons:

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

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

Securities (excluding shares and interests in international institutions) are in most instances measured at prices directly from individual securities markets (IFRS classification: level 1) Prices are obtained from the following sources:

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

In rare instances where the price supplier fails to obtain sufficient information from liquid markets, prices are calculated using models based on market data (level 2). Systematic exceptions are Commercial papers (Bloomberg does not list these securities) and US bonds issued outside the USA (prices calculated using a model based on historical experience better match the prices at which the securities are sold). These bonds are measured using the present value of future cash flows using exclusively observable market indicators (IFRS classification: level 2). The market interest rate shall be:

- for Commercial papers, the interest rate achieved by the same issuers on the primary securities market,
- for USD bonds issued by entities located outside the US, the interest rate on US government bonds increased by:
 - the difference between the yield on government bonds and the yield on the valued bond on a daily basis,
 - difference between Bloomberg's bid and ask yields.

Shares and interests representing participation in international institutions have been classified as securities measured at fair value through equity. The shares in the Bank for International Settlements ("BIS"), the share in Society for Worldwide Interbank Financial Telecommunication ("SWIFT") and in the European Central Bank ("ECB") are non-marketable and their holding results from the membership of the CNB in these institutions. The best possible estimate of fair value of shares in ECB and SWIFT is the acquisition cost (level 3 valuation classification) (see also Note 3.6.). The share in BIS is measured as a share of the CNB in the paid-up part of net assets (or capital) of the BIS decreased by 30% which corresponds to the method used by the BIS to determine the value of shares. This is public information and therefore the classification of measurement is set as level 2.

Securities and interests are initially recognized at cost which includes direct transaction costs. In respect of bonds, receivables/payables arising from the security are reported off balance sheet as at the spot trade date of the purchase/sale of the security until the date of settlement and subsequently revalued due to movements in market prices. Gains and losses from the revaluation of unsettled transactions are recognized in income statement line item 6.2. The moment the transaction is realized, the security is derecognized off balance sheet and is accounted for through on-balance sheet securities. The price of the bond is gradually increased (or decreased) using the effective interest rate method to include interest income (interest expense). In respect of floating interest rate securities, interest income from coupons is calculated using the straight-line method. In respect of inflation linked bonds, interest income changes depending on changes in inflation coefficients. Interest from bonds is reported in income statement line item 1.1. Gains and losses realized upon the

sale of the security are recognized as the difference between the selling price and the current value of the security in the accounting books as at the sale date. Gains and losses from sales are recognized in income statement line item 6.2.

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

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

2.5. REPO TRANSACTIONS AND SECURITIES LENDING

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

Foreign securities deposited with foreign depositories may be used 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 recognized in income statement line item 4.

2.6. NOTES AND COINS IN CIRCULATION

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

2.7. RECEIVABLES FROM AND LIABILITIES TO THE INTERNATIONAL MONETARY FUND

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

The membership 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 Special Drawing Rights ("SDR") but expressed in the local currency. Translation into Czech Crowns is performed using the exchange rate promulgated by the IMF.

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

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

2.8. ISSUED SECURITIES

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

2.9. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

Fair values are determined using discounted future cash-flow models (for FX swap and FX forward transactions) using the ruling foreign exchange rates. Interest rate swap transactions are valued using the Bloomberg's standard valuation tool Swap Manager (also using discounted future cash-flow model). Cash flows in forward and outright swap operations are discounted using money market rates. Futures are valued at the closing price of the relevant exchange on the given day. All market prices are calculated using publicly available information from financial markets and, from the point of view of the IFRS classification, these are level 2 prices. Fair values of derivatives are presented in other assets or in other liabilities when they are positive or negative, respectively. Changes in the fair value of derivatives are included in the income statement line 6.2. Other. The Bank recognizes all derivatives as available-for-sale derivatives and does not use hedge accounting.

2.10. INTEREST INCOME AND INTEREST EXPENSE

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

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

2.11. FEE INCOME

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

2.12. PAYABLES TO AND RECEIVABLES FROM DOMESTIC BANKS

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

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

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

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

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

2.13. OTHER RECEIVABLES

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

2.14. LIABILITIES TO THE GOVERNMENT AND OTHER PUBLIC INSTITUTIONS

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

2.15. PROVISIONS

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

Additions to provisions are recognized in the respective income statement caption. Their utilization is recognized together with expenses or losses, for which purpose they

were created in the income statement. Reversal of provisions in case they are no longer necessary is recognized in income. Movements in provision accounts denominated in foreign currencies arising from revaluations to exchange rates prevailing at the balance sheet date are recognized or charged, as appropriate, to exchange rate differences.

2.16. SPECIFIC PROVISIONS

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

In addition, in accordance with IFRS 9 the Bank applies a calculation model of financial asset impairment based on expected credit losses based on the historical cumulative probability of the debtor's default. In applying this approach, the Bank performed an analysis of all groups of financial assets. Given that the amount of the required specific provision mentioned above is negligible with respect to the volume of the CNB's assets (CZK 1.55 million and CZK 2.08 million in 2021 and 2020, respectively), it is not recognized.

