2023 Annual Report

Unlocking **transformation,** together.

For our clients, our people, and our communities.

Empowering Communities to Progress.

UniCredit

Our manifesto

We believe in **Europe's potential.**

Uniting behind a vision of a
better bank and a better future.
A transformation for our clients,
our people, and our communities.
Demonstrating what it means
to be the bank for Europe's future.

For everyone,
everywhere.

Contents

This version of the Annual Report is an English translation of the Czech version of the Annual Report. UniCredit Bank took all the possible care to ensure that this version is an accurate representation of the version in XHTML format, except for the machine-readable XBRL tags that are embedded only in the XHTML version. An English translation of the Annual Report in the XHTML format is available here: www.unicreditbank.cz/en/o-bance/vysledky/vyrocni-zpravy.html. In case of any differences in the information contained, the Czech version of the Annual Report in the XHTML format, which is the version of the Annual Report published in accordance with the Capital Market Undertaking Act No. 256/2004 Coll. in the XHTML format, shall prevail over this version. The Czech version of the Annual Report in XHTML format is available here: www.unicreditbank.cz/cs/o-bance/vysledky/vyrocni-zpravy.html

UniCredit Bank Czech Republic and Slovakia, a.s.
A joint stock company
Registered office: Želetavská 1525/1, 140 92 Prague 4, Czech Republic
Companies register: recorded in the Companies Register maintained
by the Municipal Court in Prague, Section B, file 3608
Company ID No.: 64948242
Tax ID No.: CZ64948242

Who we are

UniCredit is a pan-European Commercial Bank with a unique service offering in **Italy, Germany, Central and Eastern Europe**. Our purpose is to empower communities to progress, delivering the best-in-class for all stakeholders, unlocking the potential of our clients and our people across Europe.

We serve over **15 million customers** worldwide. They are at the heart of what we do in all our markets. UniCredit is organised in four core regions and three product factories, Corporate, Individual and Group Payments Solutions. This allows us to be close to our clients and use the scale of the entire Group for developing and offering the best products across all our markets.

Digitalisation and our commitment to **ESG** principles are key enablers for our service. They help us deliver excellence to our stakeholders and creating a sustainable future for our clients, our communities and our people.

Where we operate

15m
customers worldwide

4
coverage regions

13
leading banks

A. Central Europe includes Austria, Czech Republic, Hungary, Slovakia and Slovenia.
B. Eastern Europe includes Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Russia and Serbia.

What we do

At UniCredit we are building the **bank of Europe's future**. A bank that delivers consistently for our stakeholders and empowers people, business and communities across Europe to progress.

This year we were unrelenting in our execution of **UniCredit Unlocked**, a strategic plan which is transforming our bank and enabling us to set a new industry benchmark.

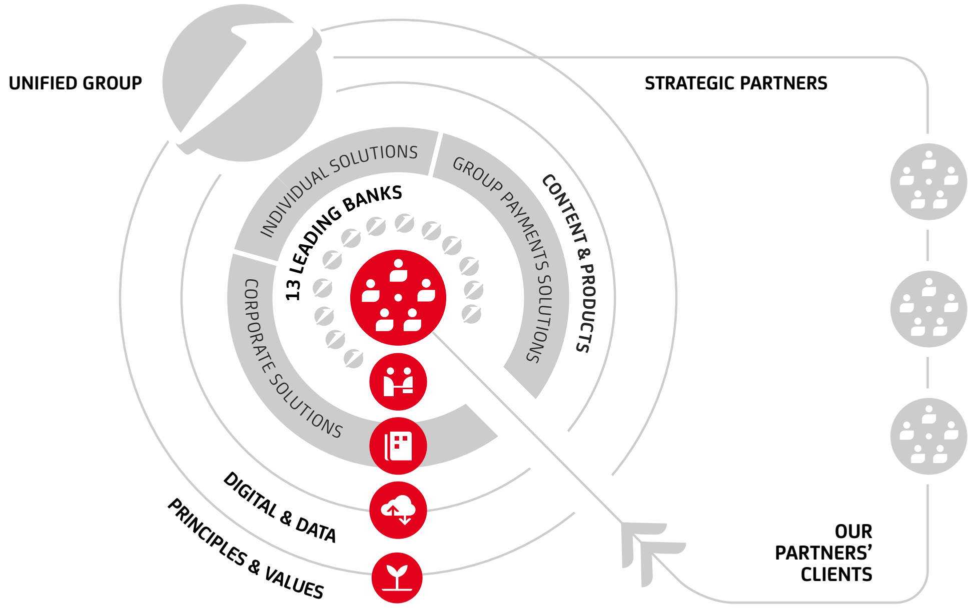
At its core, this is about putting **clients firmly at the centre of all we do**. For our clients we are a gateway to Europe, providing them with best-in-class solutions, strategic advice and innovation.

We deliver **competitive products and services** that create significant value for over one million SMEs, corporate, multinational corporates, financial institution and public sector clients – as well as 15 million retail, private banking, wealth management and family office clients across the Group.

As a result of three years of transformation, we have brought our thirteen banks together, leveraging their scale and reach across Europe **to deliver competitive value-added services** to our clients that are customised to their local needs. The strength of **two outstanding global product factories** – Corporate Solutions and Individual Solutions – is fundamental to this.

Our **simplified business model** and all our decision-making is driven by UniCredit's values of **Integrity, Ownership and Caring**. By embodying these values every day, we have become a true partner to our clients and an engine of social and economic progress in Europe. Today we are operating as one bank, leveraging our **pan European footprint** and the **strength of our workforce** to offer the very best to all our stakeholders: our clients, our people and our communities.

The impact of our transformation is clear – evidenced not only by our **strong financial performance** and **quality growth**, but the value we have unlocked within our bank and for all our stakeholders. This report outlines our achievements in 2023, a year which is the culmination of three years of transformation and has set up UniCredit for future success.



Our unique and diverse talent base

International mindset

International presence in BoD (%)

33

International presence in Group Executive Committee (GEC) (%)

62

Employee Networks on 5 diversity strands and broader D&I across Group countries

Gender balance

BoD (%)

ženy 42 muži 58

GEC (%)

ženy 46 muži 54

Leadership team (GEC+GEC-1) (%)

ženy 35 muži 65

Data as at 31/12/23.

“2023 was a remarkable year and the product of three years of transformation. There will no doubt be challenges ahead in 2024, but I am confident in the direction our bank is taking.”

Andrea Orcel
Chief Executive Officer UniCredit S.p.A.

Dear Stakeholders,

2023 was the best year in UniCredit's history and the crowning achievement of our first three years of transformation.

It will be remembered as the year we surpassed the targets we set at UniCredit Unlocked, and emerged as a better, stronger bank as a result. One capable of being the bank for Europe's future.

We are no longer a bank that settles for less. We have built a culture of excellence that puts our clients at the centre and prioritises long-term value creation over short-term gain.

This has been driven by a cultural and industrial transformation, which has redefined the way our bank operates. Before, there was no 'one UniCredit'. There were 13 disparate banks that lacked common principles, values and a clear strategy and were falling short of their potential.

Now our bank is united behind one vision, with all its parts operating in lockstep with the interests of the Group and Europe as a whole. A model that now empowers our people and gives our clients what they are asking for.

2023 was truly the year we came together behind one purpose and vision and executed an ambitious strategy that has propelled us from a laggard to a leader.

Surpassing our targets

Despite a challenging macroeconomic backdrop, 2023 was the year we surpassed targets that some thought impossible a year ago.

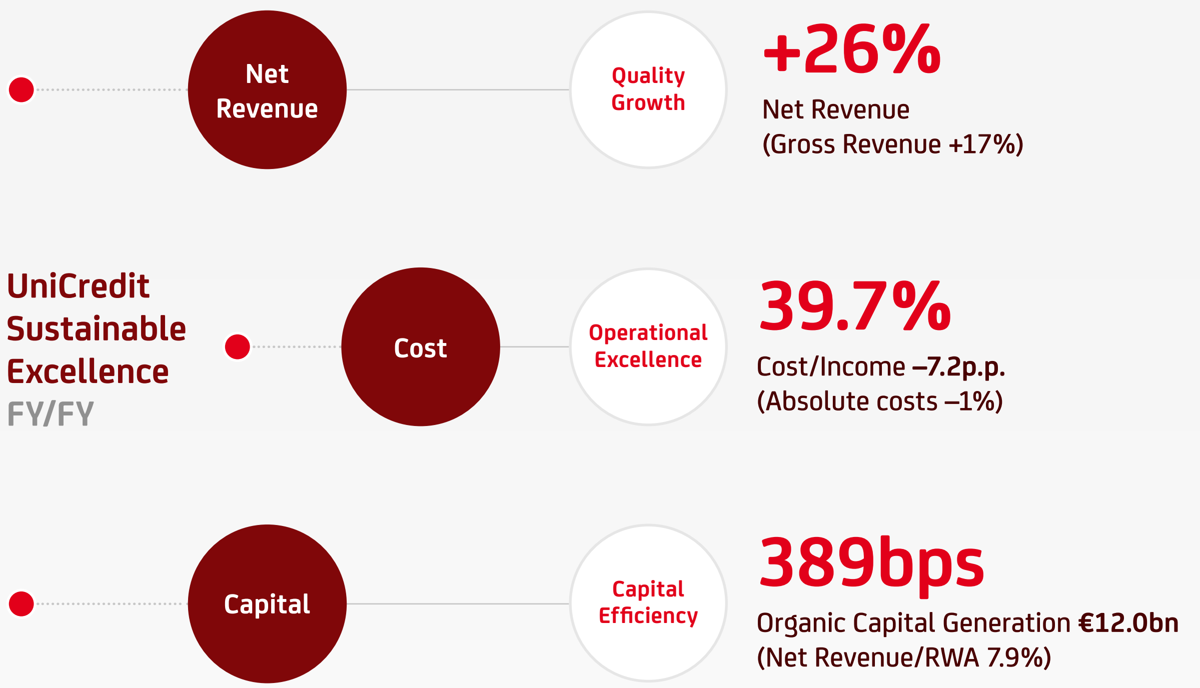
We achieved a RoTE of 16.6% (20.5% when correcting for the excess capital that we carry at 13% CET1).

Our net revenues stood at €23.3 billion – an increase of 26% year on year. This was mostly driven by exceptional net interest income and resilient fees while maintaining a low cost of risk.

We have enhanced our three product factories – corporate solutions, payments solutions, and individual solutions – to deliver best-in-class products for our clients at scale. As a result, our factories generated €9.9 billion in 2023, down 2% despite challenging market conditions.

We are now in our twelfth quarter of year-over-year profitable growth driven by outperformance across each of our three core financial levers, achieving the best results in UniCredit's history.

FY23 Highlights across our 3 levers

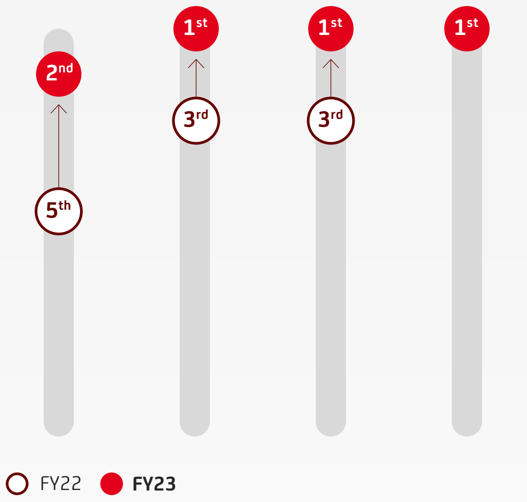


Credit: Andrea Cherchi

In comparison to our peers, we have best-in-class top-line growth, operating efficiency, and unrivalled organic capital generation. We have one of the highest CET1 ratios, one of the highest RoTE (the highest when corrected for our excess capital at 13%), quality credit portfolio and coverage, and the highest forward-looking precautionary overlays.

Superior performance vs. peers across all levers

Net Revenue/ RWA	Cost/ Income	NOP/ RWA	Organic Capital Generation
2nd from 5th	**1st** from 3rd	**1st** from 3rd	**1st** confirmed



Peers and UniCredit stated figures based on publicly available data

Peers and UniCredit stated figures based on publicly available data. Selected peers: BBVA, BNP Paribas, Commerzbank, Credit Agricole S.A., Deutsche bank, ING, Intesa Sanpaolo, Santander, Société Générale.

After three years of transformation, our RoTE has tripled, our net profit is over 2.5x compared to 2017-2019 averages[1], and we have delivered over €27 billion in organic capital generation. We distributed €17.6 billion over three years, which is equal to our market cap at the beginning of 2021.

This year alone we have generated €12 billion in capital organically, underpinning our proposed distribution of €8.6 billion (100% of net profit) in the fourth quarter – €3.0 billion dividends and €5.6 billion share buyback – while reinforcing our CET1 ratio by c.100 basis points to 15.9%.

In 2023 we delivered on the €5.25 billion commitment made in our FY22 shareholder distribution programme, and front-loaded the execution of a €2.5 billion share buyback as part of the FY23 distributions.

At the same time, per-share value creation has reached even greater heights, more than tripling EPS versus our historical run-rate, with DPS nine times higher, and tangible book value per share up almost a half.

The financial targets we have met and exceeded have not been at the detriment of our ESG commitments, which are embedded firmly in our business model.

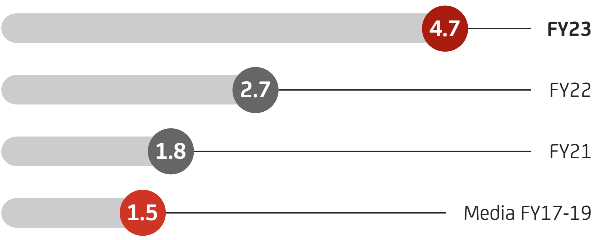
With a unique pan-European footprint, we have a responsibility to pursue a fairer, greener future.

We remain steadfast in our commitment to reach net zero by 2050 and in 2023, we became a single-use plastic-free bank and lent €7.6 billion in environmental loans.

The Social dimension of ESG continues to be a priority for UniCredit, and we are leading by example with €3.8 billion of social financing and €60 million of social contribution.

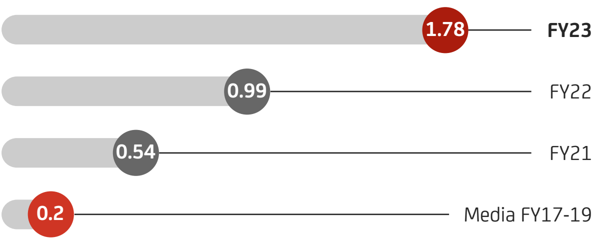
1. For comparison purposes the FY17-19 net profit is the simple average of Net profit recast figures for Group excluding Turkey and Fineco.

Propelled per share values



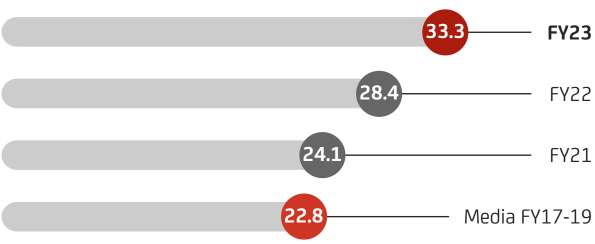
+3.1x

EPS[1] (€)



9.0x

DPS (€)



+46%

TBVPS (€, EoP)

1. Net Profit for FY22 and FY23 is stated net profit adjusted for impacts from DTAs tax loss carry forward resulting from sustainability test. The result is used for cash dividend accrual / total distribution. Underlying net profit for FY21. For comparison purposes the FY17-19 net profit is the simple average of Net profit recast figures for Group excluding Turkey and Fineco.

