

2022 Half-Year Report

UniCredit Bank Czech Republic and Slovakia, a.s.

Issued on 9 September 2022

UniCredit Bank Czech Republic and Slovakia, a.s.
Želetavská 1525/1
140 92 Praha 4

UniCredit Bank Czech Republic and Slovakia, a.s. (the "Bank"), as an issuer of listed securities, submits to the public this Half-Year Report prepared in accordance with Section 119 of Act No. 256/2004 Coll. on Capital Market Undertakings as amended in the Czech Republic that which is also the Half-Year Financial Report for the 1st half of 2022 in accordance with Section 35 of Act No. 429/2002 Coll., on the Stock Exchange, as amended in the Slovak Republic.

Basic data

Business name: UniCredit Bank Czech Republic and Slovakia, a.s.

Registered office: Želetavská 1525/1, 140 92 Prague 4, Czech Republic

Company ID No.: 64948242

Companies register: recorded in the Companies Register maintained by the Municipal Court in Prague, Section B, file 3608

Tax ID No.: CZ64948242

Date of incorporation: 1 January 1996, for an indefinite period

Legal form: joint-stock company

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UniCredit Bank Czech Republic and Slovakia, a.s. is a joint-stock company incorporated according to Czech law and in carrying out its activities in the Czech market, the Bank is governed by Czech legal regulations, in particular the Banking Act, the Civil Code, the Act on Business Corporations and regulations governing operations in the banking and capital markets.

In the Slovak market, where the Bank has operated since 1 December 2013 through its organisational unit, the Bank is also governed by applicable Slovak legal regulations.

Publishing of the Half-Year report

- <https://www.unicreditbank.cz/cs/o-bance/vysledky/vyrocnizpravy.html>
- <https://www.unicreditbank.sk/sk/o-banke/investori/vyrocniespravy.html>
- Announcement of the publication in the daily „Hospodářské noviny“ published in the Slovak Republic

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Scope of business activities

The Banks's business activities include banking transactions and provision of financial services fully in accordance with Banking Act No. 21/1992 Coll., as amended, and Act No. 219/1995 Coll., the Foreign Exchange Act, as amended, i. e.

- a) receiving deposits from the public;
- b) granting loans;
- c) investing in securities on its own account;
- d) finance lease;
- e) operating a system of payments and clearing;
- f) issuing and administering payment products;
- g) granting guarantees;
- h) opening letters of credit;
- i) administering cash collection;
- j) providing investment services:
 - main investment service pursuant to Section 8, par. 2a) of Act No. 591/1992 Coll., on Securities, as amended (hereinafter "the Securities Act"), receipt of and conveying instructions related to investment instruments on a customer's account, with respect to investment instruments pursuant to Section 8a, par. 1a)–1g) of the Securities Act,
 - main investment service pursuant to Section 8, par. 2b) of the Securities Act, executing instructions related to investment instruments on the account of another party, with respect to investment instruments pursuant to Section 8a, par. 1a) and 1g) of the Securities Act,
 - main investment service pursuant to Section 8, par. 2c) of the Securities Act, trading in investment instruments on a trader's own account, with respect to investment instruments pursuant to Section 8a, par. 1a)–1g) of the Securities Act, main investment service pursuant to Section 8, par. 2d) of the Securities Act, management of individual portfolios at its own discretion within the terms of a contractual covenant with a client, if investment instruments form a part of such portfolio and with respect to investment instruments pursuant to Section 8a, par. 1a)–1g) of the Securities Act,
 - main investment service pursuant to Section 8, par. 2e) of the Securities Act, underwriting or placing issues of investment instruments, with respect to investment instruments pursuant to Section 8a, par. 1a) – 1b) of the Securities Act,
 - supplementary investment service pursuant to Section 8, par. 3a) of the Securities Act, custody and management of one or more investment instruments, with respect to investment instruments pursuant to Section 8a, par. 1a)–1c) of the Securities Act,
 - supplementary investment service pursuant to Section 8, par. 3c) of the Securities Act, provision of credits or loans to a customer for the purpose of executing a transaction with investment instruments, if the provider of

UniCredit Bank Czech Republic and Slovakia, a.s.

Konsolidovaný výkaz o úplném výsledku za období od 1. ledna do 30. června 2020

sestavený na základě Mezinárodních standardů účetního výkaznictví
přijatých Evropskou unií (v mil. Kč)

- the loan or credit is a participant in this transaction, with respect to investment instruments pursuant to Section 8a, par. 1a)–1d) and 1g) of the Securities Act,
- supplementary investment service pursuant to Section 8, par. 3d) of the Securities Act, consulting services related to the capital structure, industry strategy and related issues, and the provision of advice and services related to mergers and acquisitions of companies,
 - supplementary investment service pursuant to Section 8, par. 3e) of the Securities Act, services related to underwriting of issues pursuant to Section 8, par. 2e) of the Securities Act, with respect to investment instruments pursuant to Section 8a, par. 1a)–1b) of the Securities Act,
 - supplementary investment service pursuant to Section 8, par. 3f) of the Securities Act, consulting services related to investment in investment instruments, with respect to investment instruments pursuant to Section 8a, par. 1a)–1g) of the Securities Act, and
 - supplementary investment service pursuant to Section 8, par. 3g) of the Securities Act, executing of foreign currency operations related to the provision of investment services,
- k) issuing mortgage bonds;
 - l) financial brokerage;
 - m) depository services;
 - n) foreign currency exchange services (purchase of foreign currencies);
 - o) providing banking information;
 - p) trading foreign currencies and gold on its own account or on behalf of clients;
 - q) renting safe-deposit boxes; and
 - r) other activities directly related to the activities specified above.

The Half-Year Report has not been audited.

DISCLAIMER: The English version of the Half-Year Report is a translation of the Czech original and is for information purposes only. In case of a discrepancy, the Czech original will prevail.

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1. Commentary on the Bank's financial results

The UniCredit Bank Czech Republic and Slovakia Group (the "Group") achieved a net profit of CZK 4,433 million as at 30 June 2022, which is higher by 36.36% compared with profit of CZK 3,324 million as at 30 June 2021.