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

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

2.17. TANGIBLE AND INTANGIBLE FIXED ASSETS

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

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

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

Estimated useful lives of assets in years

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

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

2.18. VALUE ADDED TAX

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

2.19. INCOME TAX AND PROFIT TRANSFER TO THE STATE BUDGET

The Bank is exempt from income tax in accordance with Section 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, language training and also provides contribution in the form of cafeteria system in the spheres of sports, culture, health, traveling and education. Employee benefits are accounted for directly as an expense.

2.21. CASH FLOW STATEMENT

In accordance with the Act on Accounting (No. 563/1991 Coll.), the CNB is not obliged to prepare a cash flow statement as part of its financial statements. As the Bank is

the central bank, the presentation of a cash flow statement would not provide further significant information to the users of these financial statements. The cash flow statement is therefore not prepared.

2.22. ACCOUNTING TRANSACTION DATE

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

2.23. OTHER OFF BALANCE SHEET ITEMS

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

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

2.24. SUBSEQUENT EVENTS

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

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

3. ADDITIONAL INFORMATION

3.1. GOLD

	2021	2020
Gold (CZK million)	13,483	12,247
Long-term reserve	12,959	11,195
Operating reserve	524	1,052
Gold (thousand Troy ounces)	340	305
Long-term reserve	327	279
Operating reserve	13	26
Gold (tons)	10.6	9.5
Long-term reserve	10.2	8.7
Operating reserve	0.4	0.8

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

	2021	2020
Collections reserve		
Carrying amount – CZK million	312	316
Troy ounces – thousands	8	8
Tones	0.2	0.2
Cash reserve – carrying amount	12	12

As at 31 December 2021 a foreign bank deposit denominated in gold amounted to CZK 9,494 million (7.4 t) (As at 31 December 2020: CZK 7,888 million (6.1 t)).

3.2. RECEIVABLES FROM AND PAYABLES TO THE INTERNATIONAL MONETARY FUND

CZK million	2021	2020
Membership quota at the IMF	65,866	67,135
Membership deposit	49,183	51,056
Reserve position	16,683	16,079
Loan provided to the IMF	174	174
Deposits in the IMF	78,258	14,093
Receivables from the IMF	144,298	81,402
Payable from the SDR allocation	88,170	24,033
Payable to the IMF from the bill of exchange	43,650	44,737
Current account with the IMF	5,533	6,318
Payables to the IMF	137,353	75,088

An increase in receivables and liabilities in 2021 is attributable to SDR allocation approved by the IMF Board of Governors on 2 August 2021. The amount allocated to the Czech Republic was CZK 64,431 million.

On 1 January 2021, a new bilateral agreement with the IMF came into force, replacing the agreement in force between 12 September 2018 and 31 December 2020. A new credit

facility of EUR 646 million was determined (EUR 1,500 million in the previous agreement). The new agreement is not secured by a state guarantee. As at 31 December 2021, the unused credit facility amounts to EUR 646 million, i.e. CZK 16,060 million.

3.3. RECEIVABLES FROM ABROAD INCLUDING SECURITIES

This item represents a majority portion of foreign currency reserves are used to conduct the Bank's own independent currency policy and as a source of liquidity for performing transactions of the CNB's clients. More than 94% of foreign reserves are portfolios whose strategic allocation is the result of the CNB's internal decision-making processes and which form the so-called actively managed part of foreign exchange reserves. The rest of the reserves consist of receivables from the International Monetary Fund (IMF) in special drawing rights (SDRs) (see Note 3.2.) and monetary gold held by the CNB (see Note 3.1.). In terms of utilization, the Bank divides foreign currency reserves into a liquidity tranche, which comprised 30.8% of the foreign currency reserves at the end of 2021, and an investment tranche, which comprised 69.2% of the foreign currency reserves.

CZK million	2021	2020
Deposits at foreign banks and financial institutions	1,247,231	1,125,656
Current account balances ¹	1,193,517	1,010,963
Deposits ¹	53,714	114,693
Securities	2,446,375	2,342,561
Zero-coupon bonds ²	55,717	143,920
State ²	53,229	113,059
Other ³	2,488	30,861
Coupon bonds ²	1,778,247	1,686,566
State ²	1,352,959	1,250,054
Other ³	425,288	436,512
MBS ²	44,006	43,540
Shares ²	568,405	468,535
MSCI euro (in EUR)	283,596	240,027
of which financial institutions	43,201	35,579
S&P 500 (in USD)	148,548	112,406
of which financial institutions	16,072	11,770
FTSE 100 (in GBP)	25,316	20,446
of which financial institutions	4,513	3,772
Nikkei 225 (in JPY)	26,064	26,603
of which financial institutions	539	527
S&P TSX (in CAD)	56,568	44,088
of which financial institutions	18,671	13,650
S&P ASX 200 (in AUD)	28,313	24,965
of which financial institutions	8,266	6,933
Other receivables from abroad	12,009	47,187
Funds invested through reverse repo transactions ¹	11,602	46,636
Foreign currency ¹	407	551
Receivables from abroad including securities	3,705,615	3,515,404

¹ – Financial instruments classified as measured at acquisition cost or amortized cost.