Our winning approach continues

There will no doubt be challenges ahead in 2024, but I am confident in the direction our bank is taking.

2023 was a remarkable year and the product of three years of transformation.

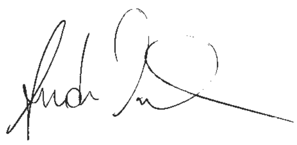
Every target we've set, we've exceeded, and now we are a leading European bank that is delivering consistently for its stakeholders. This would not have been possible without the belief, trust and hard work of thousands of people who work at UniCredit.

Our challenge now is to go beyond these record results and continue the performance of the past three years.

We must work to sustain our winning approach, defend our record financial performance, and set the stage for the next phase of UniCredit's growth.

We are now a leader in banking and we aspire to become champions. I have no doubt in our ability to do this.

Yours,



Andrea Orcel
Chief Executive Officer UniCredit S.p.A.

For our clients

who demand **best-in-class** products, ideas and service...

Putting our clients at the centre of everything we do

We are harnessing the scale of our Group to develop and offer best in class products and services throughout our markets. We are equipping our people with the right tools to focus their expertise, effort, and energy on delivering excellence for all of our clients, all of the time.

“In 2023, UniCredit Bank Czech Republic and Slovakia achieved results of CZK 10.5 billion, which represents a year-on-year increase of 22.6% of the consolidated net profit.“

Dear Shareholders, Business Partners, Ladies, and Gentlemen,

We have had another year that has brought reasons for optimism, but also many challenges. From an economic point of view, high inflation, the slowdown in economic performance not only in our country, and the conflicts in Eastern Europe and the Middle East posed challenges. On the other hand, we as a country (with the help of banks) and UniCredit itself have gone further in digitisation, helping to save time for all of us. Our investment in new technology, but also thanks to our employees in quality service for our clients, has paid off and once again we have achieved above average results.

Positive results

In 2023, UniCredit Bank Czech Republic and Slovakia achieved results of CZK 10.5 billion, which represents a year-on-year increase of 22.6% of the consolidated net profit. Such a significant increase in our result was mainly due to growing volumes of client business in an environment of rising EUR interest rates, the high quality of the Bank‘s loan portfolio, the management of credit risk costs and the efficient management of operating costs, which grew significantly slower than inflation. The volume of client loans rose by 9.8% year-on-year, and as regards the volume of deposits from clients, UniCredit Bank Czech Republic and Slovakia reported an increase of 12.7% compared to 2022.

Despite the persistently tense macroeconomic situation, we continued to support the Czech and Slovak economy and to strengthen our position in the corporate banking market. In both markets, we grew in the volume of processed transactions, loans, deposits and the number of corporate clients. We have continued to focus our attention on supporting and growing in the SME segment on the one hand and, on the other hand, last year we have traditionally played a significant role in the segment of large domestic and international companies thanks to our unique know-how and strong capital position. Among other things, we were very successful in real estate financing as well as in acquisition and structured finance, where we closed several significantly complex and high-volume transactions with our clients and again confirmed our role as a leader in these segments.

In 2023, retail banking continued its positive trends of increasing client activity. Hand in hand with a 5% increase in primary (active) clients, the growth of the primary portfolio reached 6% and total financial assets more than 8%. The loan portfolio grew by 10%, driven mainly by new sales of consumer loans (+32%) and new loans to the Microbusiness sector (+30%). After a significant reduction in new loans in 2022, mortgage loans also saw a slight increase in new sales (2%) in 2023. The Czech mortgage market has also recovered.

As in previous years, our main focus is on client satisfaction and quality of service. Our digital services also help us significantly, with more than 85% penetration of active digital users and more than 30% share of digital (E2E) sales in 2023.

Banking sector remained stable despite higher tax burden

The environment of high inflation and economic slowdown in both countries, even leading to a technical recession in the Czech Republic, did not cause instability in the banking sectors of the Czech Republic and Slovakia in 2023. Interest income of banks in Slovakia was underpinned by a gradual rise in ECB interest rates. In the Czech Republic, where the same support factor was no longer relevant due to a different monetary policy stance, non-interest income rose year-on-year. In both countries, total operating costs remained under control even when personnel costs were one of the fastest growing items. Also common to both countries was very limited loan provisioning, as the vast majority of clients maintained their ability to repay. Without disturbing the stability of the environment in the Czech Republic, the banking sector coped with the newly introduced windfall profits tax for the six largest market players. De facto, the sector's profitability has been confirmed to be consistently good, but not unexpected or exceptional. Thus, the impact of this tax was very limited.

Lending activity in the Czech Republic and Slovakia decelerated noticeably in 2023. In nominal terms, the volume of loans to the corporate sector and households grew by small percentage points year-on-year, which, given the rate of inflation, represented a decline in real terms.

Extending our range of services and products

We meet the needs and wishes of corporate, private and retail clients. Thanks to a wide and high-quality range of services and products, we maintain a stable position on the market, which was also supported by our results this year. We have therefore introduced a number of sought-after innovations and services.

In retail banking, we introduced the use of a bank identity service to enable clients to access the government's electronic services. In its second phase, we then used it to provide access to the services of private entities. We also offer discounted loans for sustainable housing to retail and corporate clients.

As part of the InvestEU programme, we have started offering loans to corporate clients on favourable terms. Overall, we have helped hundreds of SMEs and small businesses across Europe, including the Czech Republic and Slovakia. We also provided these loans to housing associations and individuals for their own investments in renewable energy.

We were the first to introduce an expanded range of onemarkets Fund investment solutions to private banking clients this autumn. It is a unique group of funds that significantly expands the range of investment solutions for clients in UniCredit's core markets. The offer combines the capabilities of UniCredit Group and the expertise of asset managers who are among the best in the market.

Awards that make us proud

In 2023, our achievements in the areas of service, diversity and inclusion, sustainability and expertise were confirmed by the receipt of several certificates and awards. We were awarded the Best ESG Bank in the Czech Republic by Euromoney magazine for our sustainable activities. We also won the Best Service and Market Leader awards in the same competition.

We have been recognised by Global Finance magazine as part of the best local asset management bank in Central and Eastern Europe.

We were awarded an EDGE certificate for our exemplary approach to diversity, inclusion and equality. To achieve this certification, our banking group underwent a rigorous third-party assessment. This assessment covered succession representation, equal pay, the effectiveness of policies and practices and the inclusiveness of company culture. For these achievements, we have also been recognised by the Financial Times as one of Europe's Diversity Leaders for 2023.

Our responsible approach to ESG principles was also confirmed by MSCI's upgrade of its rating from "A" to "AA" for its work on social issues, exemplary consumer protection practices, financial literacy programmes and offering fair financial products to clients.

Bankers are helping

Without clients and business partners, our work would be meaningless. Only thanks to them can we offer quality services and products. That's why we share our success with those who need help.

We have also traditionally supported dozens of non-profit organisations, either directly or through the Gift Matching Program or the Call4Europe initiative. Dozens of our colleagues, including our Bank's management, have been involved in financial education for children and young people. We have established a three-year partnership with Teach for All. The aim is to create a more inclusive school environment and support teacher training in primary and secondary schools.

Thank you for your loyalty.

A new year can mean new challenges, but also new opportunities for joy.

We wish you a successful 2024.

Jakub Dusílek
Chairman of the Board of Directors and CEO
UniCredit Bank Czech Republic and Slovakia, a.s.

Financial Highlights – Consolidated

(IFRS audited)

UniCredit Bank Czech Republic and Slovakia, a.s.	31 Dec 2023 MCZK	31 Dec 2022 MCZK
Operating results		
Net interest income	15 424	14 584
Net fee and commission income	3 662	3 802
Administrative expenses	(7 909)	(7 577)
Profit before income tax	12 576	11 162
Net profit after tax	10 455	9 128
Statement of financial position figures		
Total assets	883 910	766 412
Receivables from clients – net value	601 102	537 080
Deposits from clients (without repo operation)	567 326	503 374
Issued capital	8 755	8 755
Alternative performance indicators*		
Return on average assets (ROAA)	1,3 %	1,3 %
Return on average equity (ROAE)	13,2 %	11,6 %
Assets per employee	279,5	240,6
Administrative expenses per employee	2,5	2,4
Net profit per employee	3,3	2,9
Information about capital and capital adequacy		
Tier 1	79 322	79 363
Tier 2	322	147
Capital	**79 644**	**79 510**
Capital requirement for credit risk under the standardised approach:	**4 278**	**3 876**
Capital requirements for exposure to central government or central banks	190	200
Capital requirements for exposure to regional government or local authorities	82	91
Capital requirements for exposure to institutions	19	5
Capital requirements for exposure to businesses	2 274	2 018
Capital requirements for retail exposures	1 331	1 167
Capital requirements for exposures secured by real estate	40	36
Capital requirements for exposures at default	67	62
Capital requirements for high risk exposures	60	55
Capital requirements for equity exposures	131	160
Capital requirements for other items	84	82
Capital requirement for credit risk under the IRB approach:	**21 342**	**20 659**
Capital requirements for exposure to central government or central banks	535	155
Capital requirements for exposure to institutions	557	464
Capital requirements for exposure to businesses	16 398	16 700
Capital requirements for retail exposures	3 430	3 039
Capital requirements for other non credit-obligation assets	422	301
Capital requirements for position risk	377	565
Capital requirements for currency risk	–	–
Capital requirements for settlement risk	–	–
Capital requirements for commodity risk	3	3
Capital requirements for operational risk	2 137	2 184
Capital requirements for credit valuation adjustment	39	29
Capital requirement for other risk exposures	163	220
CET1 capital ratio	22,39 %	23,06 %
Tier 1 capital ratio	22,39 %	23,06 %
Total capital ratio	22,48 %	23,10 %
Average number of employees	3 162	3 185
Number of bank branches	104	104

Reconciliation of equity to regulatory capital (consolidated)

UniCredit Bank Czech Republic and Slovakia, a.s.	31 Dec 2023 MCZK	31 Dec 2022 MCZK
Data from the Statement of Financial Position:		
Share capital	8 755	8 755
Share premium	3 495	3 495
Valuation reserves	(5 411)	(8 825)
Retained earnings, reserve funds and other capital funds	69 251	68 869
Profit for the year	10 455	9 128
Total equity	**86 545**	**81 422**
CET1 capital adjustments:		
Profit for the year	(10 455)	(9 128)
Reserve from revaluation of hedging instruments	4 615	8 005
Reserve from revaluation of available-for-sale securities	–	–
Intangible assets	(2 553)	(2 712)
Credit risk adjustments for non-defaulted exposures	5 034	4 578
Anticipated losses for non-defaulted exposures	(2 539)	(2 738)
Effect of companies not included in the prudential consolidation group	(341)	(446)
Other adjustments	(984)	382
Total CET 1	**79 322**	**79 363**
Total Tier 1 (T1)	**79 322**	**79 363**
Credit risk adjustments for exposures at default	5 480	5 825
Anticipated losses for exposures at default	(5 991)	(6 079)
Non-deductible surplus above the risk-weighted assets limit	(414)	(59)
Other adjustments	1 247	460
Total Tier 2 (T2)	**322**	**147**
Capital	**79 644**	**79 365**

*** Definition of used alternative performance indicators**

UniCredit Bank Czech Republic and Slovakia, a.s. publishes Alternative performance indicators in Annual Report according to the Annex 14 to the Decree No 163/2014 Coll.

ROAA (Rentability of average assets) stands for an effective assets base utilisation rate

ROAE (Rentability of average Tier 1 Capital) stands for an effective equity utilisation rate

Assets per employee

Administrative Expenses per employee

Net profit per employee

The Bank states these Alternative performance indicators to compare with other banks on the market, which have the same obligation to publish these indicators.

Average total assets:
(Total assets at the end of the year X + Total assets at the end of the year X-1) divided by 2

Average tier 1 equity:
(Tier 1 equity in the year X + Tier 1 equity in the year X-1) divided by 2

Average number of employees:
The sum of employees at the end of each month in the year X divided by 12

Return on average assets (ROAA):
Net profit in the year X divided by the average total assets

Return on average tier 1 equity (ROAE):
Net profit in the year X divided by the average tier 1 equity

Assets per employee:
Total assets at the end of the year X divided by the average number of the employees

Administrative Expenses per employee
Total administrative expenses at the end of the year X divided by the average number of the employees

Net profit per employee:
Net profit at the end of the year X divided by the average number of the employees

Where X = 2023 and X-1 = 2022

Financial Highlights – Separate

(IFRS audited)

UniCredit Bank Czech Republic and Slovakia, a.s.	31 Dec 2023 MCZK	31 Dec 2022 MCZK
Operating results		
Net interest income	14 195	13 304
Net fee and commission income	3 297	3 426
Administrative expenses	(7 340)	(7 035)
Profit before income tax	12 077	10 683
Net profit after tax	10 256	8 923
Statement of financial position figures		
Total assets	874 079	756 090
Receivables from clients – net value	591 926	526 838
Deposits from clients (without repo operation)	566 998	502 969
Issued capital	8 755	8 755
Alternative performance indicators*		
Rentability of average assets (ROAA)	1,3 %	1,2 %
Rentability of average Tier 1 Capital (ROAE)	13,5 %	11,8 %
Assets per employee	306,9	263,9
General Administrative Expenses per employee	2,6	2,5
Net profit per employee	3,6	3,1
Information about capital and capital adequacy		
Tier 1	75 580	75 836
Tier 2	587	190
Capital	**76 167**	**76 026**
Capital requirement for credit risk under the standardised approach:	**732**	**807**
Capital requirements for exposure to central government or central banks	169	180
Capital requirements for exposure to regional government or local authorities	81	91
Capital requirements for exposure to institutions	–	–
Capital requirements for exposure to businesses	57	92
Capital requirements for retail exposures	–	–
Capital requirements for exposures secured by real estate	19	14
Capital requirements for exposures at default	13	12
Capital requirements for high risk exposures	60	55
Capital requirements for equity exposures	333	363
Capital requirements for other items	–	–
Capital requirement for credit risk under the IRB approach:	**24 350**	**23 145**
Capital requirements for exposure to central government or central banks	535	155
Capital requirements for exposure to institutions	557	464
Capital requirements for exposure to businesses	19 411	19 194
Capital requirements for retail exposures	3 430	3 039
Capital requirements for other non credit-obligation assets	417	293
Capital requirements for position risk	378	565
Capital requirements for currency risk	–	–
Capital requirements for settlement risk	–	–
Capital requirements for commodity risk	3	3
Capital requirements for operational risk	1 884	1 910
Capital requirements for credit valuation adjustment	39	29
Capital requirement for other risk exposures	158	214
CET1 capital ratio	21,95 %	22,75 %
Tier 1 capital ratio	21,95 %	22,75 %
Total capital ratio	22,21 %	22,80 %
Average number of employees	2 848	2 865
Number of bank branches	104	104

Reconciliation of equity to regulatory capital (separate)

UniCredit Bank Czech Republic and Slovakia, a.s.	31 Dec 2023 MCZK	31 Dec 2022 MCZK
Data from the Statement of Financial Position:		
Share capital	8 755	8 755
Share premium	3 495	3 495
Valuation reserves	(5 284)	(9 104)
Retained earnings, reserve funds and other capital funds	65 088	65 102
Profit for the year	10 256	8 923
Total equity	**82 310**	**77 171**
CET1 capital adjustments:		
Profit for the year	(10 256)	(8 923)
Reserve from revaluation of hedging instruments	4 645	8 284
Reserve from revaluation of available-for-sale securities	–	–
Intangible assets	(2 353)	(2 495)
Credit risk adjustments for non-defaulted exposures	5 068	4 609
Anticipated losses for non-defaulted exposures	(2 652)	(2 835)
Other adjustments	(1 182)	25
Total CET 1	**75 580**	**75 836**
Total Tier 1 (T1)	**75 580**	**75 836**
Credit risk adjustments for exposures at default	5 480	5 825
Anticipated losses for exposures at default	(5 991)	(6 079)
Non-deductible surplus above the risk-weighted assets limit	(110)	–
Other adjustments	1 208	444
Total Tier 2 (T2)	**587**	**190**
Capital	**76 167**	**76 026**

*** Definition of used alternative performance indicators**

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ROAA (Rentability of average assets) stands for an effective assets base utilisation rate

ROAE (Rentability of average Tier 1 Capital) stands for an effective equity utilisation rate

Assets per employee

Administrative Expenses per employee

Net profit per employee

The Bank states these Alternative performance indicators to compare with other banks on the market, which have the same obligation to publish these indicators.