The increase in profitability is mainly attributed to the receding macroeconomic effects of COVID-19, increased interest rates and the preservation of the quality of the loan portfolio despite the development of the geopolitical situation in Eastern Europe, the extreme rise in energy commodity prices, the disruption of supply-customer chains and sanctions directed against the Russian Federation. The Group has taken steps to reflect these deteriorated expectations into the risk parameters in the calculation of Expected Credit Losses ("ECL") - further details can be found in Note c) of the part Financial Assets at amortized cost - loans and advances to clients in the interim consolidated financial statements that is part of this Half-year Report.

Statement of Comprehensive Income

Compared to the first half of 2021, net interest income decreased by 26.70% to CZK 7,702 million (CZK 6,079 million as at 30 June 2021). This is mainly the result of increased interest rates, which the CNB began to increase significantly in the 4th quarter of 2021 in order to moderate the growth of inflation.

Net fee and commission income amounted to CZK 2,001 million (as at 30 June 2021: CZK 1,750 million), which represents an increase by 14.34%.

Net profit from the sale or repurchase of financial instruments decreased by 73.55% to CZK 64 million (the value as at 30 June 2021 was CZK 242 million).

Income from trading decreased insignificantly by 7.95% from CZK 1,107 million as at 30 June 2021 to CZK 1,019 million as at 30 June 2022.

Operating revenues reached CZK 10,732 million, compared to CZK 9,215 million as at 30 June 2021, corresponding with increase by 16.46%.

Administrative expenses were reported in the amount of CZK 4,015 million (as at 30 June 2021: CZK 3,849 million), a slight increase by 4.31%.

Impairment losses on financial assets at amortized cost decreased by 9.25% from CZK 757 million as at 30 June 2021 to CZK 687 million as at 30 June 2021, when the increase within Expected Loss calculation in line with the IFRS 9 methodology reflecting the updated macroeconomic scenario and the current macroeconomic situation was eliminated by dissolving of no longer needed recognized impairment losses.

Statement of Financial Position

Assets

As at 30 June 2022, the Group's total assets amounted to CZK 955.4 billion, which represents an increase by 37.77% compared to 31 December 2021, when the balance sheet total was CZK 693.5 billion.

Financial assets at fair value through profit or loss increased by 50.84% since 31 December 2020 from CZK 35.2 billion to CZK 53.1 billion.

Financial assets at fair value through other comprehensive income up by 30.50% to CZK 28.5 billion (as at 31 December 2021 this value was CZK 21.8 billion).

Loans and advances to clients increased by 7.32% to a total of CZK 518.7 billion compared to 31 December 2021 (CZK 483.3 billion).

The growth dynamics of the loan portfolio continued to be focused on the retail segments (mainly due to the growth of mortgage loans) and small and medium-sized companies.

Loans and advances to banks increased by 149.11% compared to 31 December 2021 (CZK 303.5 billion as at 30 June 2022 compared to CZK 121.8 billion as at 31 December 2021), mainly due to an increase in receivables from reverse repo operations.

The value of tangible assets and assets from the right of use was CZK 6,585 million as at 30 June 2022 and represents an increase by 1.14% compared to the value of CZK 6,511 million as at 31 December 2021.

The value of intangible assets decreased by 5.95% from CZK 2,876 million as at 31 December 2021 to CZK 2,705 million as at 30 June 2020.

Liabilities

Liabilities to banks increased by 64.90% from CZK 56.9 billion as at 31 December 2021 to CZK 93.8 billion as at 30 June 2022. The growth is mainly due to an increase in liabilities from repo operations.

Liabilities to clients increased by 41.47% compared to 31 December 2021 to a total of CZK 665.1 billion (from CZK 470.2 billion as at 31 December 2021). The growth is mainly due to an increase in liabilities from repo operations.

Debt securities issued decreased by 2.17% to a total of CZK 23.3 billion (from CZK 23.9 billion as at 31 December 2021).

The Group strives to optimize the financing for its activities, leading to increased liabilities from repo operations. The client deposit base (current accounts and term deposits) reported only a moderate year-on-year increase. The Group takes always into account the Bank's prudential liquidity management (both short-term and structural).

Equity

The Group's equity amounted to CZK 75.7 billion as at 30 June 2022, which represents a decrease of CZK 6.2 billion compared to 31 December 2021 due to the fact that the Group paid a dividend of CZK 6.7 billion this year, mainly from the profit of 2021.

2. Expected development in 2022

The Group achieved in the first half of 2022 a significant year-on-year increase in profit after tax, mainly thanks to the increase in operating income. The environment of higher interest rates, the growing volume of client loans and deposits and the return of the fee and commission income to the "pre-covid" level, together with the low need for the creation of loan loss provisions and the high quality of the loan portfolio, are a promise for exceeding the expected financial results for this year.

The volume of client loans increased compared to the end of 2021 in both retail and corporate segment, both on the Czech and Slovak markets. In the second half of the year, we expect a slowdown in growth, especially in the Czech Republic, due to lower demand for loans from clients due to higher interest rates.

On the deposit side, the Group continues to grow in corporate segment compared to the end 2021, while retail deposits stagnate due to rising consumer prices.

Operating costs are increasing year-on-year mainly due to non-personnel costs, primarily in the area of depreciation of intangible assets, thanks to continued investments in IT. In the area of personnel costs, we also observe an increase compared to the previous year, which reflects the increase in wages and employee benefits. Looking at the whole year, we expect a year-on-year increase in operating costs significantly below average inflation.

In terms of risks, the Bank expects a slightly lower year-on-year need for loan loss provisioning due to the high quality of the loan portfolio, while at the same time maintaining a high level of capital adequacy indicators.