² – Financial instruments classified as measured at fair value and at market prices directly from financial markets (see Note 2.4.)

³ – Financial instruments classified as measured at fair value and at market prices directly from financial markets (see Note 2.4.) with exceptions valued using models which in 2021 represented Commercial papers at a value of CZK 2,486.99 million and US bonds issued outside the USA at a total value of CZK 55,008.42 million.

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

Other receivables from abroad are particularly represented by reverse repo transactions for which collateral was received in the amount of CZK 11,144 million as at 31 December 2021 (31 December 2020: CZK 46,024 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 3,243 million (31 December 2020: CZK 5,362 million) provided based on the framework agreements on derivatives

transactions (ISDA Master Agreement, ISDA Credit Support Annex and GMRA Master Agreements).

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

CZK million	2021	2020
Bonds		
for making repo transaction	134,356	9,279
for making derivative transactions entered into with the counterparty	535	530
Automated lending scheme	418,249	612,963
Shares		
Lending scheme	34,763	15,214

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 2021 and 2020, no transactions were concluded; and
- Securities (collateral switch) – as at 31 December 2021 and 2020, 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 312 million as at 31 December 2021 (31 December 2020: CZK 316 million) for which the value of precious metals is remeasured at fair value through profit or loss.

CZK million	Land	Buildings	Machinery, furniture and fittings and other tangible assets	Acquisition of assets and prepayments made	Total
Acquisition cost as at 31 December 2020	164	6,968	3,036	63	10,231
Accumulated depreciation at 31 December 2020	0	4,543	2,523	0	7,066
Net book value at 31 December 2020	164	2,425	513	63	3,165
Additions	0	65	263	476	804
Disposals	0	3	467	461	931
Change in accumulated depreciation	0	172	-324	0	-152
Net book value at 31 December 2021	164	2,315	633	78	3,190
Acquisition cost as at 31 December 2021	164	7,030	2,832	78	10,104
Accumulated depreciation at 31 December 2021	0	4,715	2,199	0	6,914

CZK million	Software	Other intangible assets	Acquisition of assets and prepayments made	Total
Acquisition cost as at 31 December 2020	986	22	1	1,009
Accumulated amortization as at 31 December 2020	817	16	0	833
Net book value at 31 December 2020	169	6	1	176
Additions	50	3	52	105
Disposals	1	0	53	54
Change in accumulated amortization	45	2	0	47
Net book value at 31 December 2021	173	7	0	180
Acquisition cost as at 31 December 2021	1,035	25	0	1,060
Accumulated amortization as at 31 December 2021	862	18	0	880

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 2021 amounts to 1.8794% totaling EUR 7.6 million (as at 31 December 2020 it amounted to 1.8794% totaling EUR 7.6 million). The share was calculated in line with Article 29 of the ESCB and ECB Statute using the population number and gross domestic product.

CZK million	2021	2020
Other financial assets	5,128	4,920
Share in the ECB capital	190	200
BIS and SWIFT shares	4,938	4,720
Receivables from former banks	0	0
Loss-making loans provided to former banks	1,340	1,358
Specific provision for loss-making loans provided to former banks (refer to Note 3.12.)	-1,340	-1,358
Other	1,867	2,554
Prepaid expenses	18	31
Other precious metals	18	8
Positive fair value of interest rate swaps (refer to Note 3.17.)	64	19
Positive fair value of currency forwards (refer to Note 3.17.)	0	100
Margin account including profit/loss from change in fair value of futures (refer to Note 3.17.)	571	1,597
Loans to employees	392	264
Other operating receivables	816	545
Specific provisions against other operating receivables (refer to Note 3.12.)	-12	-10
Other assets	6,995	7,474

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	
	2021	2020	2021	2020
Notes in circulation	535	523	709,095	690,885
CZK 5,000	33	34	165,821	170,207
CZK 2,000	177	164	354,538	327,723
CZK 1,000	147	152	146,589	151,583
CZK 500	43	44	21,740	21,987
CZK 200	69	64	13,831	12,877
CZK 100	66	65	6,574	6,505
Commemorative notes	0	0	2	2

	million pieces		CZK million	
	2021	2020	2021	2020
Coins in circulation	2,198	2,134	22,003	21,001
CZK 50	166	157	8,276	7,852
CZK 20	239	232	4,783	4,637
CZK 10	261	255	2,612	2,548
CZK 5	313	303	1,564	1,516
CZK 2	559	542	1,119	1,085
CZK 1	657	642	657	642
Commemorative coins	3	3	2,992	2,721
Notes and coins in circulation	2,733	2,657	731,098	711,886

3.8. LIABILITIES ABROAD

CZK million	2021	2020
Funds from repo transactions	134,897	9,280
Other liabilities abroad	59,746	134,559
Liabilities abroad	194,643	143,839

As of 31 December 2021, funds for repo transactions were secured by collateral in the form of debt securities totaling CZK 134,356 million (31 December 2020: CZK 9,279 million) (refer to Note 3.3.).