Average total assets:
(Total assets at the end of the year X + Total assets at the end of the year X-1) divided by 2

Average tier 1 equity:
(Tier 1 equity in the year X + Tier 1 equity in the year X-1) divided by 2

Average number of employees:
The sum of employees at the end of each month in the year X divided by 12

Return on average assets (ROAA):
Net profit in the year X divided by the average total assets

Return on average tier 1 equity (ROAE):
Net profit in the year X divided by the average tier 1 equity

Assets per employee:
Total assets at the end of the year X divided by the average number of the employees

Administrative Expenses per employee
Total administrative expenses at the end of the year X divided by the average number of the employees

Net profit per employee:
Net profit at the end of the year X divided by the average number of the employees

Where X = 2023 and X-1 = 2022

Vision, Mission and Corporate Values

UniCredit Bank Czech Republic and Slovakia, a.s., is a universal commercial bank covering all the financial needs of its clients. We offer our clients the best expertise underpinned by long tradition and leadership in corporate and private banking, as well as an innovative approach to retail banking.

We are the bank of first choice in both our traditional and new strategic segments. We have been one of the leading banks in the Czech and Slovak markets in terms of client satisfaction for many years and we are also an attractive employer.

We are a part of the international UniCredit Group. As a part of the Group, UniCredit Bank Czech Republic and Slovakia, a.s., stands among the key countries of the Central European region. The Group perceives our Bank to be an example of successful dynamic growth in the corporate client segment and in particular in the segment of individual clients. At the same time, within UniCredit Group we are a bank where heavy investments are made, digital technologies and services are developed, and we are also a bank with substantial potential for further growth.

We are successfully delivering on our UniCredit Unlocked strategy, which puts clients at the heart of everything we do and positions us as a leading European bank. In every situation, we keep in mind the sustainability of our business, we follow a simple principle that helps us translate these values into everyday life: Do the right thing!

ESG – Environmental, Social, and Corporate Governance

At UniCredit Bank, we continue to meet long-term environmental and social commitments we have set for ourselves. Our efforts in 2023 were confirmed by several awards, among which the Best ESG Bank in the Czech Republic awarded by the prestigious Euromoney magazine stands out. In 2023, we were also awarded the EDGE certificate for our exemplary approach to diversity, inclusion and equality.

ESG Corporate Finance

Our Bank‘s ambition is to actively support the domestic economy in its sustainable transformation towards a zero-emission economy. In 2023, the total volume of corporate ESG loans in UniCredit Bank Czech Republic and Slovakia amounted to more than CZK 46 billion and more than CZK 13 billion of new corporate ESG loan production. We also achieved a 19% share of ESG loans in our total portfolio of long-term corporate investment loans.

Significant activities in the area of corporate ESG lending include the first ESG-rated loan signed by UniCredit Bank with ČEZ, the largest Czech energy company. ESG rating is used to evaluate businesses based on their environmental, social and governance practices to ensure transparency for investors, customers and the industry as a whole. ESG ratings are provided by reputable global ESG rating agencies.

ČEZ introduced a new ESG business strategy two years ago. A key part of the environmental pillar is to decarbonise the portfolio, reducing emissions of greenhouse gases and other pollutants and achieving carbon neutrality by 2040. If ČEZ improves its ESG rating in the next few years, it will get a more favourable interest rate on drawdown, while if it falls behind, the interest rate will increase. The new credit line is worth CZK 7.5 billion.

Another significant deal took place with Západoslovenská energetika (ZSE), which operates the electricity distribution system in western Slovakia. In 1Q2023, UniCredit Bank signed a EUR 157.5 million Green Loan with ZSE, which will enable ZSE to implement its ESG strategy in the areas of renewable energy, energy efficiency and clean transport. The Green Loan is a bilateral instrument based on a green financing framework, using the proceeds for various projects, including grid modernisation, smart metering and the construction of an EV charging network.

In May, the Bank successfully issued its first EUR 500 million green mortgage bond under its EUR 7 billion mortgage bond programme. This is the first issue of ESG mortgage bonds on the Czech market. The bonds are rated Aa2 by Moody‘s and have a 5-year maturity with an option to extend for up to one year. The funds will be allocated to suitable projects in accordance with UniCredit Group‘s Sustainability Bond Framework.

The inclusion of loans in the ESG portfolio has been subject to approval by the ESG Committee for Corporate Loans, whose decisions are based on UniCredit Group‘s internal rules for sustainable, environmental and socially useful financing, the EU taxonomy or the ICMA Green Bond Principles.

ESG Barometer and supporting our clients

The ESG Barometer, which we have launched in the Czech Republic and Slovakia after its success in Germany and Austria, helps us conduct a dialogue with our clients about the sustainability of their business. The tool will provide our relationship manager with a transparent orientation in the client‘s field of business and facilitate a structured dialogue with the client. Following a dialogue with the client, it is be possible to identify areas of development, as well as recommendations and possible measures. These can then be used to identify business opportunities, e.g., in the field of financing.

We also focused on the sustainability of our clients‘ businesses at the ESG Roadshow, during which we visited around 40 businesses in five regions. Each client was approached with a targeted ESG presentation related to their business sector, through which we provide the client with a comprehensive insight into ESG issues and link the topic to relevant topics for the client and their business sector.

Retail ESG activities

Retail contributes to the Bank's ESG objectives primarily through its lending products. The most significant part of this is mortgage loans with interest rate discounts for young people and families up to 35 years of age, which we provided with the amount of almost CZK 3 billion in 2023. We contribute to meeting environmental goals by providing the so-called Low Energy Mortgage to finance energy-intensive Class A properties with interest rate discounts for clients, or by providing the PRESTO Loan for a Better Home consumer credit to finance green purposes. In 2024, we would like to focus on transition financing, i.e., financing the renovation and modernisation of properties to reduce their energy intensity.

In the segment of entrepreneurs and small companies, we focused on ESG activities supporting new companies and start-ups and supporting disadvantaged areas in Slovakia. We offer financing to start-up companies to help them get their business off the ground and build a stable and growing turnover. In the programme for the development of disadvantaged areas in Slovakia, we support local entrepreneurs and companies whose activities increase the economic growth of the area and the quality of life of its inhabitants. The total volume of these loans amounted to over CZK 148 million.

As part of the PRB Commitment to Financial Health & Inclusion group initiative, we are committed to supporting the financial inclusion of young people aged 17-30. We focus on acquiring this group of clients and then offering a wide range of products to help young people address their life situations.

Social responsibility, sponsorship and charity

The year 2023 was affected by economic stagnation and continued high inflation rates, therefore charitable activities were often of existential importance for the donated entities. UniCredit Bank is aware of this situation, which is why 2023 was a record year in terms of charity and the Bank donated more than CZK 31 million to this area. In addition to the support of traditional partners, including the Krtek Oncology Fund, Konto Bariéry, Na kole dětem Foundation, Syner Foundation and the Klokánek Fund for Children at Risk, we have supported a number of entities from the medical and scientific field (Institute of Microbiology, St. Anne's Hospital in Brno or Pneumoned in Bratislava). In Slovakia, we continued our successful cooperation with the Markíza Foundation and thanks to the income tax assignation we supported the Children with Cancer civic association, the Children's Sleep Centre in Martin and the Children's Psychiatric Day Hospital at the Children's Psychiatric Clinic in Martin.

The Bank traditionally also supports education and sports activities in the community. Cooperation with the Financial Distress Counselling Centre or the Italian Cultural Institute is one of our permanent activities, and in 2023 we supported the Veronika Kašáková Foundation, which focuses on the transition of children from children's homes to independent life, or the Eleutheria Foundation, which is committed to the development of cultural heritage in the Czech Republic. Supporting sport is one of our key activities and in addition to our long-standing partners such as RunCzech, Tennis Club Prostějov, Sport2Life, Velká Chuchle or Czech Team 96, in 2023 we also supported a number of regional sports clubs focusing on the development of youth sport (Rugby Club Sparta Praha, Vespa Club Praha, SKI Ostrava or BT Golf). For the first time, our Bank has become UniCredit's general partner of the prestigious Slovak tennis tournament Bratislava Open 2023.

Last but not least, we have donated a large part of our charity funds to the cultural sector. It is traditional for our Bank to support the International Film Festival in Karlovy Vary or to cooperate with the Janáček Philharmonic Orchestra in Ostrava. We have recently supported, for example, the Gallery of Modern Art in Hradec Králové or the cultural project Amerikánka, which works with children from children's homes.

As part of our employee volunteering activities, we help communities in our surroundings, for example by regularly participating in UniCredit Drop of Blood, which we have been organising in cooperation with the National Transfusion Station Slovakia for several years. Together with UniCredit Leasing employees, we help as volunteers in the Palata home for the visually impaired, and in Brno our colleagues support the Emil Foundation financially and as volunteers, which helps develop physical activities for people with disabilities.

Financial literacy and children's education

As part of UniCredit Group and its "Call for Education" initiative, we donated CZK 1.6 million (EUR 80 thousand) to a total of 10 non-profit organisations that help children and young people under 18, especially in the field of education, in the Czech Republic and Slovakia.

Moreover, we developed the traditional Gift Matching Program, through which the UniCredit Foundation doubled our employees' donations to a total of 31 non-profit organisations and projects aimed at helping children and young people, especially in the field of education, which UniCredit Group considers very important to support.

Education is an important area of engagement for the Bank and its employees. In addition to the internal Financial Literacy programme, where our volunteer trainers from among our employees individually or in cooperation with the Czech Banking Association visit primary and secondary schools and help raise the level of education in the area of financial literacy and cyber security (in 2023, we trained more than 5,500 pupils from 75 schools across the Czech Republic and Slovakia), we continue to develop the programme in cooperation with the TEACH FOR ALL organisation in the area of supporting the education of children and raising the qualifications of teachers in Slovakia. In 2023, we established a group-wide cooperation with Junior Achievement in the Czech Republic and Slovakia, which focuses on Czech youth with the aim of teaching them the value of entrepreneurship, understanding business and economics and developing an ethical attitude towards leadership. The main idea is to actively prepare young people for work environment, which is encouraged by a number of interesting projects, involving our employees from the Czech Republic and Slovakia and Junior Achievement.

Environmental protection
Sustainable growth and environmental protection are an integral part of the ESG strategy. Within all buildings, we comply with globally set environmental rules and use an efficient smart office concept in our main buildings to put as little burden on nature as possible. The Group has already signed the United Nations Environment Programme Finance Initiative (UNEP FI), based on which the Bank incorporated environmental protection goals into its internal processes. Those goals include, for instance, the reduction of emissions, involvement in the Carbon Disclosure project, the financing of renewable energy sources, electromobility or the granting of loans for renovation aimed at energy savings.

We purposefully reduce the consumption of single-use plastics, consistently sort waste and regularly participate in the Earth Hour project. As part of the digitisation project and the introduction of paperless processes, we save hundreds of thousands of papers and printed materials every year, both in the Bank and in our leasing companies.

At the same time, our employees are actively involved in environmental protection and can take two days of paid time off each year to volunteer for activities aimed at helping people in need, the environment or non-profit organisations. We planted nearly 2,800 beech and maple trees in Vysočina to restore forests after bark beetle calamities, and 400 poplars and willows in Slovakia near the Gabčíkovo waterworks, thus contributing at least partly to the revitalisation of native habitats in the inland Danube Delta.

Our colleagues also joined the Green Challenge, an initiative focused on environmentally friendly modes of transport to work, whereby we collectively accumulated almost 80,000 green kilometres and saved 9.5 tonnes of CO_2. At the same time, our performance contributed to the planting of thousands of trees by our partner Mastercard and to mitigating the negative impact on our environment.

Employment relations
UniCredit Bank ranks among the most attractive employers in the Czech Republic and Slovakia, not only because of its offer of responsible and demanding work in the banking sector, but also thanks to the care it gives its employees. Employees are entitled to meal vouchers, fresh water in the workplace, sick days and recovery days, and can also use UniCredit Bank products with special benefits, or use the company cottage in Horní Malá Úpa. They also appreciate an extra week of holiday, an extra day off for birthdays or the opportunity to purchase employee shares in UniCredit Bank. The offer of flexible benefits, which allow employees to choose from a large number of various activities they consider best for them, is also wide.

The existing benefit programmes grant all employees equal access to employee benefits and offer them freedom of choice. The most favoured benefits include contributions to pension funds or life insurance, language courses, cultural and sporting events or allowances for holiday. UniCredit Bank respects its employees and strives to support them in all situations and life stages. Therefore, it also offers a series of support programmes and a contribution system that include bonuses/contributions for life or work jubilees, a retirement bonus, a contribution while facing difficult life situations or programmes to support parents in their return from maternity/parental leave. In cooperation with trade unions, the Bank organises cultural and sporting events for employees, their families and seniors.

Anti-Corruption Rules
UniCredit Czech Republic and Slovakia Group applies the principle of zero tolerance for corruption, i.e., it will not tolerate the involvement of its employees or third parties in either direct or indirect corruption conduct.

Macroeconomic Situation

Czech Republic
The Czech economy struggled with the direct and indirect consequences of the energy crisis of the previous year. As a direct consequence, production in some energy-intensive industries has been curtailed due to high electricity and gas prices. Despite solid growth in the production of transport equipment, industrial production as a whole fell year-on-year, which had a negative impact on the performance of the Czech economy as a whole. There was a full-year contraction of 0.4% in GDP, according to preliminary figures, as the technical recession of the second half of 2022 turned into a state of near stagnation during each quarter of 2023. An indirect consequence of high energy prices has been a persistent wave of inflation. Average inflation reached 10.7%, remaining in double digits for the second year in a row. Wage growth has not fully kept pace with price hikes, leading to a further fall in real wages and a contraction in private consumption.

In an effort to dampen inflationary pressures, the Czech National Bank kept its repo rate unchanged at 7% until December, when it took the first step in lowering it. In the first part of the year, there were still proposals for further rate hikes among central bankers, but they did not receive majority support. The elevated level of short- and long-term interest rates has cooled the mortgage market considerably and put the brakes on house price growth. The impact of the tight monetary conditions on the economy was partly offset by the easing of financial stability parameters. The countercyclical capital buffer rate was reduced to 2% and it was decided to deactivate the credit indicators DSTI, DTI with effect from 1 July 2023 for the former and 1 January 2024 for the latter. The banking sector remained stable and resilient to risks. However, the limited payments of the newly introduced windfall profits tax by banks can be interpreted as confirmation that banks were not making unexpectedly high profits.