3. Interim Consolidated Financial Statements as of 30 June 2022

UniCredit Bank Czech Republic and Slovakia, a.s.**Interim Consolidated Statement of Comprehensive Income for the period ended 30 June 2022**prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in millions CZK)

	1 Jan - 30 Jun 2022	1 Jan - 30 Jun 2021
Interest income, of which:	11 166	7 153
- interest income calculated using the effective interest method	13 175	5 840
Interest expenses	(3 464)	(1 074)
Net interest income	7 702	6 079
Fee and commission income	2 693	2 343
Fee and commission expenses	(692)	(593)
Net fee and commission income	2 001	1 750
Dividend income	3	2
Net income/(loss) from trading	1 019	1 107
Net income/(loss) from hedging against risk of changes in fair value	(1)	-
Net income/(loss) from the sale or repurchase of:	64	242
Financial assets at amortised cost	17	165
Financial assets at fair value through other comprehensive income	46	94
Financial liabilities	1	(17)
Net income/(loss) from financial assets/liabilities at fair value through profit or loss, of which:	(56)	35
Mandatorily at fair value	(56)	35
Operating income	10 732	9 215
Impairment losses on:	(687)	(757)
Financial assets at amortised cost	(687)	(757)
Financial assets at fair value through other comprehensive income	-	-
Administrative expenses	(4 015)	(3 849)
Net provisions for risks and charges:	(53)	10
Loan commitments and guarantees given	(40)	10
Other net provisions	(13)	-
Depreciation and impairment of property, equipment and right of use assets	(475)	(489)
Amortisation and impairment of intangible assets	(346)	(277)
Other operating income and expenses	351	321
Operating expenses	(4 538)	(4 284)
Net income/(loss) on property and investment property measured at fair value	-	1
Profit/loss from equity investments	27	27
Profit/(loss) from the sale of non-financial assets	(1)	11
Profit before income tax	5 533	4 213
Income tax	(1 100)	(889)
Profit after tax	4 433	3 324
Net profit attributable to the Group's shareholders	4 433	3 324

UniCredit Bank Czech Republic and Slovakia, a.s.
Interim Consolidated Statement of Comprehensive Income for the period ended 30 June 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in millions CZK)

	1 Jan - 30 Jun 2022	1 Jan - 30 Jun 2021
Items that cannot be subsequently reclassified to profit or loss		
Reserve from revaluation of property used in business measured at fair value, of which:	10	(17)
Change in fair value	18	(10)
Transfer of the revaluation reserve into the retained earnings	(5)	(10)
Deferred tax	(3)	3
Items that can be subsequently reclassified to profit or loss		
Reserve from revaluation of hedging instruments in cash flow hedges, of which:	(3 433)	(2 159)
Change in fair value	(4 259)	(2 672)
Revaluation reclassified to profit or loss	-	-
Deferred tax	826	513
Reserve from revaluation of financial assets at fair value through other comprehensive income, of which:	(528)	(62)
Change in fair value	(587)	(5)
Revaluation reclassified to profit or loss	(65)	(72)
Deferred tax	124	15
Foreign exchange rate gains from the consolidation of a foreign branch	2	(420)
Other comprehensive income, net of tax	(3 947)	(2 658)
Other comprehensive income, net of tax, attributable to the Group's shareholders	(3 947)	(2 658)
Total comprehensive income, net of tax	486	666
Total comprehensive income, net of tax, attributable to the Group's shareholders	486	666

UniCredit Bank Czech Republic and Slovakia, a.s.
Interim Consolidated Statement of Financial Position as of 30 June 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in millions CZK)

	30 Jun 2022	31 Dec 2021
Assets		
Cash and cash balances	20 140	5 772
Financial assets at fair value through profit or loss, of which:	53 081	35 190
Held for trading	52 546	34 646
Mandatorily at fair value	535	544
Financial assets at fair value through other comprehensive income	28 451	21 802
Financial assets at amortised cost, of which:	822 264	605 192
Loans and advances to banks	303 518	121 843
Loans and advances to customers	518 746	483 349
Positive fair value of hedging derivatives	18 895	12 341
Changes in fair value of the portfolio of hedged instruments	(1 934)	(366)
Equity investments	328	365
Property, equipment and right of use assets	6 585	6 511
Investment property	-	-
Intangible assets	2 705	2 876
Tax receivables, of which:	3 232	2 553
Current income tax	51	349
Deferred tax	3 181	2 204
Non-current assets held for sale	-	8
Other assets	1 639	1 220
Total assets	955 386	693 464
Liabilities		
Financial liabilities at fair value through profit or loss, of which:	52 529	35 135
Held for trading	52 529	35 135
Financial liabilities at amortised cost, of which:	782 284	550 898
Deposits from banks	93 786	56 874
Deposits from customers	665 149	470 158
Debt securities issued	23 349	23 866
Negative fair value of hedging derivatives	38 342	21 755
Changes in fair value of the portfolio of hedged instruments	(12 388)	(5 395)
Tax liabilities, of which:	1 096	998
Current income tax	382	260
Deferred tax	714	738
Other liabilities	16 461	6 827
Provisions for risks and charges	1 411	1 365
Total liabilities	879 735	611 583
Equity		
Issued capital	8 755	8 755
Share premium	3 495	3 495
Reserve funds from revaluation	(9 941)	(5 994)
Retained earnings and reserve funds	68 909	68 644
Profit for the period	4 433	6 981
Total shareholder's equity	75 651	81 881
Total liabilities and shareholder's equity	955 386	693 464

UniCredit Bank Czech Republic and Slovakia, a.s.
Interim Consolidated Statement of Changes in Equity for the period 1 January - 30 June 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in millions CZK)

	Issued capital	Share premium	hedging instruments	Reserve from revaluation of financial assets at fair value through other compr. income	property measured at fair value	exchange rate gains/(losses) of a foreign branch	Retained earnings and reserve funds	Special-purpose reserve fund	FX differences from consolidation	Retained earnings	Profit for the period	Equity
Balance as of 1 January 2021	8 755	3 495	567	353	250	134	5 243	14 471	(47)	47 054	5 317	85 592
Transactions with owners, contributions from and distributions to owners												
Allocation of the prior year profit										5 317	(5 317)	-
Dividend												
Consolidation impact									(52)	32		(20)
Total comprehensive income for the current period												
Net profit for the current period											3 324	3 324
Other comprehensive			(2 159)	(62)	(17)	(420)						(2 658)
Balance as of 30 June 2021	8 755	3 495	(1 592)	291	233	(286)	5 243	14 471	(99)	52 403	3 324	86 238
Balance as of 1 January 2022	8 755	3 495	(5 998)	382	197	(575)	5 243	12 402	(147)	51 146	6 981	81 881
Transactions with owners, contributions from and distributions to owners												
Allocation of the prior year profit										6 981	(6 981)	-
Dividend								(793)		(5 869)		(6 662)
Consolidation impact									(10)	(44)		(54)
Total comprehensive income for the current period												
Net profit for the current period											4 433	4 433
Other comprehensive			(3 433)	(526)	10	2						(3 947)
Balance as of 30 June 2022	8 755	3 495	(9 431)	(144)	207	(573)	5 243	11 609	(157)	52 214	4 433	75 651