In addition, foreign banks made deposits in CZK amounting to CZK 59,585 million (31 December 2020: CZK 134,228 million) and provided collaterals in the form of cash deposits of CZK 137 million (31 December 2020: CZK 308 million) in accordance with master agreements on derivative transactions (ISDA Master Agreement, ISDA Credit Support Annex and GMRA Master Agreements).

3.9. LIABILITIES TO DOMESTIC BANKS

CZK million	2021	2020
Loans received - repo transactions	2,132,933	2,147,836
Domestic bank reserves	105,752	72,464
Payment system accounts	99,189	66,004
Balances on cash withdrawal and deposit accounts	6,556	6,452
Special MMR accounts	7	8
Other liabilities to domestic banks	87,400	62,920
Short-term deposits received	87,366	62,910
Other payables	34	10
Liabilities to domestic banks	2,326,085	2,283,220

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 2,128,110 million as at 31 December 2021 (as at 31 December 2020: CZK 2,109,275 million).

For more information refer to Note 2.8. of Accounting Policies.

3.10. LIABILITIES TO THE GOVERNMENT AND OTHER PUBLIC INSTITUTIONS

CZK million	2021	2020
CZK funds	538,491	420,757
Single Treasury Account and other state funds in CZK (refer to Note 2.14.)	480,973	370,389
Other deposits in CZK	57,518	50,368
Foreign currency funds	1,726	1,992
Single Treasury Account in EUR	0	128
Other deposits in foreign currencies	1,726	1,864
State and public institution deposits	540,217	422,749

3.11. OTHER LIABILITIES

CZK million	2021	2020
Negative fair value of currency forwards (refer to Note 3.17.)	870	1,337
Negative fair value of interest rate swaps (refer to Note 3.17.)	2,361	4,709
Payables to the European Commission	7,244	5,582
Employee accounts	2,189	2,233
Other payables	1,079	1,071
Other liabilities	13,743	14,932

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

Other liabilities totaling CZK 1,079 million include liabilities of CZK 108 million owing to social security and health insurance premiums as at 31 December 2021 (2020: CZK 100 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 2020	Additions	Use due to write-offs	Reversals	31 Dec 2020	Additions	Use due to write-offs	Reversals	31 Dec 2021
Specific provisions	1,368	0	0	0	1,368	2	0	18	1,352
Classified loans of former banks (refer to Note 3.6.)	1,358	0	0	0	1,358	0	0	18	1,340
Other operating receivables (refer to Note 3.6.)	10	0	0	0	10	2	0	0	12

CZK million	1 Jan 2020	Additions	Reversals	FX differences	31 Dec 2020	Additions	Reversals	FX differences	31 Dec 2021
Provisions	0	0	0	0	0	0	0	0	0
Guarantees for clients (refer to Note 3.17.)	0	0	0	0	0	0	0	0	0

3.13. EQUITY

CZK million	Revaluation reserve	Share capital	Funds	Accumulated losses	Profit/loss for the year	Total equity
Balance as at 1 January 2020	4,029	1,400	0	-187,115	57,898	-123,788
Distribution of 2019 profit	0	0	0	57,898	-57,898	0
Revaluation reserve not included in profit	260	0	0	0	0	260
Profit/loss for 2020	0	0	0	0	91,682	91,682
Balance as at 31 December 2020	4,289	1,400	0	-129,217	91,682	-31,846
Distribution of 2020 profit	0	0	0	91,682	-91,682	0
Other (rounding effect)	0	0	0	-1	0	-1
Revaluation reserve not included in profit	208	0	0	0	0	208
Profit/loss for 2021	0	0	0	0	-37,739	-37,739
Balance as at 31 December 2021	4,497	1,400	0	-37,536	-37,739	-69,378

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

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

3.14. NET INTEREST INCOME

CZK million	2021	2020
Interest income and similar income	15,525	19,435
Interest on securities	15,111	18,774
Interest on zero-coupon bonds	5	143
Interest on coupon bonds	13,933	17,749
Interest on MBS	1,173	882
Other interest income	414	661
Interest on inter-bank deposits	410	658
Interest on employees loans	4	3
Interest expense and similar expense	33,992	32,658
Interest on liabilities to banks	33,974	32,625
Interest on liabilities to employees and other clients	18	33
Net interest income	-18,467	-13,223