The government has made great efforts to mitigate the impact of high energy prices on the economy. It has paid tens of billions of korunas in subsidies to economic entities for this purpose, a substantial part of which it received from energy companies from newly introduced taxes. The second area the government focused on was stabilising public finances. As part of this, the government pushed through a limitation of pension indexation and prepared a package of dozens of legislative measures that should significantly dampen the imbalance in the state budget from 2024. A side effect of this long-term measure was a further fall in consumer confidence at the end of the year.

Slovakia

The Slovak economy was coping with the effects of the energy crisis, which had mainly affected the production of energy-intensive industries, continued to keep consumer inflation above average and held back consumption. Households had curbed spending at the start of the year, and although consumption had gradually started to recover since the spring under the influence of slowly receding inflation and a moderating decline in real wages, it had not erased the losses by the end of the year. Inflation peaked in February (15.4%) and slowed to 5.9% by the end of the year, averaging 10.5%. Wage growth had still not kept pace with inflation, despite double-digit wage increases in the public sector. The economy was protected from the recession mainly by public investment, boosted by the absorption of EU funds from the 2014-2020 budget period, and the recovery of the automotive industry, which went hand in hand with the easing of bottlenecks.

In response to persistent inflationary pressures in the euro area, the ECB continued to tighten monetary conditions further. During the year, it raised the key refinancing rate by 200 basis points to 4.5% p.a. It ended the rate hike cycle in September. Rising interest rates helped boost the banking sector‘s interest income (up 27.3% year-on-year) and profitability (up 45.8% year-on-year). However, higher interest rates gradually dampened demand for new bank financing, both from households and businesses. The property market and demand for mortgages cooled, as did business investment and demand for corporate loans. Along with consumption bouncing back, only consumer credit growth accelerated towards the end of the year. Nevertheless, the banking sector remained stable and resilient to risks. High inflation has not yet led to an increase in NPL ratios. This allowed banks to dissolve at the end of the year part of the reserves they had created in the previous period as a precautionary measure, fearing the impact of inflation.

Early elections held in September brought in a new government. Its willingness to consolidate public finances is only vague, which is also sensitively perceived by the financial markets. The risk premium on Slovak government bonds has thus become one of the highest in the euro area. The new government has embarked on a path of greater redistribution. Higher budget spending on, for example, pensions or energy and mortgage subsidies for households has led it to increase the tax burden on the commercial sector, including banks, with effect from 2024. Banks will pay a new special bank tax of 30%.

Evaluation of Results of UniCredit Bank Czech Republic and Slovakia

UniCredit Bank Czech Republic and Slovakia Group achieved a year-on-year increase in profit, mainly due to a decrease in impairment losses on financial assets and an increase in operating income. The environment of higher interest rates, rising client loans and deposits, together with a low need for loan provisioning and the high quality of the loan portfolio contributed to exceeding the planned financial results for this year. The volume of client loans and deposits grew both in the Czech and Slovak markets. Operating expenses increased year-on-year mainly due to administrative expenses, primarily in the area of personnel costs, reflecting the increase in wages. Despite the long-term highly efficient management of operating costs and growth in operating income, the Group‘s cost-to-income ratio deteriorated slightly year-on-year. The Bank‘s capital adequacy and liquidity ratios are traditionally well above regulatory requirements.

Expected Economic and Financial Situation of UniCredit Bank Czech Republic and Slovakia in 2024

The plan for 2024 is based on the assumption of improving macroeconomic developments in an environment of falling interest rates and significantly slowing inflation. These macroeconomic expectations will be reflected in the Bank‘s operating income, where we continue to expect an increase in net interest income due to growth in client loans and deposits. The long-term highly efficient management of operating costs will result in a slight improvement in the cost/income ratio. The Bank will continue to invest in digitisation and optimisation of internal processes, which will keep cost growth below the rate of inflation. Despite the high quality of the loan portfolio and the improvement in the macroeconomic environment, the plan envisages a higher need for provisioning year-on-year, which is driven by the very good results of 2023 and will not jeopardise the Bank‘s profitability ratio. The Bank‘s capital adequacy and liquidity ratios will traditionally be well above regulatory requirements.

Corporate Banking

2023 represented a very successful year for the Corporates division. We continued to reinforce our strong position in the Czech and Slovak markets despite the difficult macroeconomic environment. We succeeded both in the growth of corporate loans and in the acquisition of new clients, mainly due to the provision of comprehensive services and high flexibility for our clients. We successfully continued to meet our strategic goals, in particular maintaining and developing our position as a key player in the segment of financing of large international and domestic companies, together with a focus on the SME segment. Revenues from the provision of services to corporate clients increased by more than 10% year-on-year, significantly exceeding the results from previous years.

The division continued to increase the volume of client deposits, both in CZK and EUR. Despite a strong competitive environment, we managed to increase volumes by almost CZK 50 billion, representing a year-on-year increase by more than 18%. As in the past, the division‘s priority was to grow the volume of loans, with an emphasis on a sound risk profile of the portfolio. In 2023, total lending grew by more than CZK 25 billion year-on-year. In addition to the traditionally strong large corporate segment, we also achieved excellent results in the medium-sized corporate segment, where we increased the volume of loans by more than 18%. We were significantly helped by real estate financing, which grew faster year-on-year than the rest of the division.

In the Czech Republic and Slovakia, we continued our long-term strategy of becoming one of the main banking partners of companies in the SME segment. In addition to our individual approach and preparing solutions according to the specific needs of our clients, in 2023 we were also very active in providing discounted operating and investment loans under local and European guarantee programmes. In the Czech Republic and Slovakia, we have successfully launched a new long-term EU Invest guarantee scheme provided by the European Investment Fund (EIF) to support projects focused on innovation and digitisation as well as clients in the cultural sector. A further extension of the scheme is planned for 2024 with a new programme focusing on long-term sustainability. In the area of local guarantee programmes, we were also one of the main providers of favourable loans to small and medium-sized enterprises, particularly in Slovakia, where we financed the investment and operational needs of more than 150 corporate clients with a total financing volume of more than EUR 67 million in 2023.

In the Corporates division, in 2023 we focused on deepening our strategy to actively help our clients address their financial needs, i.e., not to be a mere provider of money, but to be a “structuring bank”, a bank that proposes optimal structures for clients to finance their diverse financial requirements. The past year was very successful in this respect, as evidenced by a number of arranger mandates and the conclusion of structurally interesting transactions.

We coordinated and acted as agent on the club ESG financing of Heimstaden‘s Czech branch for a total of EUR 700 million, and supported PPF Telecom Group as global coordinator, bookrunner and lead arranger on two transactions (A&E Backstop Loan Facility and Term Loan Facility), each for EUR 600 million. Other significant transactions were, for example, the 100% subscription of EUR 325 million in financing for EP NL or the subscription of acquisition financing for Meopta. Also worth mentioning is the settlement of the EUR 550 million financing for the Agrofert Group. In addition, we have closed dozens of smaller and medium-sized transactions of various types – buyouts of parts of business holdings, acquisitions, recaps, project financings, consolidation of bilateral lines into club structures, etc.

Structured Finance Slovakia provides dedicated project, acquisition and structured corporate finance. By providing these long-term loans on the basis of future cash flow, we support our clients in selected sectors of the economy, either on a bilateral basis or in the form of club loans. At the same time, we profile ourselves as a department with sector know-how in the network industries. In 2023, we provided one of the highest green loans in the energy sector in Slovakia.

In 2023, the Debt Capital Markets department was involved in arranging and distributing several major corporate bond issues in the local market, e.g., for Czechoslovak Group or Dr.Max group, despite the complicated conditions caused by high market interest rates, high inflation rate, etc. At the same time, the department focused on its own issuance activity in the form of structured and non-structured investment products aimed mainly at retail investors.

In 2023, the team also participated in the preparation and issuance of two own benchmark covered bond issues totalling EUR 1 billion under the Eurobond programme. One of these issues was issued as a „green" bond in accordance with UniCredit Group's Sustainability Bond Framework, and it was the first ever Czech covered bond issue to include sustainability elements.

In real estate financing, 2023 was again a very successful year, with real estate financing contributing significantly to loan growth in the corporate segment. UniCredit Bank also maintains an important position in the financing of commercial real estate in the Czech Republic and Slovakia in all major segments of the real estate market – industrial, office and retail real estate, as well as in residential projects.

In Czechia, we closed real estate project financing totalling over EUR 1 billion in 2023. Loans in the residential, shopping centre and retail park segments accounted for the largest share of this volume. The most significant transaction of 2023 was a EUR 700 million club loan for the refinancing of a residential portfolio for Heimstaden and the second highest loan was a EUR 112 million 100% refinancing of the Arkády shopping centre for G City Europe. In the residential construction segment, we also managed to close transactions for existing and new clients from developers and investment groups, however, due to the downturn in the development market, these financing deals were fewer than in previous years.

In Slovakia, we continued to increase the volume of our financed commercial real estate portfolio in all market segments in 2023. We became one of the financing banks for the next phase of the Zwirn residential complex in Bratislava. We were able to successfully launch cooperation with Alto Real Estate by providing financing for a number of office buildings in Bratislava. And we were the only bank to provide financing to the multinational investment fund manager LCN Capital Partners in its first acquisition of a real estate portfolio in Slovakia and the Czech Republic. We also support our developers and investors in all regions of Slovakia.

Together with the Bank's sales network and specialised structures, the Industry Expertise Center managed to underpin the market position growth in strategic sectors. These include mostly financing of energy and renewable resources, agriculture, public and municipal sectors, health care and church entities in the Czech Republic and Slovakia.

In the long term, the Bank maintains its leading market position in financing of renewable resources and energy. In 2023, the Bank provided new financing in the renewable energy sector in the amount of CZK 1.35 billion.

In the area of healthcare, in 2023 we focused on supporting large healthcare facilities by financing investment and operational needs, as well as purchase of receivables (forfaiting). The Bank also supported the construction of homes with a special regime caring primarily for the elderly.

We remained very active in the public and municipal sector, both in terms of its direct financing (infrastructure and social projects) and in terms of administration and appreciation of deposits of regions, cities and municipalities.

UniCredit Bank has also long been present in the agricultural sector. In the Czech Republic, it continues to boost its market share growth through the creation of simple and fast credit products and land financing. In Slovakia, we maintain a leading position in financing of the agricultural sector with a market share over 30% in the number of serviced clients.

In 2021, a dedicated ESG team was established within the Industry Expertise Center, focusing on the development of activities in the area of sustainable, environmental and social financing.

We provide clients with a comprehensive insight into the ESG issue, which we link to relevant topics within their business sector. Often these include energy efficiency measures, sustainable energy, the company's ESG strategy, and sustainable financing options that go hand in hand with subsidies. We also discuss with clients key ESG risks and opportunities affecting their company or supplier-customer relationships.

With ESG Barometer, we help our clients identify whether they are in compliance with the ESG principles of a given industry and evaluate the company in terms of the impact of its activities on the environment (Environmental), the social environment (Social) and the effectiveness of corporate governance (Governance).

Markets

We have experienced an exceptional period in the financial markets this year, characterised by high interest rates in all markets relevant to us. European, US and Czech rates reached their all-time highs, significantly affecting the valuation of other market assets. At the same time, the highest shocks in commodity prices had subsided and inflation in the Czech Republic had started to decline from its highs. This was reflected in the valuation of the interest rate curves and the valuation of the outlook for the CNB base rate. We saw the first rate cut at the end of the year. The Bank's activity in the interbank market was particularly strong in the area of liquidity management, where high rates offered opportunities for high interest rates. At the same time, we increased our investment in fixed-interest government securities, which also offered an interesting interest yield.

Most of 2023 was characterised by relatively low volatility of the Czech koruna against the euro and the maintenance of the historically strong level of the Czech koruna, with the exchange rate of the Czech koruna against the euro reaching an all-time high of CZK 23.269 per euro in April. At the same time, the interest rate differential between the Czech koruna and the euro declined significantly during 2023. This situation was not favourable for exporters as they received a lower equivalent in korunas for their production collected in euro due to the strong exchange rate of the koruna. From the perspective of exporters in 2023, the attractiveness of hedging the exchange rate of the Czech koruna against the euro in the future was not helped by the declining interest rate differential.

The market situation in 2023 confirmed the correctness of the decision of clients who already in the first half of 2022 realised most of the currency hedging for the next one to two years at significantly more attractive market conditions than would have been possible in 2023. Thus, the Bank did not repeat the record result of 2022 in turnover from derivative hedging transactions with clients in 2023. On the other hand, we recorded an increase in transaction activity in the area of currency conversion transactions, where, due to the above-mentioned market situation, part of the activity shifted from hedging derivative transactions. Activity in client transactions is on an upward trend. As regards interest rate hedging, the share of secured loans remained stable. In commodity hedging transactions, 2023 was a strong year, particularly in the area of metal price hedging for corporate clients.

Launching new products

In the area of Acquiring, UniCredit Bank was awarded Best Acquirer by VISA. At the same time, the Bank installed several thousand SoftPOS, which is a unique innovative solution in the Czech and Slovak markets. From May 2023, the Bank is the first in the Czech Republic to offer its contractual partners the possibility of accepting AliPay cards.

In our traditional Trade Finance business, we have once again been awarded Best Bank in both markets in the Euromoney Trade Finance Survey for 2023 by the Euromoney magazine. Several important bank guarantees and documentary letters of credit were issued again this year.

Working Capital Solutions has closed many loans reflecting individual operational financing solutions. The team's unique transaction structures have earned them several wins in the group's „Deal of the Month" initiative.

The negative development in export financing in the past years, caused mainly by geopolitical developments and Covid restrictions, was reversed in 2023 by concluding a significant transaction with EGAP insurance. This financed transaction to Indonesia is the highest in volume in our Bank's history.

In Global Security Services, we successfully grew in acquisition and made up for revenue shortfalls in funds that transitioned to their newly formed parent depositories. In the area of Custody, we further enhanced the new Custody feature of BaNCS, simplified processes and streamlined operational risk management. In the Depository area, we have started the implementation of a new depository system. Both systems in the GSS represent a significant milestone towards digital evolution, reinforcing our ongoing commitment to GSS service excellence in both the short and long term.

We successfully completed the cross-border restructuring of our correspondent banking division. Our leading position in the Central European region confirms that we are the only bank in the Czech Republic and Slovakia that provides a virtual bank service (cash management solution for global foreign banks and financial institutions).

In traditional Cash Management, we completed the implementation of a fictitious cash pool, followed by a successful sales campaign, and introduced several tailor-made solutions for major clients.

At the same time, we are focusing on a number of large ongoing internal projects to strengthen our digitisation.

As part of the Corporate Digital Platform project, corporate and retail clients will not only be served via a new web application, but will also be able to manage their products via their mobile phones. Other major projects rolling out in 2023 include the introduction of instant payments with an expected launch in 4Q2024.