UniCredit Bank Czech Republic and Slovakia, a.s.
Interim Consolidated Statement of Cash Flows for the period 1 January - 30 June 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in millions CZK)

	1 Jan - 30 Jun 2022	1 Jan - 30 Jun 2021
Profit after tax	4 433	3 324
Adjustments for non-monetary items:		
Impairment losses of:	687	757
Financial assets at amortised costs	687	757
Revaluation of financial instruments	(329)	750
Net provisions for risks and charges:	53	(10)
Loan commitments and guarantees given	40	(10)
Other net provisions	13	-
Depreciation and impairment of property, equipment and right of use assets	475	489
Amortisation and impairment of intangible assets	346	277
Net income/(loss) from the sale or repurchase of:	(46)	(94)
Financial assets at fair value through other comprehensive income	(46)	(94)
Profit/(loss) from equity investments	37	28
Profit/(loss) from the sale of non-financial assets	1	(11)
Taxes	1 100	889
Unrealised foreign currency gains/(losses)	2	(420)
Other non-monetary adjustments	(1 305)	(2 211)
Operating profit before change in operating assets and liabilities	5 454	3 768
Financial assets at fair value through profit or loss, of which:	(17 799)	(4 486)
Held for trading	(17 752)	(4 483)
Mandatorily at fair value	(47)	(3)
Financial assets at amortised cost, of which:	(217 590)	(290 956)
Loans and advances to banks	(181 427)	(269 390)
Loans and advances to customers	(36 163)	(21 566)
Other assets	(419)	681
Financial liabilities at fair value through profit or loss, of which:	17 538	3 379
Held for Trading	17 538	3 379
Financial liabilities at amortised cost, of which:	231 603	284 661
Deposits from banks	37 113	12 334
Deposits from customers	194 490	272 327
Other liabilities	9 637	5 711
Income tax paid	(647)	(1 214)
Net cash flows from operating activities	27 777	1 544
(Acquisition)/sale and maturity of financial assets at fair value through other comprehensive income and other financial instruments	(6 642)	(1 128)
Gains from the sale of property and equipment and intangible assets	485	910
(Acquisition) of property and equipment and intangible assets	(154)	(313)
Dividends received	3	2
Net cash flows from investment activities	(6 308)	(529)
Dividends paid	(6 662)	-
Financial liabilities at amortised cost - debt securities issued and repaid	(620)	(852)
(Payment) of Lease liabilities	181	(184)
Net cash flows from financial activities	(7 101)	(1 036)
Cash and cash balances at the beginning of the period	5 772	4 072
Cash and cash balances at the end of the period	20 140	4 051
Interest received	10 973	7 282
Interest paid	(3 213)	(1 198)

UniCredit Bank Czech Republic and Slovakia, a.s.
Notes to Interim Consolidated Financial Statements as of 30 June 2022
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in millions CZK)

CONSOLIDATION

The Group consists of the parent company UniCredit Bank Czech Republic and Slovakia, a.s., a joint stock company (hereinafter the "Bank" or the "Parent Company") with its registered office Želetavská 1525/1, 140 92, Praha 4 – Michle, 12 subsidiaries and 1 associate.

The Bank's ultimate owner is UniCredit S.p.A, Milan, which consolidates the entire UniCredit group in accordance with International Financial Reporting Standards as adopted by the European Union.

Certain subsidiaries maintain their accounts under Czech or Slovak Accounting Standards and the Group makes reclassifications and adjustments to figures under IFRS.

There was no change in the Group in the first half of 2022 compared to the Group as at 31 December 2021.

ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the International Financial Reporting Standard of IAS 34 Interim Financial Reporting as adopted by the European Union and these financial statements have not been audited.

Accounting rules, policies and accounting estimates and assumptions (apart from those affected by COVID-19 and current geopolitical situation – see below) identical to the ones in the last annual financial statements as of 31 December 2021 have been applied to the interim financial statements. The amounts are in millions of Czech korunas (CZK million), unless stated otherwise.

COVID-19 impact

The Group monitors the current development of COVID-19 spread and carefully evaluates items of the financial statements, the return of which depends on the future projection of cash flows that may be affected by COVID-19 spread. The evaluations have been made based on information deemed to be reasonable and supportable as at 30 June 2022. Nevertheless, the current scenario is affected by level of uncertainty whose outcome is not foreseeable now due to unknown future development of COVID-19 spread.

Impact of the current geopolitical situation in the Eastern Europe

The group is closely monitoring the ongoing evolvement of current geopolitical situation in Eastern Europe and the related sanctions targeted against the Russian Federation and their impact on the European economies and globally.

The Group has reviewed its portfolios to identify assets with direct exposure to Ukraine and/or Russia and concluded that direct exposure is limited. This circumstance has requested, as of 30 June 2022, a careful evaluation of certain items of financial statements whose recoverability depends on future cash flows projections by re-estimating the cash flows so to incorporate assumptions on the effects of current geopolitical situation.

While evaluations have been made on the basis of information deemed to be reasonable and supportable as at 30 June 2022, the current scenario is affected by level of uncertainty whose outcome is not foreseeable at the moment due to direct impacts as well as indirect impacts such as increased energy prices and supply chain disruptions.

Further details about the Impact of the current geopolitical situation in the Eastern Europe can be found in Note c) of the part Financial Assets at amortized cost - loans and advances to customers in the interim consolidated financial statements.