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

3.15. GAINS LESS LOSSES FROM FINANCIAL TRANSACTIONS

CZK million	2021	2020
Foreign exchange gains or losses and foreign exchange spread	-90,336	19,281
Foreign exchange gains/losses ¹	-91,433	18,222
Foreign exchange spread	1,097	1,059
Other	62,460	79,615
Gains/losses from revaluation and sale of bonds	-38,742	54,033
Gains/losses from revaluation and sale of MBS	-1,873	172
Gains/losses from revaluation and sale of shares	99,542	27,691
Net gains/losses from currency forwards	1,164	1,443
Net gains/losses from interest rate futures	234	-169
Net gains/losses from interest rate swaps	1,497	-3,878
Net gains/losses from share futures	638	323
Profit/loss from financial transactions	-27,876	98,896

¹ FOREX losses were caused by a significant change in koruna exchange rate.

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

3.16. OTHER COSTS

CZK million	2021	2020
Personnel costs	2,013	1,903
Wages and salaries	1,409	1,325
Social security and health insurance	468	443
Cost of personnel training	6	6
Employee benefits	130	129
Other administrative expenses	369	337
Rent	6	4
Other	363	333
Total administrative expenses	2,382	2,240

As at 31 December 2021, the average recalculated headcount including the Bank Board amounted to 1,448 employees (as at 31 December 2020: 1,454 employees).

3.17. OFF-BALANCE SHEET ITEMS

GUARANTEES

CZK million	2021	2020
Guarantees issued	804	804
Guarantees for clients (refer to Note 3.12.)	0	0
For deposits held by IPB	4	4
Consolidation of the banking sector – sale of part of the business of Agrobanka Praha a. s.	800	800
Guarantees received	0	0
State guarantee to secure the loan to the IMF	0	0

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

COLLATERAL RECEIVED

CZK million	2021	2020
Repo transactions	11,144	46,024
Collateral received for shares granted within the lending scheme	38,110	16,101
Derivatives and additional collateral	524	156
Swap transactions	10,899	13,341
Collateral received	60,677	75,622

The Bank shall be guaranteed by depositor the return of securities in the total amount of CZK 418 billion as part of automatic lending schemes.

SPOT TRANSACTIONS AND FINANCIAL DERIVATIVES

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

CZK million	2021	2020
Off-balance sheet receivables	402,985	529,014
from currency forward transactions	282,042	361,676
from interest rate swap transactions	57,809	35,075
from interest rate futures transactions	16,613	11,459
from share futures transactions	2,532	3,708
from unsettled interest rate spot transactions	5,548	72,957
from unsettled currency spot transactions	26,179	26,279
from interest forward transactions	12,262	17,860
Off-balance sheet liabilities	403,737	530,180
from currency forward transactions	282,779	362,831
from interest rate swap transactions	57,809	35,075
from interest rate futures transactions	16,613	11,460
from share futures transactions	2,533	3,708
from unsettled interest rate spot transactions	5,548	72,957
from unsettled currency spot transactions	26,193	26,289
from interest forward transactions	12,262	17,860

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

CZK million	2021	2020
Off-balance sheet receivables from forward transactions	282,042	361,676
Off-balance sheet payables from forward transactions	282,779	362,831
Positive fair value (refer to Note 3.6.)	0	100
Negative fair value (refer to Note 3.11.)	870	1,337

All currency forwards will mature in 2022.

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	2021	2020
Off-balance sheet receivables from interest rate swap transactions	57,809	35,075
Off-balance sheet payables from interest rate swap transactions	57,809	35,075
Positive fair value (refer to Note 3.6.)	64	19
Negative fair value (refer to Note 3.11.)	2,361	4,709

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	2021	2020
Off-balance sheet receivables from interest rate futures transactions	16,613	11,459
Off-balance sheet payables from interest rate futures transactions	16,613	11,460
Net gain/loss from change in fair values of interest rate futures transactions for the reporting period (refer to Note 3.15.)	234	-169
Off-balance sheet receivables from share futures transactions	2,532	3,708
Off-balance sheet payables from share futures transactions	2,533	3,708
Net gain/loss from change in fair values of futures transactions for the reporting period (refer to Note 3.15.)	638	323
Net gain/loss from change in fair values of futures transactions for the reporting period	873	154
Cash on margin account	302	1,442
Margin account including settled change in fair value of interest rate futures transactions (refer to Note 3.6.)	571	1,597

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 2021 and 2020.

3.18. FINANCIAL RISKS

Liquidity Risk

The Bank monitors and manages the structure of its foreign currency reserves with respect to the use of its foreign currency reserves taking into consideration developments in financial markets and size of the reserves. For these purposes, the Bank has allocated a portion of foreign reserve assets to the so-called liquidity tranche in which it maintains funds that are intended for immediate need. In addition, the Bank invests part of the investment tranche in government bonds of the most advanced countries, which are also the most liquid instruments on the market.