Our efforts and quality work were recognised by a number of awards:

The Banker:
- Global Bank of 2023 (UniCredit Group)

Euromoney:
- Best ESG Bank (Czechia)
- Market Leader (Czechia and CE&EE)
- Best Corporate Banking (Czechia and Slovakia)
- Corporate and Social Responsibility (Czechia)
- Digital Solutions (Czechia)
- Best Bank for Transaction Services (CE&EE)
- Best Bank for Wealth Management (CE&EE)

UniCredit Factoring

In 2023, we purchased receivables in the amount of CZK 47.2 billion, which represents a year-on-year increase of 8.5%. The average annual financing volume increased by 22.6% to CZK 4.9 billion. Net profit reached CZK 64.7 million, which is 33% above the previous year's result.

Our record financial performance is primarily due to our excellent business results. We dealt with unfavourable macroeconomic conditions in the form of recession, inflation and high interest rates by acquiring new clients and expanding cooperation with existing ones. Our strategy of focusing on creditworthy companies that use factoring as a stable tool for their financial management is proving successful. This strategy not only contributes to the growth of our market share, but also helps us maintain the high quality of our loan portfolio over the long term.

In 2023, we started upgrading our core system. This investment will increase the security of our information technology, support further digitisation, bring new features to our clients and improve their customer experience.

UniCredit Leasing
UniCredit Leasing Group, operating in the Czech Republic and Slovakia, confirmed its stable position among the leading providers of non-bank financing in both markets in 2023. Based on the consolidated results, UniCredit Leasing CZ, a.s., including its subsidiaries in both markets, financed movable and immovable property with a total volume of CZK 23.5 billion with a significant year-on-year double-digit growth of 17.3%. The number of newly concluded contracts reached 23,842 in 2023, an increase of 15.1% year-on-year. We recorded a total of 8,916 new clients on our portfolio, an increase of 16.1% year-on-year. Our business was primarily impacted by the challenging macroeconomic environment during 2023. The challenges were mainly persistent uncertainty, rather stagnant economies, high inflation and high market interest rates in both markets. We can be all the more pleased with the excellent result for 2023 and the fact that we have managed to increase our trade balance in this environment.

Last year, we worked intensively on the modernisation and digitisation of our products and services. This initiative has brought many positive changes that have affected both the speed and efficiency of our services. We worked on improving customer relationship management and improving the internal CRM system. Again, we focused very carefully on retention activities, lead management and sales campaigns in cooperation with our cooperating partners and our parent bank. We continued to digitise internal and client processes and introduced a new online calculator in cooperation with selected partners. In both markets, we were involved in drawing on supranational financial resources, such as from the EIB and the CEB, as well as guarantee programmes from the EIF.

Electromobility is one of the significant directions in which the automotive industry is moving, and we are determined to keep up with the times. We believe that electromobility plays an important role in sustainable development and reducing greenhouse gas emissions. Increased availability of charging stations and support from government programmes in the field of electromobility are contributing to more and more people considering switching to electric vehicles. We believe that with the growing awareness of environmental issues and technological innovations, electromobility will continue to gain popularity. We are ready to continue to provide financing for environmentally friendly vehicles to support a more sustainable future together.

During the year, we innovated products focused on financing clients from the agricultural sector, the aforementioned emerging electromobility and managed to implement all product and system adjustments triggered by legislative changes in both markets. Due to the growing importance of ESG principles, we have expanded our product offering to include financing for photovoltaic installations up to the full investment cost.

The total financed value of passenger cars and commercial vehicles up to 3.5 tonnes increased by 22.5% year-on-year on our consolidated balance sheet. Sales of freight transport equipment above 3.5 tonnes grew year-on-year in the market and the volume of our new financed value also grew significantly, by 28.1% year-on-year. In the machinery and equipment segment, UniCredit Leasing's new business volumes grew by 9.3% year-on-year.

In 2023, we extended our long-standing business partnerships with the HONDA and MAZDA brands in the Czech Republic and Slovakia and managed to extend our well-functioning cooperation with the Jaguar Land Rover brand in the Czech Republic to the Slovak market, which we confirmed by signing a cooperation agreement.

We were also able to confirm our cooperation with the Emil Frey Group by concluding a new cooperation agreement, setting up mutual cooperation in the provision of financial services for the certified used vehicle sales programme. We were able to grow in line with our long-term strategy in financing used vehicles sold by our cooperating authorised dealers.

We continued our strong performance with the Corporates banking division with a 22.2% year-on-year increase in business, and had a record year with the Retail division, documented by an impressive 40.6% year-on-year increase in new value financed.

Retail Banking

2023 was a successful year for the Retail division. We brought a number of new product innovations to our clients, both in the field of savings and investments and in the area of loans. Together with our partners, we continued the successful trend of selling insurance products, all while increasing the use of digital channels for sales and everyday client services.

In particular, last year was a year of further growth in our portfolio of active (so-called primary) clients, by more than 5% to more than 660,000. The acquisition of new clients using our savings account offer contributed significantly to this. However, we also consider our retention campaigns offering new services to clients to be successful. We also achieved a further increase in client satisfaction across all channels, which was reflected in an increase in the Net Promoter Score, a measure of customer perception of the quality of our services.

In addition to the above-mentioned growth in the client portfolio, we consider the key business achievements of the year to be the increase in the volume of loans by more than 10% and in the volume of client deposits by 8%. Moreover, we increased our market share in both categories, both in the Czech Republic and Slovakia. In digital banking, we managed to reach the 70% mark for digitally negotiated new accounts and consumer loans, our key digital products. Up to 85% of our primary clients work digitally with us on a monthly basis.

In the field of retail, the Bank provides a full range of banking products – current accounts, savings and investment products, payment cards, housing financing products, and consumer credit. In cooperation with our strategic partners, we are increasingly focusing on investment products as well as bancassurance. With all these products, the Bank aims to provide innovative products and make maximum use of electronic channels.

Our goal in retail and private banking remains to strengthen our market share in credit, deposit and investment products. We do this by concentrating on selected segments of the retail market and by continuously innovating our product and distribution offering. We continue to build on our successfully established model of servicing separate client segments Retail, Private Premium and Private Wealth. We also want to serve our clients better through this model.

Digital

2023 was a year of growth for all of the Bank's alternative channels. The significant increase in digital sales at Retail confirms the Bank's successful digitisation strategy. As for current accounts and consumer credit, around 70% of all sales were made digitally in 2023. Moreover, 30-40% of all new accounts and consumer loans were arranged remotely by clients themselves.

At the heart of our digital processes is a digital platform, implemented from 2021. The platform allows you to conveniently take out new products within the branch network, call centre, existing clients can use it in mobile and internet banking or new clients on the website. The platform therefore saves clients time, bankers capacity and has also saved over 4 million pages of paper since its launch.

In 2023, the positive trend of increasing use of ATMs for cash withdrawal and deposit transactions and decreasing use of branch teller services continued. We are meeting this trend with the modernisation of our ATM network, which we will complete in the coming year. We are delivering a significantly faster and friendlier customer experience by replacing our oldest ATM models, updating our software and installing contactless withdrawals and deposits. In the Czech Republic, by participating in the shared ATM alliance, we have secured withdrawals from almost 2,000 ATMs for our clients under exactly the same conditions as in our own network.

The transformation of the call centre into a much more commercial, business channel is also progressing successfully. Last year we managed to increase all indicators of direct sales, commercial offers to clients and the number of appointments for branches by about 30% compared to the previous year.

Consumer credit

As a standard, we offer four categories of loans in both countries: refinancing or transfer of loans, simple and fast general-purpose loans for existing clients, general-purpose loans and purpose-specific housing loans.

In 2023, we continued to see clients' interest in PRESTO Loan thanks to the long-term offer of very interesting product parameters, including a favourable interest rate. In addition, we have made the product more attractive by rewarding clients for taking out a PRESTO Loan in a certain loan amount. This reward was and continues to be granted right at the beginning of the repayment, i.e. the client does not have to wait for the reward until the end of the repayment, as was the case in the past with the reward for due repayment. We continue to offer the possibility to take out a loan without visiting a branch, as clients can obtain the loan in their mobile or online banking. Through the Open digital platform, the process of granting a PRESTO Loan is very simple and convenient.

During the year, we also made the PRESTO Loan for a Better Home (PRESTO Loan for Housing) special-purpose consumer loan more attractive by extending the repayment period up to 15 years for Green Energy projects – modernisation of residential buildings with energy-saving solutions such as heat pumps, solar water heating, home photovoltaics, etc. In Slovakia, we have joined the PRESTO OBNOV DOM programme with our PRESTO Loan for a Better Home (under the call of the Slovak Environment Agency „SEA").

As part of the annual assessment of People in Need – Responsible Lending Index, we again ranked at the top.

Mortgages

In 2023, the slightly divergent developments in the mortgage markets in the two countries, which were primarily linked to interest rate developments, continued.

In the Czech Republic, we gradually saw a recovery in the mortgage market, especially in the second half of the year, which was associated with a slight decline in interest rates in Czech korunas and the CNB's deregulation of certain ratios (DSTI).

On the Slovak mortgage market, the decline associated with the rise in euro interest rates was evident right at the beginning of the year, when rates hit 4%, which is almost twice as high as they were in mid-2022.

In both countries, we were successful in growing our market share of new loans, achieving the best results in our history (in the Czech Republic we reach 10%, in Slovakia we are above 15%).

As part of the retention of mortgage loans, we have long been successful in reaching our clients with interesting offers, which is reflected in the fact that the vast majority of our clients whose interest rate fixation has ended continue to repay their mortgage with our Bank.

We are also active in ESG, with almost one in five mortgages receiving some type of benefit from us. Whether it's discounts for clients who invest in low-energy housing or supporting young clients, for whom we offer a favourable rate on a higher volume than standard clients who already have savings.

We continue to support responsible clients who insure their ability to repay their loan with an interest rate discount.

Current accounts

In 2023, we continued to offer our standard START, OPEN and TOP accounts and premium PLATINUM and INFINITE accounts. The START account offers our clients all key transaction banking services: accounts, electronic payments, payment card and mobile and internet banking free of charge and with no conditions. The OPEN account entails additional services with unlimited withdrawals from ATMs and quality travel insurance, payment card insurance and personal belongings. The TOP account offers all the above-mentioned services at a higher standard. All standard new accounts are accessible via digital channels. The PLATINUM and INFINITE accounts are intended for premium clients and also include dedicated and additional banking services.

During the year, we successfully implemented a number of acquisition campaigns, either individually or with our partners. Our acquisition activities culminated in a mid-year campaign for a savings account with a benefit.

Investment products

A significant milestone in the area of assets under management was the launch of UniCredit's new fund platform under the onemarkets Fund brand. With onemarkets Fund, we are expanding our investment solutions by offering our own actively managed funds for our clients.

Our expert teams are constantly creating new investment solutions, drawing not only on their own asset management skills but also on partnerships with prestigious external fund managers. In both cases, UniCredit is actively involved in determining the investment strategy and closely monitors the quality of the funds and the associated risk/return ratio.

The onemarkets Fund brand combines our expertise in investment products, such as onemarkets certificates, with access to financial markets around the world. Compared to the existing investment offer for UniCredit clients, it also includes a unique set of actively managed investment funds for clients with different risk appetites and opportunities, including bond, equity and mixed funds. Our goal is to offer investment products that are best in class. In September 2023, we launched the onemarkets Fund in selected retail banking segments. Over the next year, we will gradually expand our offer to all segments.

In 2023, the basis of our product range still consisted of three Amundi Fund Solutions funds (conservative, balanced and dynamic), i.e., strongly diversified investment solutions together with active and flexible management, where each of these funds represents a comprehensive portfolio solution for a client's relevant risk profile. These funds are also used as the cornerstone of our U invest product – a programme of regular investment which provides our clients with flexible solutions to grow their assets in a simple and systematic way, while spreading the investment over time strongly eliminates the risk of potential wrong timing for purchases.

The year 2023 was a record year in the distribution of investment products in the Bank's history. We have seen strong demand in both actively managed funds and structured investment products, in which we have traditionally been a major player. UniCredit Bank also made a significant contribution to the distribution of primary issues of selected corporate bond issues in 2023. We are gradually expanding our investment products to include sustainability topics.

Micro Business

In the Small Business segment, now called Micro Business, we have increased our focus on comprehensive client service and support in all areas of business needs in 2023.

We have made the product offer of loans more attractive, for example, by extending the maturity, reducing the documentary requirements, and extending the offer for existing clients, where we offer them higher credit lines on very favourable terms with simple and quick approval for the client.

In the area of accounts and deposits, we have adjusted the terms and conditions so that the individual business account packages and their interest rates are more in line with the type of client and their business. The first package is tailored to new entrepreneurs, the second is attractive for established entrepreneurs and the third is prepared for companies. We also remembered our clients from the ranks of the Liberal Professions and the Association of Property Owners. Of course, we provide an acquiring solution to each client to help them grow their business.

We continue to pay close attention to the Liberal Professions segment, which is a high priority for us. We focus primarily on improving the professionalism of bankers and place emphasis on understanding the individual needs of each client group. Our efforts have resulted in our growing market share, especially in the legal field.

Payment cards
In the past year, we have successfully completed the implementation of a virtual card that brings flexibility, security and ease of use to meet the needs of clients in the digital age. We plan to launch the virtual card in Slovakia in 2024. In the area of ATMs, we have deployed a contactless version, which brings our clients a modern and convenient solution for cash withdrawals and significantly increases the speed and security of transactions. At the same time, all ATMs were modernised. We have launched ATM withdrawal sharing within the ATM alliance and are also continuing to implement deposit sharing within the alliance.

Bancassurance
In 2023, we successfully completed the first five years of our strategic partnership with Allianz and Generali ČP. An important topic for 2023 was ESG – in the context of sustainability, our Bank in Slovakia is strongly leaning towards a paperless contractual version, with the goal of having this version as standard by the end of 2024. In the Czech Republic, the Auto Insurance (electric vehicles) and Property Insurance (photovoltaic power plants) products have been innovated to reflect changes in the insurance market and current client needs.

In the field of credit insurance, we support the growth of our clients' interest in this product through digital channels. More and more of our clients are becoming aware of the importance of Risk Life Insurance, which is why we are further increasing the competence of our colleagues in the branch network. During the year, we also prepared for our clients in Slovakia single-payment Investment Life Insurance with an attractive investment component „Himalaya" and „Global Water".

Branch distribution network
As regards branches and franchises, there were no changes in the number of branches and franchise points of sale during 2023. Renovation of selected points of sale and further modernisation of the ATM network continued. The number of cashless branches remained the same in 2023 as in 2022.

Supporting Structures

Risk management
In the risk management area, emphasis is placed on thorough separation of incompatible functions within the Bank's organisational structure. The Bank's risk strategies, tools and processes are chosen to best correspond with the business strategy and at the same time with the best state of knowledge regarding risk appetite management. Within the management of its risks, the Bank thoroughly monitors and adheres to the sets of ratios making up its Risk Appetite Framework.

The Bank manages its credit risk both at the level of individual business transactions and at the whole portfolio level, in particular in compliance with the basic principles defined in the Bank's credit policy and in order to adhere to the risk parameters set out in the credit strategy for the particular year. In 2023, the Bank focused on managing and minimising the impact of, among others, the energy crisis, the conflict in Ukraine, high inflation and high interest rates.

For the purposes of calculating the capital requirement for credit risk, the Bank uses an advanced approach based on its own estimates of risk parameters (Advanced IRB) for most of its portfolio (based on the CNB's approval). The Bank regularly monitors and evaluates expected losses to its credit portfolio and expected losses of newly concluded deals, as well as actually realised losses arising from impaired assets.

Based on regulatory approval, the Bank applies an advanced approach to the operational risk capital requirement (AMA), which has been used since 2008. In terms of operational risk management, one of the most important activities in 2023 was the establishment of measures and procedures in relation to the security situation and the ongoing energy crisis.