UniCredit Bank Czech Republic and Slovakia, a.s.
Notes to Interim Consolidated Financial Statements as of 30 June 2022
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as adopted by the European Union (in millions CZK)

CASH AND CASH BALANCES

	30 Jun 2022	31 Dec 2021
Cash in hand	4 130	3 612
Balances with central banks	189	250
Other on-demand deposits	15 821	1 910
Total	20 140	5 772

For cash flow reporting purposes, cash is defined as cash and cash equivalents.

Item "Other on-demand deposits" includes current accounts and sight deposits toward banks.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Held for Trading

(i) Based on the Quality of the Input Data Used for Valuation at Fair Value

	Level 1	Level 2	Level 3	Total
30 Jun 2022				
Debt securities	225	-	-	225
Derivatives	34	52 047	240	52 321
Total	259	52 047	240	52 546

	Level 1	Level 2	Level 3	Total
31 Dec 2021				
Debt securities	756	248	1	1 005
Derivatives	34	33 360	247	33 641
Total	790	33 608	248	34 646

(ii) Based on the Type of Issuer

	30 Jun 2022	31 Dec 2021
Debt securities		
Public administration	225	1 004
Other	-	1
Total	225	1 005

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Notes to Interim Consolidated Financial Statements as of 30 June 2022
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FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(a) Based on the Quality of the Input Data Used for Valuation at Fair Value

	Level 1	Level 2	Level 3	Total
30 Jun 2022				
Debt securities	23 441	4 797	188	28 426
Shares	-	-	25	25
Total	23 441	4 797	213	28 451

	Level 1	Level 2	Level 3	Total
31 Dec 2021				
Debt securities	16 974	4 747	61	21 782
Shares	-	-	20	20
Total	16 974	4 747	81	21 802

(b) Based on the Type of Issuer

	30 Jun 2022	31 Dec 2021
Debt securities		
Financial institutions	2 455	2 493
Government institutions	22 501	15 463
Other	3 470	3 826
Shares		
Other	25	20
Total	28 451	21 802

(c) Participation interests

Business name	Registered office	Date of acquisition	Acquisition price	Net book value 2022	Net book value 2021	Share of the Group as of 30 Jun 2022	Share of the Group as of 31 Dec 2021
CBCB - Czech Banking Credit Bureau, a.s. (bank register)	Prague	10 Oct 2001	0.24	0.24	0.24	20%	20%
Total			0.24	0.24	0.24	-	-

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FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of Receivables from Customers, by Type

Corporate Customers

	Stage 1			Stage 2			Stage 3			Total		
	Gross amount incl. modif. impact	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount
30 Jun 2022												
Current accounts (overdrafts)	29 400	(173)	29 227	10 441	(208)	10 233	2 320	(1 987)	333	42 161	(2 368)	39 793
Reverse repos	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage loans	100 492	(261)	100 231	15 475	(322)	15 153	3 425	(2 219)	1 206	119 392	(2 802)	116 590
Credit cards	9	-	9	2	-	2	-	-	-	11	-	11
Leases	9 422	(52)	9 370	2 070	(79)	1 991	574	(377)	197	12 066	(508)	11 558
Factoring	6 439	(20)	6 419	959	(3)	956	162	(11)	151	7 560	(34)	7 526
Other loans	141 828	(559)	141 269	19 907	(533)	19 374	4 022	(2 289)	1 733	165 757	(3 381)	162 376
Debt securities	10 552	-	10 552	-	-	-	-	-	-	10 552	-	10 552
Total	298 142*	(1 065)	297 077	48 854	(1 145)	47 709	10 503	(6 883)	3 620	357 499	(9 093)	348 406

* The balance also includes unamortized modification loss of MCZK 7.

	Stage 1			Stage 2			Stage 3			Total		
	Gross amount incl. modif. impact	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount
31 Dec 2021												
Current accounts (overdrafts)	24 206	(172)	24 034	6 930	(120)	6 810	2 419	(1 990)	429	33 555	(2 282)	31 273
Reverse repos	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage loans	97 173	(271)	96 902	12 393	(229)	12 164	3 778	(2 445)	1 333	113 344	(2 945)	110 399
Credit cards	7	-	7	1	-	1	1	(1)	-	9	(1)	8
Leases	11 195	(62)	11 133	1 834	(68)	1 766	813	(580)	233	13 842	(710)	13 132
Factoring	5 904	(19)	5 885	1 220	(4)	1 216	100	(22)	78	7 224	(45)	7 179
Other loans	142 599	(531)	142 068	13 192	(307)	12 885	3 934	(2 273)	1 661	159 725	(3 111)	156 614
Debt securities	1 455	-	1 455	-	-	-	-	-	-	1 455	-	1 455
Total	282 539*	(1 055)	281 484	35 570	(728)	34 842	11 045	(7 311)	3 734	329 154	(9 094)	320 060

* The balance also includes unamortized modification loss of MCZK 9.

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<i>Retail Customers</i>												
	Stage 1			Stage 2			Stage 3			Total		
	Gross amount incl. modif. impact	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount
30 Jun 2022												
Current accounts (overdrafts)	754	(6)	748	489	(41)	448	96	(78)	18	1 339	(125)	1 214
Mortgage loans	134 722*	(212)	134 510	15 597	(546)	15 051	567	(176)	391	150 886	(934)	149 952
Credit cards and consumer loans	6 951**	(186)	6 765	2 677	(642)	2 035	244	(173)	71	9 872	(1 001)	8 871
Leases	1 242	(8)	1 234	175	(7)	168	78	(44)	34	1 495	(59)	1 436
Other loans	8 014	(54)	7 960	862	(53)	809	222	(124)	98	9 098	(231)	8 867
Total	151 683	(466)	151 217	19 800	(1 289)	18 511	1 207	(595)	612	172 690	(2 350)	170 340

* The balance also includes unamortized modification loss of MCZK 26.