Interest Rate Risk

The Bank holds financial instruments in its foreign reserves, the price of which is sensitive to changes in market interest rates. This sensitivity is expressed by duration. The Bank manages interest rate risk by setting limits on the maximum duration, for individual tranches and individual portfolios. These limits are set with regard to the use of foreign reserves, their amount and expected return.

Currency Risk

The CZK value of foreign currency reserves is exposed to changes in the CZK exchange rate versus individual foreign currencies in which foreign reserves are held. Due to the necessity to keep foreign currency reserves and subordinate their development to the primary statutory target of monetary stability, the CNB is not able to fully eliminate the risk of decrease of CZK value of foreign currency reserves from the strengthening of the Czech currency against major foreign currencies. However, by appropriate diversification into several currencies, the Bank seeks to minimize this risk by at least partially taking advantage of the opposing movements in the CZK exchange rate.

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. The basic measure of credit risk is the rating of the borrower or issuer of a security from reputable rating agencies.

LIQUIDITY RISK

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

CZK million		Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not specified	Total
Gold	2021	0	0	0	0	0	13,483	13,483
	2020	0	0	0	0	0	12,247	12,247
Receivables from the IMF	2021	0	0	0	0	0	144,298	144,298
	2020	0	0	0	0	0	81,402	81,402
Zero-coupon bonds	2021	31,019	9,536	4,858	10,304	0	0	55,717
	2020	25,700	61,699	36,144	20,377	0	0	143,920
Coupon bonds	2021	0	1,171	78,174	1,156,565	542,337	0	1,778,247
	2020	2,859	23,929	100,931	999,785	559,062	0	1,686,566
MBS	2021	2,778	1,368	395	557	38,908	0	44,006
	2020	4,288	1,208	385	160	37,499	0	43,540
Shares	2021	0	0	0	0	0	568,405	568,405
	2020	0	0	0	0	0	468,535	468,535
Deposits, loans and other receivables from abroad	2021	1,259,240	0	0	0	0	0	1,259,240
	2020	1,172,843	0	0	0	0	0	1,172,843
Receivables from domestic banks	2021	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Tangible and intangible assets	2021	0	0	0	0	0	3,370	3,370
	2020	0	0	0	0	0	3,341	3,341
Other assets	2021	1,458	0	18	41	350	5,128	6,995
	2020	2,260	0	31	36	227	4,920	7,474
Total assets	2021	1,294,495	12,075	83,445	1,167,467	581,595	734,684	3,873,761
	2020	1,207,950	86,836	137,491	1,020,358	596,788	570,445	3,619,868
Notes and coins in circulation	2021	0	0	0	0	0	731,098	731,098
	2020	0	0	0	0	0	711,886	711,886
Liabilities to the IMF	2021	0	0	0	0	0	137,353	137,353
	2020	0	0	0	0	0	75,088	75,088
Liabilities abroad	2021	194,643	0	0	0	0	0	194,643
	2020	143,763	0	76	0	0	0	143,839
Liabilities to domestic banks	2021	2,326,085	0	0	0	0	0	2,326,085
	2020	2,283,220	0	0	0	0	0	2,283,220
Liabilities to the government	2021	540,217	0	0	0	0	0	540,217
	2020	422,749	0	0	0	0	0	422,749
Other liabilities	2021	13,743	0	0	0	0	0	13,743
	2020	14,932	0	0	0	0	0	14,932
Provisions	2021	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Equity	2021	0	0	0	0	0	-69,378	-69,378
	2020	0	0	0	0	0	-31,846	-31,846
Total liabilities	2021	3,074,688	0	0	0	0	799,073	3,873,761
	2020	2,864,664	0	76	0	0	755,128	3,619,868
Net liquidity gap	2021	-1,780,193	12,075	83,445	1,167,467	581,595	-64,389	0
	2020	-1,656,714	86,836	137,415	1,020,358	596,788	-184,683	0