In the area of market risk management, the Bank manages the risks connected with business activities at the level of individual risks as well as individual types of financial instruments. All limits are monitored broken down into trading portfolio (Regulatory Trading Book) and banking book (IRRBB). The basic management tool comprises limits for volumes of individual transactions, limits for portfolio sensitivity (BPV, CPV), stop loss limits (maximum loss limits LWL) and Value at Risk (VaR) limits. In 2023, the Bank did not record any significant events leading to a revaluation of the strategy or significant reset of the applicable limits.

Assets and Liabilities Management
The Bank maintains a long-term surplus of CZK passive liquidity from internal and client funds over CZK financial assets. The Bank placed this surplus mainly in the form of reverse repo transactions with the Czech National Bank, to cover the client EUR liquidity gap (through cross-currency swaps), and partly to finance its subsidiaries.

The strong liquidity position in CZK allowed the Bank to maintain a low cost of CZK liquidity. The Bank refinances EUR-denominated financial and client assets through client and internal funds, cross-currency swaps and own issues, in particular market issues of EUR-denominated covered bonds.

The TLTRO financing from the European Central Bank was largely repaid in June 2023 and will be fully repaid in March 2024. Subsidiaries also benefit from financing from multinational development banks such as the European Investment Bank. In addition to internal management liquidity ratios, the Bank regularly monitors and reports both regulatory liquidity ratios LCR and NSFR. The sufficient distance of these ratios from the minimum threshold demonstrates the Bank's strong and sustainable liquidity position.

Services

The Bank's operating activities in the Czech Republic and Slovakia were stable during 2023. All the Bank's operating structures continued to provide high quality services and improved customer experience and satisfaction. Through continued automation and process optimisation, we have increased the efficiency of operational processes in both countries.

IT services in the area of operation and development of applications and infrastructure are provided by the parent company UniCredit S.p.A.

In 2023, the Bank successfully continued its digital transformation of products, processes and client support. For example, the digital banking identity and connection to the basic registers system and other services were implemented. Development and transformation projects are underway in corporate banking and payments.
In addition to digital transformation, the Bank has focused on the development and implementation of technical solutions supporting environmental sustainability (ESG) products and standards.

There have also been modifications to systems to ensure regulatory and safety requirements and standards.

People & Culture

People at UniCredit are the key to the company's success and sustainable growth. They play an important role in achieving the Bank's strategy and goals. Equally crucial, however, is the company's culture and work environment, which enables people to develop their potential and use their talents and competences. The values of Integrity, Responsibility and Care, the principles of Diversity, Equality and Inclusion and open communication are therefore firm attributes of our corporate culture.

Beyond traditional People & Culture (P&C) processes in the care of employees, the priorities for 2023 were the strategies for compensation our employees in light of the macroeconomic environment, investing in the digitisation of P&C tools, promoting the UniCredit brand as a good employer and developing our employees.

A key theme in compensation in 2023 was pay rises for 2024. Social dialogue is an integral part of the decision-making process in this area. The year 2023 was particularly challenging in terms of social dialogue due to a macroeconomic environment marked by high inflation, which in Slovakia was combined with the introduction of a bank tax, which affected the Bank's projected financial results. A social settlement was reached in both countries at the end of the year by concluding 2024 amendments to the existing collective agreements. Another important topic is equal pay, where the Bank continuously monitors and maintains equal pay for men and women in comparable positions and develops processes to ensure compliance with the principle of equal pay as defined by EU regulation.

Today, focusing on and caring for people cannot be done without the implementation of new digital tools and process automation. P&C is no exception, and every year we move forward on the trajectory of digitisation. Year 2023 saw the introduction of a P&C ticketing tool using a chatbot for effective communication with employees, a digitised succession process, a chatbot guiding us through a digitised 360 feedback process, and we streamlined administration processes again this year.

Our values guide us not only in relation to our employees, but also to potential candidates on the job market. Employer Branding activities and established collaborations with universities support the recruitment and diversity strategy, particularly in the area of age balance. We are an attractive employer for young talents and for the third year we offer a beneficial Trainee Program. Part-time flexibility, gaining work experience combined with completing studies is valuable experience and a ticket to interesting positions in the Bank. We also support universities through the participation of expert managers in lectures, thesis consultations and interesting podcasts from the Bank's environment.

The area of training and development remains a long-term priority for the Bank, which is also evident from the overall statistics, where employees spent a total of 53,000 hours on so-called non-compulsory training. In addition, a total of 11 development programmes were implemented across the Bank during the year, involving 1,590 employees. Securing regulatory certifications is also an integral part of our business, with 2,380 employees successfully completing them.

This year we focused on continuous management development with the goal of unifying leadership knowledge across the entire management population with a focus on critical and adaptive thinking and working with change. We have prepared the following two leadership programmes for the managerial population:

- Leading through change – intended for all B-1 managers,
- Growing Leader – intended for all B-2/B-3/B-4 managers, which continues in 1Q2024.

Through the development of all managers, who are the carriers of the development culture, we develop our Bank as a whole.

At the same time, we have focused on developing our 370 talents who, in most cases, are identified successors for managerial positions. This year, 21 of the 27 open managerial positions were filled by internal candidates – successors to the managerial position. The year 2023 was also marked by the succession planning process, which we fully digitised and prepared support (training, materials, guides) for managers both to develop their successors and to jointly increase their readiness to potentially take on a managerial role. At the same time this year, the Retail Banking Academy talent programme, which aims to prepare talents from retail branches for the position of branch manager, was held, with 4 out of 23 successful graduates already in managerial positions.

As the vision of the Learning and Development team is to foster a culture of a learning organisation, where employees co-create development opportunities in their day-to-day activities, actively seek out new knowledge and share their experiences and skills with others, we have also focused on the area of learning from others, through mentoring and a tutor club. We have given mentoring a new impetus and created a comprehensive programme to develop both mentors and mentees. In total, we have 53 mentors in all programmes and 136 internal tutors from among our employees, which we want to increase in the future.

The Bank respects human and social rights and pays attention to the needs of employees.

As part of collective bargaining, the Bank concluded amendments to the Collective Agreements in force in the Czech Republic and Slovakia. In particular, the rules for wage increases in 2024 were modified in the framework of the amendments. The results of collective bargaining between the employer and the trade unions are available to all employees, including the full text of the Collective Agreements and their amendments. The benefits of the collective agreement accrue to all Bank employees, including those who are not unionised.

The Bank has a long-standing commitment to employees who find themselves in a difficult life situation. This support is implemented in various ways, depending on the life situation the employee is facing (flexible working hours, reduced working hours, working from home, financial support, unpaid leave, etc.). Each situation is assessed and dealt with individually. Support for employees in difficult life situations is primarily enshrined in Collective Agreements.

Statement of the persons responsible for the annual report

To the best of our knowledge, this Annual Report gives a true and fair view of the financial situation, business activities and results of operations of the Bank and the Bank's consolidation group for 2023 and of the outlook of future development of the financial situation, business activities and results of operations of the Bank and the Bank's consolidation group.

12 March 2024

Jakub Dusílek
Chairman of the Board
of Directors

Georgia Salagean
Member of the Board
of Directors

Report of the Supervisory Board

The Supervisory Board supervised the implementation of the Bank's business policy and the exercise of the Board of Directors' powers in accordance with Czech law, CNB regulations and the Bank's Articles of Association. The Supervisory Board held six meetings in 2023 and always requested information on all areas of the Bank's activities that had a significant impact on the Bank's financial position and financial management.

The Supervisory Board has reviewed the individual and consolidated financial statements and the financial statements for the Slovak branch of the Bank as at 31 December 2023 and the proposal for the distribution of profit and has not made any comments thereon.

The Supervisory Board worked closely with the Bank's Audit Committee on all major matters falling within the scope of both bodies.

Furthermore, based on the financial statements and other documents provided to the Supervisory Board during 2023, the Supervisory Board has not identified any material deficiencies or errors that could lead to the conclusion that the Bank's accounts have not been maintained in accordance with the relevant regulations or that they do not reflect the situation of UniCredit Bank.

12 March 2024

Basis for calculating the contribution to the Guarantee Fund

in line with Section 129 of Act No. 256/2004 Coll. on Capital Market Undertakings

The basis for calculating the contribution to the Guarantee Fund, pursuant to Section 129 of Act No. 256/2004 Coll. on Capital Market Undertakings, consists of fees and commissions received for providing investment services.

As at 31 December 2023, the basis for calculating the contribution to the Guarantee Fund was CZK 684,041,460.90. The contribution to the Guarantee Fund is 2% of this amount, i.e.,
CZK 15,449,041.74.

A culture where our colleagues can thrive

We foster Diversity, Equity & Inclusion and are committed to building a safe, positive, barrier free and inclusive working environment, where everyone feels empowered to unlock their fullest potential and succeed. We are committed to be the engine of social progress for our people and our communities.

For our colleagues

helping to **build the bank** for Europe’s future…

Consolidated financial statements

Consolidated Statement of Comprehensive Income

Recast of comparative figures in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and in the Consolidated Statement of Cash Flow

The Group recast the presentation of Other operating income and Other operating expenses in two separate lines in the Consolidated Statement of Comprehensive income (previously Other operating income and expenses were presented net and included in Operating expenses subtotal).

The Group recast the presentation of the compulsory minimum reserve balance held in central bank from the line "*Financial assets at amortised cost: Loans and advances to banks"* to the line *"Cash and cash balances"* in the Consolidated Statement of Financial Position. The above change is also reflected in the Consolidated Statement of Cash Flow (lines *„Cash and cash balances"* and *"Net cash flows from operating activities"*).

The Group recast the presentation of the lines Interest paid and Interest received to *"Net cash flows from operating activities"* in the Consolidated Statement of Cash Flow.

Further details are provided in the Section III. Material Accounting Policies (point 24).

	Note	2023 MCZK	2022 MCZK
Interest income, *of which:*		36 676	24 090
– interest income calculated using the effective interest method		43 943	30 403
Interest expense		(21 252)	(9 506)
Net interest income	(1)	**15 424**	**14 584**
Fee and commission income		5 682	5 402
Fee and commission expenses		(2 020)	(1 600)
Net fee and commission income	(2)	**3 662**	**3 802**
Dividend income	(3)	7	8
Net income/(loss) from trading	(4)	2 702	2 032
Net income/(loss) from hedging against risk of changes in fair value	(5)	2	(2)
Net income/(loss) from the sale or repurchase of:	(6)	200	342
Financial assets at amortised cost		160	107
Financial assets at fair value through other comprehensive income		39	46
Financial liabilities		1	189
Net income/(loss) from financial assets/liabilities at fair value through profit or loss, *of which:*	(7)	102	(4)
Mandatorily at fair value		102	(4)
Other operating income	(10)	1 201	1 549
Operating income		**23 300**	**22 311**
Impairment losses on:	(8)	(290)	(1 600)
Financial assets at amortised cost		(294)	(1 595)
Financial assets at fair value through other comprehensive income		4	(5)
Administrative expenses	(9)	(7 909)	(7 577)
Net provisions for risks and charges:	(27)	(143)	62
Loan commitments and financial guarantees given		(107)	65
Other net provisions		(36)	(3)
Depreciation and impairment of property, equipment and right of use assets	(18)	(934)	(951)
Amortisation and impairment of intangible assets	(19)	(915)	(688)
Other operating expenses	(10)	(574)	(447)
Operating expenses		**(10 475)**	**(9 601)**
Net income/(loss) on property measured at fair value	(18)	(8)	–
Share of profit of equity-accounted investees, net of tax		50	54
Profit/(loss) from the sale of non-financial assets		(1)	(2)
Profit before income tax		**12 576**	**11 162**
Income tax	(28)	(2 121)	(2 034)
Profit after tax		**10 455**	**9 128**
Net profit attributable to the Group's shareholder		**10 455**	**9 128**

The notes on pages 44–125 form an integral part of these financial statements.

for the year ended 31 December 2023

	2023 MCZK	2022 MCZK
Items that cannot be subsequently reclassified to profit or loss		
Reserve from revaluation of financial assets at fair value through other comprehensive income, *of which:*	**–**	**(6)**
Change in fair value	–	(7)
Deferred tax	–	1
Reserve from revaluation of property used in business measured at fair value, *of which:*	**(28)**	**4**
Change in fair value	(27)	15
Transfers to other net equity items	(7)	(10)
Deferred tax	6	(1)
Items that can be subsequently reclassified to profit or loss		
Reserve from revaluation of hedging instruments in cash flow hedges, *of which:*	**3 390**	**(2 007)**
Change in fair value	5 715	(1 207)
Revaluation reclassified to profit or loss	(1 643)	(1 299)
Deferred tax	(682)	499
Reserve from revaluation of financial assets at fair value through other comprehensive income, *of which:*	**(129)**	**(522)**
Change in fair value	(176)	(577)
Revaluation reclassified to profit or loss	8	(68)
Deferred tax	39	123
Foreign exchange rate differences from the consolidation of a foreign branch	**317**	**(332)**
Other comprehensive income, net of tax	**3 550**	**(2 863)**
Other comprehensive income, net of tax, attributable to the Group's shareholder	**3 550**	**(2 863)**
Total comprehensive income, net of tax	**14 005**	**6 265**
Total comprehensive income, net of tax, attributable to the Group's shareholder	**14 005**	**6 265**

The notes on pages 44–125 form an integral part of these financial statements.