** The balance also includes unamortized modification loss of MCZK 2.

	Stage 1			Stage 2			Stage 3			Total		
	Gross amount incl. modif. impact	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount
31 Dec 2021												
Current accounts (overdrafts)	1 086	(10)	1 076	252	(26)	226	156	(132)	24	1 494	(168)	1 326
Mortgage loans	135 071*	(208)	134 863	7 684	(346)	7 338	585	(184)	401	143 340	(738)	142 602
Credit cards and consumer loans	7 436**	(199)	7 237	1 632	(415)	1 217	240	(169)	71	9 308	(783)	8 525
Leases	1 383	(8)	1 375	161	(6)	155	90	(50)	40	1 634	(64)	1 570
Other loans	8 707	(56)	8 651	546	(27)	519	229	(133)	96	9 482	(216)	9 266
Total	153 683	(481)	153 202	10 275	(820)	9 455	1 300	(668)	632	165 258	(1 969)	163 289

* The balance also includes unamortized modification loss of MCZK 29.

** The balance also includes unamortized modification loss of MCZK 3.

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(b) Analysis of Net Receivables from Customers, by Sector

	30 Jun 2022	31 Dec 2021
Financial institutions	40 028	30 679
Non-financial institutions	286 741	277 043
Government sector	21 637	12 338
Individuals and others	170 340	163 289
Total	518 746	483 349

(c) Analysis of Receivables from Customers in terms of the current geopolitical situation impact

At the level of the overall portfolio, the expected negative impact of current macroeconomic trends has been implemented through the update of the Forward Looking Information (hereinafter "FLI") and the inclusion of Specific Factors. The FLI update has been built on a worsening macroeconomic scenario that anticipates lower GDP growth, higher unemployment, and higher inflation. Specific Factors include the deterioration of the outlook for specific industries that are sensitive to increased raw material prices or problems in global supply-customer chains. As a result of these updates, the Group recognized additional impairment losses of MCZK 439.

The Group continuously monitors the development of the geopolitical situation in Eastern Europe and expects negative impacts, especially on European economies, as a result of the extreme rise in energy commodity prices, disruption of supply-customer chains and sanctions directed against the Russian Federation. Although the Group has not yet observed a deterioration in the quality of the loan portfolio, it expects that the negative economic consequences of the current situation will affect both individual companies and entire industries. The Group has taken steps that reflect these deteriorated expectations in the risk parameters affecting the financial result.

The Group reviewed its portfolios to identify specific assets with direct exposure to Ukraine and/or the Russian Federation (i.e. assets owned by residents of the respective countries) and concluded that direct exposure is limited (approximately 0.2% of Group's total gross exposure). All direct exposures identified were classified in stage 2. In addition to direct exposures, the Group also identified indirect exposures (i.e. assets dependent on supply-customer chains in given countries, or assets sensitive to changes in the price of energy commodities) and analyzed the potential for risk realization in individual cases. High-risk indirect exposures have been classified in stage 2. These exposures representing approximately 0.1% of the Group's total gross exposure. The impact on impairment losses due to the individual assessment of direct and indirect exposures was represented by recognition of addition impairment losses of MCZK 145.

FINANCIAL LIABILITIES AT AMORTISED COST

(a) Deposits from customers

Analysis of Deposits from Customers by Type

	30 Jun 2022	31 Dec 2021
Current accounts	406 662	430 960
Term deposits	78 084	34 204
Sale and repurchase agreements	176 161	-
Lease Liabilities	2 305	2 385
Other	1 937	2 609
Total	665 149	470 158

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(b) Issued Debt Securities

Analysis of Issued Debt Securities

	30 Jun 2022	31 Dec 2021
Mortgage bonds	5 268	5 860
Structured bonds	1 400	1 246
Other issued debt securities	16 681	16 760
Total	23 349	23 866

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges include the following items:

	30 Jun 2022	31 Dec 2021
Provisions for off-balance sheet credit exposures	1 270	1 230
- Stage 1	184	202
- Stage 2	248	136
- Stage 3	838	892
Legal disputes	93	81
Provision for restructuring	12	15
Other	36	39
Total provision	1 411	1 365

	Provisions for off-balance sheet credit exposures	Legal disputes	Provision for restructuring	Other	Total
Balance as of 1 Jan 2022	1 230	81	15	39	1 365
Charge during the year	645	13	-	3	661
Usage during the year	-	(1)	(3)	(3)	(7)
Release of redundant provisions and other	(605)	-	-	(3)	(608)
Total as of 30 Jun 2022	1 270	93	12	36	1 411

DEPRECIATION AND IMPAIRMENT OF PROPERTY AND EQUIPMENT

In the first half of 2022 and in the first half of 2021, the Group did not release an impairment of property and equipment.

DIVIDEND

In the first half of 2022 the Group paid a dividend in the amount of MCZK 6 662 (in the first half of 2021 the Group did not pay a dividend).

SEGMENT ANALYSIS

IFRS 8 Operating segments states that the presentation and reporting of operating segments shall be in accordance with the performance criteria monitored by the one responsible for operational decisions. In the Group, that responsibility lies with the Board of Directors of the Bank.

The Group's primary segment reporting is broken down by types of clients: retail and private banking, corporate and investment banking, and other. The performance of all the segments is monitored monthly by the Board of Directors and other members of the Group's management. The reporting segments generate income primarily from the provision of loans and other banking products.

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Retail and private banking encompasses in particular providing loans, mortgages, account keeping, payment services (including payment cards), term and saving deposits, and investment advisory.

Corporate and investment banking, leases includes especially the following products and services: providing banking services to companies and public institutions, including loans, leases, factoring, bank guarantees, account maintenance, payment services, opening documentary letters of credit, term deposits, derivative and foreign currency operations, and capital market activities inclusive of securities underwriting for clients, investment advisory, and consulting on mergers and acquisitions.

Other includes banking services that are not included within the aforementioned segments.

In the first half of 2022, the Group adjusted the segments classification. In accordance with IFRS 8 Operating segments, the values reported in the Segment Information by client category as of 30 June 2021 were restated in order to maintain the comparability of the reported values.