INTEREST RATE RISK

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

CZK million		Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Not sensitive to the interest rate	Total
Gold	2021	0	0	0	0	0	13,483	13,483
	2020	0	0	0	0	0	12,247	12,247
Receivables from the IMF	2021	0	0	0	0	0	144,298	144,298
	2020	0	0	0	0	0	81,402	81,402
Zero-coupon bonds	2021	31,019	9,536	4,858	10,304	0	0	55,717
	2020	25,700	61,699	36,144	20,377	0	0	143,920
Coupon bonds	2021	7,776	19,051	120,879	1,089,898	540,643	0	1,778,247
	2020	17,668	39,534	127,732	949,060	552,572	0	1,686,566
MBS	2021	2,778	1,368	395	557	38,908	0	44,006
	2020	4,288	1,208	385	160	37,499	0	43,540
Shares	2021	0	0	0	0	0	568,405	568,405
	2020	0	0	0	0	0	468,535	468,535
Deposits, loans and other receivables from abroad	2021	1,259,240	0	0	0	0	0	1,259,240
	2020	1,172,843	0	0	0	0	0	1,172,843
Receivables from domestic banks	2021	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Tangible and intangible assets	2021	0	0	0	0	0	3,370	3,370
	2020	0	0	0	0	0	3,341	3,341
Other assets	2021	1,476	0	0	41	350	5,128	6,995
	2020	2,291	0	0	36	227	4,920	7,474
Total assets	2021	1,302,289	29,955	126,132	1,100,800	579,901	734,684	3,873,761
	2020	1,222,790	102,441	164,261	969,633	590,298	570,445	3,619,868
Notes and coins in circulation	2021	0	0	0	0	0	731,098	731,098
	2020	0	0	0	0	0	711,886	711,886
Liabilities to the IMF	2021	0	0	0	0	0	137,353	137,353
	2020	0	0	0	0	0	75,088	75,088
Liabilities abroad	2021	194,643	0	0	0	0	0	194,643
	2020	143,839	0	0	0	0	0	143,839
Liabilities to domestic banks	2021	2,326,085	0	0	0	0	0	2,326,085
	2020	2,283,220	0	0	0	0	0	2,283,220
Liabilities to the government	2021	540,217	0	0	0	0	0	540,217
	2020	422,749	0	0	0	0	0	422,749
Other liabilities	2021	13,743	0	0	0	0	0	13,743
	2020	14,932	0	0	0	0	0	14,932
Provisions	2021	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
Equity	2021	0	0	0	0	0	-69,378	-69,378
	2020	0	0	0	0	0	-31,846	-31,846
Total liabilities	2021	3,074,688	0	0	0	0	799,073	3,873,761
	2020	2,864,740	0	0	0	0	755,128	3,619,868
Net interest sensitivity gap	2021	-1,772,399	29,955	126,132	1,100,800	579,901	-64,389	0
	2020	-1,641,950	102,441	164,261	969,633	590,298	-184,683	0

CURRENCY RISK

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

CZK million		CZK	EUR	USD	JPY	GBP	CAD	AUD	CNY	Other	Total
Gold	2021	0	0	0	0	0	0	0	0	13,483	13,483
	2020	0	0	0	0	0	0	0	0	12,247	12,247
Receivables from the IMF	2021	49,183	0	0	0	0	0	0	0	95,115	144,298
	2020	51,056	0	0	0	0	0	0	0	30,346	81,402
Zero-coupon bonds	2021	0	19,770	0	35,947	0	0	0	0	0	55,717
	2020	0	101,552	0	42,368	0	0	0	0	0	143,920
Coupon bonds	2021	0	796,516	537,238	0	86,519	185,398	102,050	40,947	29,579	1,778,247
	2020	0	734,845	528,772	0	89,136	183,851	104,427	11,427	34,108	1,686,566
MBS	2021	0	0	44,006	0	0	0	0	0	0	44,006
	2020	0	0	43,540	0	0	0	0	0	0	43,540
Shares	2021	0	283,596	148,548	26,064	25,316	56,568	28,313	0	0	568,405
	2020	0	240,027	112,406	26,603	20,446	44,088	24,965	0	0	468,535
Deposits, loans and other receivables from abroad	2021	0	1,055,868	26,589	50,969	11,769	168	203	21	113,653	1,259,240
	2020	0	953,493	42,058	62,562	1,370	114	210	3	113,033	1,172,843
Receivables from domestic banks	2021	0	0	0	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0	0	0	0
Tangible and intangible assets	2021	3,057	0	0	0	0	0	0	0	313	3,370
	2020	3,024	0	0	0	0	0	0	0	317	3,341
Other assets	2021	538	1,073	129	47	87	123	42	0	4,956	6,995
	2020	472	1,409	308	215	109	142	93	0	4,726	7,474
Total assets	2021	52,778	2,156,823	756,510	113,027	123,691	242,257	130,608	40,968	257,099	3,873,761
	2020	54,552	2,031,326	727,084	131,748	111,061	228,195	129,695	11,430	194,777	3,619,868
Notes and coins in circulation	2021	731,098	0	0	0	0	0	0	0	0	731,098
	2020	711,886	0	0	0	0	0	0	0	0	711,886
Liabilities to the IMF	2021	49,183	0	0	0	0	0	0	0	88,170	137,353
	2020	51,056	0	0	0	0	0	0	0	24,032	75,088
Liabilities abroad	2021	59,609	123,371	62	0	11,601	0	0	0	0	194,643
	2020	134,251	129	9,459	0	0	0	0	0	0	143,839
Liabilities to domestic banks	2021	2,326,085	0	0	0	0	0	0	0	0	2,326,085
	2020	2,283,220	0	0	0	0	0	0	0	0	2,283,220
Liabilities to the government	2021	538,491	0	1,726	0	0	0	0	0	0	540,217
	2020	420,757	128	1,863	0	1	0	0	0	0	422,749
Other liabilities	2021	11,007	395	2,323	0	15	0	2	0	1	13,743
	2020	9,741	462	4,728	0	1	0	0	0	0	14,932
Provisions	2021	0	0	0	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0	0	0	0
Equity	2021	-73,962	0	0	0	0	0	0	0	4,584	-69,378
	2020	-36,211	0	0	0	0	0	0	0	4,365	-31,846
Total liabilities	2021	3,641,511	123,766	4,111	0	11,616	0	2	0	92,755	3,873,761
	2020	3,574,700	719	16,050	0	2	0	0	0	28,397	3,619,868
Net assets/liabilities (-)	2021	-3,588,733	2,033,057	752,399	113,027	112,075	242,257	130,606	40,968	164,344	0
	2020	-3,520,148	2,030,607	711,034	131,748	111,059	228,195	129,695	11,430	166,380	0
Net off-balance sheet assets	2021	0	68,271	296,647	28,436	4,986	598	3,494	0	553	402,985
	2020	71	132,888	307,671	84,813	236	1,239	2,096	0	0	529,014
Net off-balance sheet liabilities	2021	0	-93,411	-102,114	-90,772	-3,145	-248	-5,970	0	-108,077	-403,737
	2020	-71	-146,103	-168,935	-105,145	-237	-228	-291	0	-109,170	-530,180
Net open currency position	2021	-3,588,733	2,007,917	946,932	50,691	113,916	242,607	128,130	40,968	56,820	-752
	2020	-3,520,148	2,017,392	849,770	111,416	111,058	229,206	131,500	11,430	57,210	-1,166