Consolidated Statement of Financial Position as of 31 December 2023

	Note	2023 MCZK	2022 MCZK
Assets			
Cash and cash balances	(11)	8 818	7 754
Financial assets at fair value through profit or loss, *of which:*	(12)	34 156	53 235
Held for trading		33 985	52 695
Mandatorily at fair value		171	540
Financial assets at fair value through other comprehensive income, *of which:*	(13)	51 953	28 319
Provided as collateral		7 708	5 448
Financial assets at amortised cost, *of which:*		759 650	644 801
Loans and advances to banks	(14)	158 548	107 721
Loans and advances to customers	(15)	601 102	537 080
Positive fair value of hedging derivatives	(16)	14 312	21 431
Changes in fair value of the portfolio of hedged instruments		1 122	(3 164)
Equity-accounted investees	(17)	349	355
Property, equipment and right of use assets	(18)	7 084	6 443
Intangible assets	(19)	2 553	2 712
Tax receivables, *of which:*	(28)	2 285	3 036
Current income tax		94	10
Deferred tax		2 191	3 026
Other assets	(20)	1 628	1 490
Total assets		**883 910**	**766 412**
Liabilities			
Financial liabilities at fair value through profit or loss, *of which:*		33 373	52 725
Held for trading	(21)	33 373	52 725
Financial liabilities at amortised cost, *of which:*		729 271	594 696
Deposits from banks	(22)	33 361	56 910
Deposits from customers and Lease liabilities	(23)	617 386	503 374
Debt securities issued	(24)	78 524	34 412
Negative fair value of hedging derivatives	(25)	29 887	39 799
Changes in fair value of the portfolio of hedged instruments		(6 540)	(12 656)
Tax liabilities, *of which:*	(28)	851	1 459
Current income tax		221	808
Deferred tax		630	651
Other liabilities	(26)	9 105	7 703
Provisions for risks and charges	(27)	1 418	1 264
Total liabilities		**797 365**	**684 990**
Equity			
Issued capital	(29)	8 755	8 755
Share premium	(29)	3 495	3 495
Reserve funds from revaluation		(5 411)	(9 029)
Retained earnings and reserve funds	(31)	69 251	69 073
Profit for the period		10 455	9 128
Total shareholder‘s equity		**86 545**	**81 422**
Total liabilities and shareholder‘s equity		**883 910**	**766 412**

The notes on pages 44–125 form an integral part of these financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2023

	Note	2023 MCZK	2022 MCZK
Profit after tax		**10 455**	**9 128**
Adjustments for non-monetary items:			
Impairment losses of:	(8)	290	1 600
Financial assets at amortised costs		294	1 595
Financial assets at fair value through other comprehensive income		(4)	5
Revaluation of financial instruments		(1 308)	(461)
Net provisions for risks and charges:	(27)	143	(62)
Loan commitments and financial guarantees given		107	(65)
Other net provisions		36	3
Depreciation and impairment of property, equipment and right of use assets	(18)	934	951
Amortisation and impairment of intangible assets	(19)	915	688
Net income/(loss) from the sale or repurchase of:	(6)	(39)	(46)
Financial assets at fair value through other comprehensive income		(39)	(46)
Profit/(loss) from equity investments		6	10
Profit/(loss) from the sale of non-financial assets		8	2
Taxes	(28)	2 121	2 034
Unrealised foreign currency gains/(losses)		337	(300)
Net interest income		(15 424)	(14 584)
Other non-monetary adjustments (FX revaluation, Accruals and Others)		(6 391)	(718)
Operating profit before changes in operating assets and liabilities		**(7 953)**	**(1 758)**
Financial assets at fair value through profit or loss, *of which:*		20 494	(17 682)
Held for trading		20 056	(17 516)
Mandatorily at fair value		438	(166)
Financial assets at amortised cost, *of which:*		(111 835)	(52 133)
Loans and advances to banks		(50 553)	1 019
Loans and advances to customers		(61 282)	(53 152)
Other financial instruments		3 589	2 181
Other assets		(145)	(278)
Financial liabilities at fair value through profit or loss, *of which:*		(19 847)	17 585
Held for Trading		(19 847)	17 585
Financial liabilities at amortised cost, *of which:*		89 295	32 776
Deposits from banks		(24 620)	259
Deposits from customers		113 915	32 517
Other liabilities		657	131
Interests received		35 274	23 221
Interests paid		(18 878)	(8 914)
Income tax paid		(2 490)	(1 436)
Net cash flows from operating activities		**(11 839)**	**(6 307)**
(Purchase) of financial assets at fair value through other comprehensive income		(27 746)	(11 892)
Sale and maturity of financial assets at fair value through other comprehensive income		8 469	3 640
Cash proceeds from the sale of property and equipment and intangible assets		609	982
(Acquisition) of property and equipment and intangible assets		(2 092)	(949)
Dividends received		7	8
Net cash flows from investment activities		**(20 753)**	**(8 211)**
Dividends paid		(8 923)	(6 662)
Financial liabilities at amortised cost – issue of debt securities		43 084	13 283
Financial liabilities at amortised cost – repayment of issued debt securities		(140)	(2 848)
(Payment) of Lease liabilities		(365)	(428)
Net cash flows from financial activities		**33 656**	**3 345**
Cash and cash balances at the beginning of the period		**7 754**	**18 927**
Cash and cash balances at the end of the period		**8 818**	**7 754**

The notes on pages 44–125 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2023

			Reserve from revaluation of				FX differences from consolidation	Retained earnings and reserve funds				
MCZK	Issued capital	Share premium	hedging instruments	financial assets at fair value through other compr. income	property measured at fair value	exchange rate gains/ (losses) of a foreign branch		Reserve fund and other capital funds	Special-purpose reserve fund	Retained earnings	Profit for the period	Equity
Balance as of 1 January 2022	**8 755**	**3 495**	**(5 998)**	**382**	**197**	**(575)**	**(147)**	**5 243**	**12 402**	**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 payment									(793)	(5 869)		(6 662)
Consolidation impact						32	(57)			(37)		(62)
Total comprehensive income for the current period												
Net profit for the current period											9 128	9 128
Other comprehensive			(2 007)	(528)	4	(332)						(2 863)
Balance as of 31 December 2022	**8 755**	**3 495**	**(8 005)**	**(146)**	**201**	**(875)**	**(204)**	**5 243**	**11 609**	**52 221**	**9 128**	**81 422**
Balance as of 1 January 2023	**8 755**	**3 495**	**(8 005)**	**(146)**	**201**	**(875)**	**(204)**	**5 243**	**11 609**	**52 221**	**9 128**	**81 422**
Transactions with owners, contributions from and distributions to owners												
Allocation of the prior year profit										9 128	(9 128)	–
Dividend payment										(8 923)		(8 923)
Consolidation impact						20	48			(27)		41
Total comprehensive income for the current period												
Net profit for the current period											10 455	10 455
Other comprehensive			3 390	(129)	(28)	317						3 550
Balance as of 31 December 2023	**8 755**	**3 495**	**(4 615)**	**(275)**	**173**	**(538)**	**(156)**	**5 243**	**11 609**	**52 399**	**10 455**	**86 545**

The notes on pages 44–125 form an integral part of these financial statements.

Notes to the financial statements (consolidated)

I. Introduction

General Information

The UniCredit Bank Czech Republic and Slovakia, a.s. group (hereinafter 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, 10 subsidiaries and 1 associate. The Bank was established through the cross-border merger of UniCredit Bank Czech Republic, a.s. and UniCredit Bank Slovakia a.s. with UniCredit Bank Czech Republic, a.s. being the successor company. The effective merger date was 1 July 2013. Changes in the business name and other facts related to the cross-border merger were recorded in the Commercial Register in Prague, Section B, Insert 3608 on 1 December 2013. The identification number of the Bank is 64948242.

As part of restructuring in UniCredit Group, the Bank's shareholder changed on 1 October 2016 from UniCredit Bank Austria AG to UniCredit S.p.A which is the ultimate parent company of the entire UniCredit Group holding 100% of the Bank's shares. The "UniCredit Group" refers to the group of companies controlled by the UniCredit Bank's parent company UniCredit S.p.A.

Following the completion of the cross-border merger, the Bank has been continuing to perform activities previously undertaken by UniCredit Bank Slovakia a.s. on the territory of the Slovak Republic through its organisational branch UniCredit Bank Czech Republic and Slovakia, a.s., pobočka zahraničnej banky (branch of a foreign bank).

Scope of Activities

The Bank is a universal bank providing services of retail, commercial and investment banking services in Czech crowns and foreign currencies for domestic and foreign clients, mainly in the Czech Republic and also in other states of the European Union.
The Bank's principal activities include:

- Receiving deposits from the public;
- Providing loans;
- Investing in securities on its own behalf;
- Operating a system of payments and clearing;
- Issuing and administration of payment products;
- Providing guarantees;
- Opening letters of credit;
- Administering cash collection;
- Trading on its own behalf or on behalf of clients:
  - In foreign-exchange currency products;
  - In forward and option contracts, including foreign currency and interest rate contracts; and
  - With transferable securities;
- Participating in share subscriptions and providing related services;
- Issuing mortgage bonds;
- Conducting financial brokerage;
- Managing securities, including portfolio management, on behalf of clients;
- Providing depository services and administration of securities;
- Providing depository services for investment funds;
- Conducting foreign currency exchange activities;
- Providing banking information;
- Renting safe-deposit boxes; and
- Conducting activities directly connected with the activities stated above.

Through its subsidiaries and an associate, the Bank additionally provides the following types of services:

- Lease and instalment sale of machinery and equipment;
- Lease to own (lease purchase);
- Lease of cars and instalment sale of cars;
- Consumer and commercial loans granted for the purchase of cars, machinery and equipment;
- Mediation of services and sales;
- Mediation of insurance policies conclusion;
- Purchase, sale and lease of real estate;
- Real estate activities;
- Real estate administration and maintenance; and
- Operational financing by way of factoring local and foreign receivables.

II. Basis for the preparation of the financial statements

1. Statement of compliance

The Consolidated financial statements of the Group (hereinafter also "Financial Statements") for 2023 and comparatives for 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") in Commission Regulation (EC) no. 1126/2008 as amended including valid interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), further "IFRS".

Purpose of preparation

The purpose of preparing these financial statements in the Czech Republic is to comply with Act on Accounting No. 563/1991 Coll. The Group prepares its financial statements and annual report under special regulation 1606/2002 of the European Parliament and of the Council on the Application of International Accounting Standards (IFRS).

Basis of preparation

These financial statements were authorised for issue by the board of directors and are subject to approval at the General Meeting of Shareholders.

These consolidated financial statements were prepared based on the going concern assumption that the Group will continue to operate in the foreseeable future.

The annual separate and consolidated financial statements for 2022 and the profit distribution for 2022 were approved by the Shareholder of the Bank on 28 March 2023.

The financial statements are prepared on the accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur and reported in the financial statements of the periods to which they relate and on the going concern assumption.

All presented amounts are in millions of Czech crowns (millions of CZK) unless stated otherwise.

The consolidated financial statements were prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income, derivative contracts, other financial assets and liabilities held for trading, financial assets and liabilities at fair value through profit or loss, and properties used in business and properties held for investment, all of which have been measured at fair value. The methods for determining fair value are presented in section III. Material Accounting Policies, point 3. Fair Value Measurement Principles. Recognised assets and liabilities that are hedged against the risk of changes in fair value and would not otherwise be measured at fair value are remeasured at fair value to the extent of the hedged risk.

Regulatory requirements
The Group is subject to the regulatory requirements of the Czech National Bank, which include limits and other restrictions pertaining to minimum capital adequacy requirements, provisioning to cover credit risk, liquidity, interest rates and foreign exchange position of the Group.

2. Consolidation

These financial statements are consolidated financial statements and include the Parent company and its subsidiaries (the "Group").

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.

As of 31 December 2023, the consolidation group includes the Parent Company and the following entities (hereinafter „consolidation entities"):

Name of the entity percentage	Business activities Consolidation method	Registered office		Owner	Ownership
UniCredit Factoring Czech Republic and Slovakia, a.s.	Factoring	Prague	UniCredit Bank Czech Republic and Slovakia, a.s.	100%	Full
UniCredit Leasing CZ, a.s.	Leases	Prague	UniCredit Bank Czech Republic and Slovakia, a.s.	100%	Full
UniCredit Fleet Management s.r.o.	Lease of motor vehicles	Prague	UniCredit Leasing CZ, a.s.	100%	Full
UniCredit pojišťovací makléřská spol. s r.o.	Mediation of services	Prague	UniCredit Leasing CZ, a.s.	100%	Full
RCI Financial Services, s.r.o.*	Financing of motor vehicles	Prague	UniCredit Leasing CZ, a.s.	50%	Equity
ALLIB Leasing s.r.o.	Real estate project company	Prague	UniCredit Leasing CZ, a.s.	100%	Full
CA-Leasing OVUS s.r.o.	Real estate project company	Prague	UniCredit Leasing CZ, a.s.	100%	Full
UniCredit Leasing Slovakia, a.s.	Leases	Bratislava	UniCredit Leasing CZ, a.s.	100%	Full
UniCredit Fleet Management s.r.o.	Lease of motor vehicles	Bratislava	UniCredit Leasing Slovakia, a.s.	100%	Full
UniCredit Broker, s.r.o.	Mediation of services	Bratislava	UniCredit Leasing Slovakia, a.s.	100%	Full
UniCredit Leasing Insurance Services, s.r.o.	Mediation of services	Bratislava	UniCredit Leasing Slovakia, a.s.	100%	Full

* RCI Financial Services, s.r.o. is an associate that is consolidated using the equity method of accounting. The Group holds 50% minus 1 of voting right in this entity and does not exercise control over this entity.

Changes in the Group during year 2023
There were no changes in the Group in 2023.

Principles of Consolidation
Control is achieved when the Bank is exposed to, or has rights to, variable returns from its involvement with subsidiary (the investee) and has the ability to affect those returns through its power to govern the relevant activities of the subsidiary. Relevant activities of the subsidiary are those which most significantly affect its variable returns.

Non-controlling interests represent those portions of total comprehensive income and net assets that are not attributable to the owners of the Bank. The Bank has no non-controlling interests.

Subsidiaries
Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date of on which control originates to the date on which control ceases to exist. The financial statements of the Bank's subsidiaries are prepared for the same reporting year as that of the Bank and using consistent accounting policies. All intra-group balances, transactions, income and expenses as well as unrealised gains and losses and dividends are eliminated during consolidation.

Associates
Associates are entities over which the Group has significant (but not controlling) influence on the management or operations of the entity (ie the Group's power to participate in the financial and operating policy decisions of the investee but not control over those policies). The consolidated statement of comprehensive income includes the Group's share in total reported profits or losses of associates using the equity method of accounting, from the date of on which significant influence originates to the date on which significant influence ceases to exist. The consolidated statement of financial position reflects the value of the investment in an associate determined using the equity method of accounting.

Transactions under Common Control
A business combination between entities or companies under common control is a business combination where all combining entities or companies are ultimately controlled by the same party or parties as prior to and post the business combination and this control is not temporary. For business combinations under common control the Group has adopted the pooling of interest method, i.e. taking over the carrying amounts of the acquired business and concurrently reporting these transactions prospectively, ie without adjustments in comparative periods, with the difference of the consideration transferred and the carrying amount of net assets acquired being recognised directly in equity.

Disclosure of interests in other entities
IFRS 12 requires disclosure about significant judgments and assumptions used to define the character of an investment in a company or in an agreement, investments in subsidiaries, joint agreements and affiliates and in non-consolidated structured entities. Based on the analysis performed by management, the Group does not have any interest in consolidated structured entities, nor in unconsolidated structured entities.

3. Foreign Currency and Foreign Currency Translation

The Czech crown is the functional currency of the Bank and the entities based in the Czech Republic. Euro is the functional currency of the Slovak branch and the entities based in the Slovak Republic (hereinafter also "foreign operations"). The presentation currency of these financial statements is the Czech crown. Assets and liabilities of the foreign operations are translated into the presentation currency using the foreign exchange rate applicable as of the financial statements date. The income statements of the foreign operations are translated using the average exchange rate. The resulting difference arising from the use of various foreign exchange rates is recognised in equity as "Foreign exchange rate gains or losses from the branch" and "FX differences from consolidation". Figures in brackets represent negative amounts.

Transactions in foreign currencies (ie other than the functional currency) are translated to the functional currency using the foreign exchange rate promulgated by the central bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the closing foreign exchange rate at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated to the functional currency using the exchange rates at the date when the fair value was measured. Foreign exchange differences arising on translation are recognised in the income statement as *"Net income/(loss) from trading"*.

III. Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the item *"Cash and cash balances"*. For more details see point 8. and 24. in this section.

1. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity.

The Group classifies financial instruments in the following categories:
- Financial assets measured at amortised cost ("AC"),
- Financial assets measured at fair value through other comprehensive income ("FVTOCI"),
- Financial assets mandatorily measured at fair value through profit or loss ("FVTPL"),
- Financial assets held for trading ("FVTPL"),
- Financial liabilities measured at amortised cost ("AC") and
- Financial liabilities measured at fair value through profit or loss ("FVTPL").

The Group has applied IFRS 9 approach to the classification and measurement of financial assets that takes into account:
- The business model for managing financial assets and

- Characteristics of contractual cash flows from a specific financial asset.