(a) Segment Information by Client Category

	Retail and private banking	Corporate and investment banking, leases	Other	Total
30 Jun 2022				
Net interest and dividend income	2 444	5 304	(43)	7 705
Other net income	962	3 037	(594)	3 405
Depreciation/impairment of property and equipment and intangible assets	-	(86)	(735)	(821)
Impairment loss	(588)	(100)	1	(687)
Segment expenses	(1 987)	(2 571)	489	(4 069)
Profit before tax	831	5 584	(882)	5 533
Income tax			(1 100)	(1 100)
Result of segment	831	5 584	(1 982)	4 433
Segment assets	185 824	739 323	30 239	955 386
Segment liabilities	286 059	556 638	37 038	879 735

	Retail and private banking	Corporate and investment banking, leases	Other	Total
30 Jun 2021				
Net interest and dividend income	1 411	3 834	836	6 081
Other net income	843	2 639	1	3 483
Depreciation/impairment of property and equipment and intangible assets	-	(91)	(675)	(766)
Impairment loss	154	(924)	13	(757)
Segment expenses	(1 796)	(2 458)	426	(3 828)
Profit before tax	612	3 000	601	4 213
Income tax			(889)	(889)
Result of segment	612	3 000	(288)	3 324
Segment assets	171 145	771 527	13 064	955 736
Segment liabilities	326 496	523 301	19 701	869 498

The income tax for all segments is presented in the segment "Other".

The Group does not have a customer or a group of customers that would comprise more than 10 percent of the Group's income.

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(b) Information on Geographical Areas

	Czech Republic	Slovakia	Total
30 Jun 2022			
Net interest and dividend income	6 322	1 383	7 705
Other net income	2 568	837	3 405
Depreciation/impairment of property and equipment and intangible assets	(564)	(257)	(821)
Impairment loss	(359)	(328)	(687)
Segment expenses	(3 012)	(1 057)	(4 069)
Profit before tax	4 955	578	5 533
Income tax	(892)	(208)	(1 100)
Result of segment	4 063	370	4 433
Segment assets	798 460	156 926	955 386
Segment liabilities	735 158	144 577	879 735
30 Jun 2021			
Net interest and dividend income	4 637	1 444	6 081
Other net income	2 643	840	3 483
Depreciation/impairment of property and equipment and intangible assets	(524)	(242)	(766)
Impairment loss	(573)	(184)	(757)
Segment expenses	(2 846)	(982)	(3 828)
Profit before tax	3 337	876	4 213
Income tax	(673)	(216)	(889)
Result of segment	2 664	660	3 324
Segment assets	800 268	155 468	955 736
Segment liabilities	726 132	143 366	869 498

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

In the ordinary course of business, the Group conducts various financial transactions that are not reported the Group's statement of financial position and that are designated as off-balance sheet financial instruments. Unless stated otherwise, the information below represents the nominal values of off-balance sheet transactions.

Contingent Liabilities

Legal Disputes

As of 30 June 2021, the Group assessed the legal disputes in which it acted as a defendant. The Group recorded provisions for these legal disputes. In addition to these disputes, legal actions arising from ordinary business activities were taken against the Group. The management does not anticipate the result of these legal disputes to have a material impact on the Group's financial position.

Contingent Liabilities arising from Guarantees, Loan Commitments and Other Contingent Liabilities

Contingent liabilities predominantly include undrawn amounts of loans. Loan commitments issued by the Group include issued credit and guarantee commitments, and undrawn amounts of credits and overdraft loan facilities. Revocable commitments include undrawn loans that may be revoked by the Group at any time without stating the reason. On the contrary, irrevocable commitments represent the Group's liability to provide a credit or issue a guarantee, the performance of which, even though bound on meeting the contractual terms by the client, is to a certain extent independent of the Group's will.

Contingent liabilities arising from financial guarantees include irrevocable commitments made by the Group to repay debts in lieu of the debtor owed to the guarantee beneficiary in case the debtor defaults on their obligation to pay subject to terms and conditions of the individual contracts. As such, commitments bear similar risk to loans, the Group creates the relevant provisions using a similar algorithm as for provisions.

Documentary letters of credit represent a written irrevocable commitment of the Group issued based on a client's request (orderer), to provide a third party or to its order (recipient, beneficiary), with certain performance, under the condition the terms of the letter of credit are met by a specified deadline. For these financial instruments, the Group creates provisions using a similar algorithm as applied for credits.

The Group recorded provisions for off-balance sheet items to cover expected credit losses and arising from the impairment losses on the off-balance sheet items due to credit risk. As of 30 June 2022, the aggregate provisions amounted to MCZK 1 270 (as of 31 December 2021: MCZK 1 230).

	Gross amount	Impair. losses	Net amount
30 Jun 2022			
Letters of credit and guarantees	51 639	(611)	51 028
- Stage 1	45 384	(100)	45 284
- Stage 2	5 767	(94)	5 673
- Stage 3	488	(417)	71
Other contingent liabilities (undrawn credit facilities)	162 375	(659)	161 716
- Stage 1	149 139	(84)	149 055
- Stage 2	12 275	(154)	12 121
- Stage 3	961	(421)	540
Total	214 014	(1 270)	212 744
	Gross amount	Impair. losses	Net amount
31 Dec 2021			
Letters of credit and guarantees	47 833	(656)	47 177
- Stage 1	45 263	(103)	45 160
- Stage 2	1 936	(82)	1 854
- Stage 3	634	(471)	163
Other contingent liabilities (undrawn credit facilities)	165 928	(574)	165 354
- Stage 1	156 460	(99)	156 361
- Stage 2	8 745	(54)	8 691
- Stage 3	723	(421)	302
Total	213 761	(1 230)	212 531

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RELATED PARTY TRANSACTIONS

Entities are deemed to be related parties in the event that one entity is able to control the activities of another or is able to exercise significant influence over the other entity's financial or operational policies. As part of its ordinary business, the Group enters into transactions with related parties. These transactions principally comprise loans, deposits and other types of transactions and are concluded under arm's length conditions and at arm's length prices in order to prevent any detriment to any party.

Related parties principally include the Bank's parent company, Bank's fellow subsidiaries and other companies controlled by UniCredit Group or where UniCredit Group exercises significant influence the, the Bank's subsidiaries and affiliates, members of the Board of Directors and other members of the Bank's management.