CREDIT RISK AND CONCENTRATION OF LIABILITIES

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

ASSETS

CZK million	2021	2020
Czech Republic	9,061	9,244
Germany	693,716	973,787
France	223,098	257,673
The Netherlands	80,104	129,012
Austria	9,575	31,592
Slovakia	1,029,826	546,395
Luxembourg	54,906	17,838
Spain	20,937	19,964
Other Eurozone countries	70,552	91,914
Switzerland	116,830	116,231
Sweden	31,309	48,343
Denmark	4,700	4,873
United Kingdom	124,601	143,110
Norway	20,532	22,821
Other European countries	246	260
USA	870,435	712,772
Canada	265,172	257,381
Australia	89,462	88,856
Japan	112,537	131,205
Other countries	46,162	16,597
Geographical concentration of assets	3,873,761	3,619,868

LIABILITIES

Czech Republic	3,534,522	3,395,359
USA	137,490	75,303
Eurozone countries	153,748	93,889
Other European countries	47,813	31,488
Other countries	188	23,829
Geographical concentration of liabilities	3,873,761	3,619,868

3.19. CONTINGENT LIABILITIES

In accordance with the Agreement for the payment of operating costs and losses related to assumed assets that are incurred in connection with the fulfilment of the Consolidation Programme concluded on 29 June 2000, as amended, the CNB charges against income the amounts it pays for the acknowledged reasonable operating costs of the Ministry of Finance of the Czech Republic (until 31 December 2007 the costs of Česká konsolidační agentura a.s.). In 2021 these costs amounted to CZK 0.1 million (2020: CZK 0.1 million). The Bank does not recognize any provisions for these contingencies as they are immaterial.

Pending litigation

As a result of the activities the CNB conducted pursuant to its role in supporting and maintaining the stability of the banking sector, the CNB or third parties are defendants in several court proceedings. Based on consultation with external lawyers and internal analyses, the CNB does not consider it probable that the outcome of these legal cases will result in any material outflow of the CNB's resources and, therefore, has not recognized any provisions. Similarly, the Bank evaluates the contingencies and commitments from legal cases which relate to the activities of the former authorities of financial market supervision and which the Bank keeps on the basis of Act No. 57/2006 Col., on the Amendment of Acts Connected with the Unification of Financial Market Supervision. According to this Act, any financial liabilities arising from these legal cases would be reimbursed by the state.

3.20. RELATED PARTY TRANSACTIONS

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

In accordance with internal rules the CNB provides the members of the Bank Board and senior management with services consisting of maintaining current and deposit accounts and special purpose loans, especially for housing. The loans to the members of the Bank Board and senior management are provided under standard conditions same as loans to other employees of the Bank.

3.21. SUBSEQUENT EVENTS

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 2021.

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

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

INDEPENDENT AUDITOR'S REPORT

To the Bank Board of the Czech National Bank:

Opinion

We have audited the accompanying financial statements of the Czech National Bank prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2021, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Czech National Bank, see Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Czech National Bank as at 31 December 2021, and of its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

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

Other Matters

The financial statements of the Czech National Bank for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 19 March 2021.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon and information also included in the Financial Report submitted to the House of Deputies of the Czech Parliament for 2021. The Bank Board of the Czech National Bank is responsible for the other information.

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

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



Roman Hauptfleisch, Auditor
License No. 2009

23 March 2022
Prague, Czech Republic