UniCredit Group has prepared an equity programme for the employees of UniCredit Group under which the employees may purchase shares of UniCredit Group parent at a discounted price. The Discounted employee shares may not be sold during the vesting period. Vested shares are forfeited if the respective employee's employment by the UniCredit Group ends. The provided discount is allocated to individual UniCredit Group companies involved in the programme and these companies recognise and defer the discount over the vesting period.

(a) Transactions with the parent company

	30 Jun 2022	31 Dec 2021
Assets		
Cash and cash balances	2 768	522
Loans and advances to banks	14 076	9 315
Financial assets held for trading	30 913	18 592
Positive fair value of hedging derivatives	8 636	4 768
Total	56 393	33 197
	30 Jun 2022	31 Dec 2021
Liabilities		
Deposits from banks	20 335	1 557
Debt instruments	16 342	16 418
Financial liabilities held for trading	30 786	18 584
Negative fair value of hedging derivatives	21 201	12 560
Total	88 664	49 119
	30 Jun 2022	31 Dec 2021
Off-balance sheet items		
Issued guarantees	806	564
Irrevocable credit facilities	1 230	1 107
Total	2 036	1 671
	1 Jan - 30 Jun 2022	1 Jan - 30 Jun 2021
Interest income	130	424
Interest expenses	(1 442)	(19)
Fee and commission expenses	(29)	(9)
Net profit/loss from financial assets and liabilities held for trading	(530)	(217)
Net profit/loss from hedging of the risk of change in fair values	(1 011)	(787)
Administrative expenses	(29)	(9)
Total	(2 911)	(617)

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(b) Transactions with key management members

	30 Jun 2022	31 Dec 2021
Assets		
Loans and advances to customers	145	174
<i>of which:</i>		
Board of Directors	31	33
Other management members	114	141
Total	145	174

	30 Jun 2022	31 Dec 2021
Liabilities		
Payables to customers	121	117
<i>of which:</i>		
Board of Directors	30	26
Other management members	91	91
Total	121	117

	30 Jun 2022	31 Dec 2021
Off-balance sheet items		
Irrevocable credit facilities	7	4
<i>of which:</i>		
Board of Directors	1	1
Other management members	6	3
Total	7	4

(c) Transactions with other related parties

	30 Jun 2022	31 Dec 2021
Assets		
Cash and cash balances	8 111	334
<i>of which:</i>		
UniCredit Bank Austria AG	6 737	291
UniCredit Bank AG	1 268	3
AO UniCredit Bank	61	12
Financial assets held for trading	8 322	5 279
<i>of which:</i>		
UniCredit Bank AG	8 322	5 279
Loans and advances to banks	133	54
<i>of which:</i>		
UniCredit Bank Austria AG	124	-
AO UniCredit Bank	9	54
Loans and advances to customers	394	397
<i>of which:</i>		
UCTAM SVK, s.r.o.	394	397
Positive fair value of hedging derivatives	7 121	5 691
<i>of which:</i>		
UniCredit Bank AG	7 121	5 691
Total	24 081	11 755

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	30 Jun 2022	31 Dec 2021
Liabilities		
Deposits from banks	2 419	5 896
<i>of which:</i>		
UniCredit Bank Austria AG	1 383	3 017
UniCredit Bank AG	980	2 795
UniCredit Bank Hungary Zrt.	43	28
Deposits from customers	278	168
<i>of which:</i>		
UniCredit Services S.C.p.A.	114	67
Financial liabilities held for trading	4 313	3 920
<i>of which:</i>		
UniCredit Bank AG	4 313	3 920
Negative fair value of hedging derivatives	10 639	5 005
<i>of which:</i>		
UniCredit Bank AG	10 639	5 005
Total	17 649	14 989
	30 Jun 2022	31 Dec 2021
Off-balance sheet items		
Issued guarantees	4 863	3 457
<i>of which:</i>		
UniCredit Bank AG	3 317	3 065
UniCredit Bank Austria AG	1 201	163
UniCredit Bank Hungary Zrt.	11	11
AO UniCredit Bank	108	109
Irrevocable credit facilities	5 652	4 459
<i>of which:</i>		
UniCredit Bank AG	4 044	3 342
UniCredit Bank Austria AG	1 496	1 070
Total	10 515	7 916

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	1 Jan - 30 Jun 2022	1 Jan - 30 Jun 2021
Interest income	1 298	110
<i>of which:</i>		
UniCredit Bank AG	1 289	102
UniCredit Bank Austria AG	4	1
Interest expenses	(91)	(30)
<i>of which:</i>		
UniCredit Bank AG	(12)	(26)
UniCredit Bank Austria AG	(75)	-
Fee and commission income	46	28
<i>of which:</i>		
UniCredit Bank AG	39	19
UniCredit Bank Hungary Zrt.	1	1
UniCredit Bank Austria AG	5	7
Fee and commission expenses	(4)	(4)
<i>of which:</i>		
UniCredit Bank Austria AG	(2)	(2)
Net profit/loss from financial assets and liabilities held for trading	2 972	1 987
<i>of which:</i>		
UniCredit Bank AG	2 972	1 987
Net profit/loss from hedging against risk of changes in fair value	(1 249)	(385)
<i>of which:</i>		
UniCredit Bank AG	(1 249)	(385)
Administrative expenses	(436)	(451)
<i>of which:</i>		
UniCredit Services S.C.p.A.	(426)	(444)
Total	2 536	1 255

SUBSEQUENT EVENTS

The Group's management is not aware of any post balance sheet events that would require adjustment to the Group's interim financial statements.

Intra-national amalgamation was entered in the commercial register on 1 August 2022, because of which the assets of the defunct company HVB Leasing Czech Republic s.r.o. were transferred to UniCredit Leasing CZ, a.s. as the successor company as of 1 January 2021.

4. Statement of the Issuer's authorised persons

To the best of our knowledge, this Half-Year Report gives a true and fair view of the financial situation, business activities and results of operations of the Issuer and the Issuer's consolidation group for the last half-year and of the outlook of future development of the financial situation, business activities and results of operations of the Issuer and the Issuer's consolidation group.

Prague, 9 September 2022


Mgr. JAKUB DUŠÍLEK, MBA

Chairman of the Board of Directors


MASSIMO FRANCESE

Member of the Board of Directors