A financial asset is valued at *amortised cost* if both the following conditions are met:
- The asset is held as part of a business model whose aim is to hold financial assets in order to obtain contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A business model's objective may be to hold financial assets to collect contractual cash flows even when some sales of financial assets have occurred or are expected to occur.

A financial asset is measured at *fair value through other comprehensive income* if both the following conditions are met:
- The asset is held as part of a business model whose aim is achieved by collection of contractual cash flows as well as by sale of financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income can also include investments in equity instrument if they are not held for trading and are designated so on initial recognition.

A financial asset is measured at *fair value though profit or loss* if it is not measured at amortised cost or at fair value through other comprehensive income, or if it is designated at FVTPL on initial recognition.

All financial liabilities of the Group, except for financial liabilities held for trading, financial liabilities designated at FVTPL on initial recognition and hedging derivatives, are measured at amortised cost.

a) Business Model Assessment

Business model ("BM") refers to the way the Group manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The following is considered as evidence when assessing which business model is relevant:
- How the performance of the business model (and the financial assets held within that business model) is evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed;
- How managers of the Group are compensated (eg whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);
- The frequency, value and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity; and
- Whether sales activity and the collection of contractual cash flows are integral or incidental to the business model

The business model is determined at a level that reflects the way groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument but is determined at a higher level of aggregation.

The business model assessment resulted in the following business models of the Group:

Business model "Held to collect" comprises the banking book and was assigned mainly to the lending portfolio and the portfolio of debt securities that are held with the intention to collect contractual cash flows.

Although the objective of the business model is to hold financial assets in order to collect contractual cash flows, the entity need not hold all of those instruments until maturity. Thus this business model can be to hold loans and bonds to collect contractual cash flows even where limited sales of financial assets occur or are expected to occur in the future.

Sales are consistent with the held-to-collect business model in the following situations:
- The sales are due to an increase in the credit risk of a financial asset;
- The sales take place close to the maturity of the financial asset and the proceeds from the sales approximate the collection of the remaining contractual cash flows;
- The sales are infrequent (even if significant), or are insignificant individually and in aggregate (even if frequent).

The *business model "Held to collect and sell"* comprises the banking book and was assigned mainly to:
- The portfolio of debt securities whose objective is achieved by both collecting contractual cash flows and selling financial assets; these are used primarily for liquidity, interest and duration management, and
- Equity instruments irrevocably designated at FVTOCI on initial recognition.

The *"Other" business model* was assigned to financial instruments (debt securities, derivatives and equity instruments) that are not allocated to any of the above business models and the main strategy is:

- Trading:
  - To realise cash flows through sale of the assets or
  - To manage the instruments actively on fair value basis in order to realise fair value changes arising from market factor changes like yield curves, credit spreads etc.
- Managing Risk Weighted Assets, or
- Liquidity and interest rate management up to one year.

b) Analysis of Contractual Cash Flow Characteristics

For the classification of financial assets based on the new IFRS 9 categories, the analysis of the business model is complemented by the analysis of the contractual cash flows – assessment whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest ("SPPI Test"). This analysis is only performed at initial recognition of the instrument.

For this purpose, interest is defined as a consideration for the time value of money, the credit risk associated with the principal during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

This analysis is performed for loan products either at "contract template" level for standardised products, or at contract by contract level for tailored corporate loan contracts. For securities, the analysis is performed at ISIN level using mainly an external data provider.

Modified Time Value of Money

The time value of money is the element of interest that provides consideration for the passage of time. It does not take into account other risks (credit, liquidity, etc.) or costs (administrative, etc.) associated with holding a financial asset.

In some cases, the time value of the money element may be modified (imperfect). This is the case, for example, if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate. In this case, the Group must assess the modification to determine whether the contractual cash flows still represent solely payments of principal and interest, ie the modification term does not significantly alter the cash flows from a perfect benchmark instrument. For this assessment, the Group uses a Benchmark tool developed at UniCredit Group level.

c) Recognition and Measurement of Financial Assets

Financial assets at amortised cost

"Financial assets at amortised cost" are recognised in the Group's accounting books from the moment of settlement. Foreign exchange gains and losses and impairment losses are recognised in the Group's income statement from the trade date.

Financial assets at amortised cost are measured initially at fair value, including transaction costs. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest rate method.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts during the expected life of the financial asset or liability to the gross carrying amount of the financial asset or amortised cost of the liability. The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using an effective interest rate over the expected life of the financial asset at amortised cost. For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest alters the effective interest rate.

Financial assets at amortised cost represent cash and cash equivalents, loans and advances to banks, loans and advances to customers and debt securities.

"Purchased or originated credit-impaired financial assets" (POCI) are financial assets that are credit-impaired on initial recognition. The Group recognises POCI when additional significant financing, net of additional collaterals, is granted to a credit-impaired borrower. The Group identified no POCI assets during 2023, or in 2022.

POCI is measured at amortised cost using credit-adjusted EIR. On initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime expected credit losses are incorporated into the calculation of the credit-adjusted EIR. The credit-adjusted EIR is calculated using the expected cash flows inclusive of future lifetime expected credit losses – ie the estimated contractual cash flows are reduced by lifetime expected credit losses. For subsequent measurement, the expected credit losses for POCI assets are measured as lifetime expected credit losses. However, only the cumulative changes in lifetime expected credit losses since initial recognition are recognised as a loss allowance, and not the total amount of expected credit losses.

Interest income on POCI, is calculated using the credit adjusted EIR applied to the amortised cost of financial asset.

Gains and losses arising from financial assets carried at amortised cost are recognised in the income statement when the financial asset is derecognised (in the item *"Net income/(loss) from the sale or repurchase of: Financial assets at amortised cost")* or impaired (in the item *"Impairment losses on: Financial assets at amortised cost")*, and through the amortisation process in the item *"Interest income"* using the effective interest rate method.

Financial assets at fair value through other comprehensive income

"Financial assets at fair value through other comprehensive income" are recognised in the Group's accounting books from the moment of settlement. Any gains or losses arising from changes in the fair value of the assets are recognised in the Group's other comprehensive income since the trade date; impairment losses are recognised since the trade date.

Financial assets at FVTOCI are measured initially at fair value, including transaction costs. Subsequent to initial recognition, these financial assets are measured at fair value.

Gains and losses arising from a change in the fair value of debt instrument assets at fair value through other comprehensive income are recognised in other comprehensive income and become the equity item *"Reserve funds from revaluation"*, with the exception of expected credit losses that are reported in the income statement as *"Impairment losses on: Financial assets at fair value through other comprehensive income"*. When financial assets are sold, transferred or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to the income statement as *"Net income/(loss) from the sale or repurchase of: Financial assets at fair value through other comprehensive income"*. Interest income from fair value through OCI debt securities is recognised in the income statement as *"Interest income"* using the effective interest rate method.

Financial assets at FVTOCI include debt instruments and equity instruments (designated at FVTOCI on initial recognition).

"Equity instruments designated at FVTOCI on initial recognition" – on initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This decision is made on an investment–by–investment basis for each investment and covers strategic interests. Subsequent changes in fair value from revaluation are recognised during the life of the equity instrument in the item *"Reserve funds from revaluation"* and, on its derecognition, the subsequent changes are not recognised in the income statement. After derecognition of the investment, the final cumulative changes in fair value are transferred to retained earnings.

Dividend income from equity instruments is recognised in the income statement in *"Dividend income"* on the date the dividend is declared.

Financial assets at fair value through profit and loss

"Financial assets at fair value through profit or loss" are recognised in the Group's accounting books from the moment of settlement. Any gains or losses arising from changes in the fair value of the assets are recognised in the Group's income statement since the trade date. Initial and subsequent measurement of the financial assets at fair value through profit or loss is at fair value.

Financial assets at FVTPL include financial assets:
- *Held for trading* (debt instruments or derivatives)
- *Mandatorily at fair value*
- *Designated at FVTPL* on initial recognition.

"Financial assets at fair value through profit or loss: Held for trading" include instruments held by the Group principally for the purpose of short-term profit taking. These instruments include investments in debt and equity instruments, certain purchased receivables and derivative contracts that are not designated as hedging instruments.

A gain or loss arising from sale or redemption, or a change in the fair value of a held for trading financial asset is recognised in the income statement in the item *"Net income/(loss) from trading"*, including gains or losses related to derivative contracts that are linked to assets and/or liabilities designated at fair value. Interest income from financial assets held for trading is recognised in the income statement in the item *"Interest income"*. If the fair value of a financial instrument falls below zero, which may happen in the case of derivative contracts, it is recognised in the item *"Financial liabilities at fair value through profit or loss: Held for trading"*.

All purchases and sales that require delivery within the time frame established by regulation or market convention *("regular way")* are recognised as *spot transactions*. Regular way transactions / spot transactions are recognised at the settlement date, which is the date when a financial instrument is delivered. Transactions that do not meet the regular way settlement criteria are treated as derivatives.

A *derivative* is a financial instrument or other contract that has all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (usually called the "underlying"), provided for a non-financial variable that the variable is not specific to a party to the contract;
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- It is settled at a future date (except for regular way transactions).

Sometimes, a derivative may be a component of a combined financial instrument that includes a host contract and a derivative (the embedded derivative) effecting cash flows or otherwise modifying the characteristics of the host instrument. An embedded derivative must be separated from the host instrument and accounted for as a separate derivative if, and only if:

- The host instrument is not a financial asset pursuant to IFRS 9;
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- A separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative as a stand-alone instrument; and
- The host instrument is either not measured at fair value or it is measured at fair value but changes in fair value are recognised in other comprehensive income.

When an embedded derivative is separated, the host contract is accounted for according to its accounting classification.

Derivatives are recognised in the Group's accounting books from the trade date. Derivatives are recorded at fair value and carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of the assets are recognised in the Group's the income statement in the item *"Net income/(loss) from trading"* since the trade date.

Derivatives are classified as trading derivatives unless they qualify as hedging instruments in effective hedging. For hedging derivatives policy, see section III. Material Accounting Policies, point 4. Hedging Derivatives.

Financial assets are classified as *"Financial assets at fair value through profit or loss: Mandatorily at fair value"* if they do not meet the conditions, in terms of business model or cash flow characteristics, for being measured at amortised cost or at fair value through other comprehensive income. The following assets are classified in this portfolio:

- Debt instruments, securities and loans for which the business model is neither held to collect nor held to collect and sell but which are not part of the trading book;
- Debt instruments, securities and loans with cash flows that are not solely payment of principal and interest;
- Units in investment funds;
- Equity instruments not held for trading for which the Group does not apply the option granted by the standard of valuing these instruments at fair value through other comprehensive income.

Gains and losses from *"Financial assets at fair value through profit or loss: Mandatorily at fair value"*, whether realised or unrealised, are recognised in the item *"Net income/(loss) from financial assets/liabilities at fair value through profit or loss: Mandatorily at fair value"*. Interest income from financial assets mandatorily at fair value is recognised in the income statement as *"Interest income"*.

"Financial assets at fair value through profit or loss: Designated at FVTPL" – the Group has the option at initial recognition to irrevocably designate a non-derivative financial asset as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency, ie an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognising the gains and losses on them on a different basis. In 2023 and in 2022 the Group held no such assets.

These assets are accounted as for financial assets held for trading however gains and losses, whether realised or unrealised, are recognised in the item *"Net income/(loss) from financial assets/liabilities at fair value through profit or loss"*.

Interest income from financial assets designated at FVTPL is recognised in the income statement as *"Interest income"*.

d) Modification and Derecognition of Financial Asset

A financial asset is derecognised when the rights to contractual cash flows from an asset expire or the Group transfers the financial asset and the transfer qualifies for derecognition. This occurs when the rights are realised, expired or surrendered.

Assets measured at fair value through other comprehensive income and assets at fair value through profit or loss that are sold are generally derecognised and the corresponding receivables from the buyer are recognised at the settlement date.

The Group also derecognises a financial asset (derecognition accounting) if its contractual conditions have been modified to such an extent that the related cash flows have been materially changed. The new financial asset is classified in stage 1 for the purposes of ECL calculation unless it is credit impaired, in which case it is classified as POCI.

When assessing whether the change is a material change in contractual cash flows, the Group considers the following factors:

- Change in the currency of the loan;
- Change of the debtor;
- Change causing failure to meet the SPPI test; and
- Change for business reasons (eg maturity extension, change in interest rate).

If the change of contractual conditions does not materially affect the related cash flows, the financial asset is not derecognised. In such case, the Group recognises gains or losses from modification (modification accounting), representing the difference between:

- The present value of modified expected cash flows (disregarding the credit losses) discounted using the original EIR and
- The current gross carrying amount.

This difference is recognised in the income statement under the item "Modification gains/ (losses)". In subsequent accounting periods, the modification gains/losses are amortized till the maturity date of the financial asset. This amortization is recognised in the income statement under the item "Interest income".

Changes in contractual cash flows due to the forbearance measure (aside from a change of debtor, change of loan currency or change causing a failure to meet the SPPI test as if performed at the modification date) are considered to be changes that do not significantly affect the related cash flows.

e) Write-offs

The Group writes off a financial asset or a part thereof when it has no reasonable expectations of recovering the respective cash flows (from the receivable itself or the collateral received). When performing a write-off, the gross carrying amount of the asset is reduced together with the related loss provision. Direct write-offs and recoveries on written-off loans are reported in the line *"Impairment losses on: Financial assets at amortised cost"*.

The receivable is written-off when:

- The expected costs of recovery of the receivable are higher than its expected recovery;
- All collaterals have been realized and no further performance can be expected;
- Defaulted unsecured receivable for which no performance has been accepted in the last 36 months and no legal action has been initiated during this period;
- Termination of bankruptcy against the debtor due to lack of assets or after meeting the schedule resolution;
- Dissolution of a legal entity without a legal successor (e.g. liquidation) or death of a natural person, when partial satisfaction has already occurred or cannot be satisfied at all.

Financial assets written off which are subject to further enforcement are recorded in the off-balance sheet. If the Group, after writing off a financial asset, collects additional amounts from the client, the additional recovery is recognised in the income statement under the item *"Impairment losses on: Financial assets at amortised cost"*.

f) Recognition, Measurement and Derecognition of Financial Liabilities

"Financial liabilities at amortised cost" comprise financial instruments (other than liabilities held for trading or those designated at fair value) representing the various forms of third-party funding. Financial liabilities at amortised cost include deposits from banks, deposits from customers and debt securities issued.

These financial liabilities are recognised at the settlement date initially at fair value, which is normally the consideration received less transaction costs directly attributable to the financial liability. Subsequently these instruments are measured at amortised cost using the effective interest rate method. Such interest is recognised in the item *"Interest expense"*.

"Debt securities issued" are recognised net of repurchased amounts; the difference between the carrying value of a liability and the amount paid to buy it is recognised in the income statement in the line *"Net income/(loss) from the sale or repurchase of: Financial liabilities"*. Subsequent disposal by the issuer is considered as a new issue which does not produce gains or losses.

The item *"Financial liabilities at fair value through profit or loss"* includes financial liabilities held for trading and financial liabilities designated at FVTPL on initial recognition. Related interest is recognised in the item *"Interest expense"*.

"Financial liabilities at fair value through profit or loss: Held for trading" include financial instruments held by the Group principally for the purpose of short-term profit taking. These instruments include short sales (obligations to deliver financial assets borrowed by a short seller (ie an entity that sells financial assets it does not yet own)) and derivatives that are not designated as hedging instruments.

"Financial liabilities at fair value through profit or loss: Held for trading", including derivatives contracts, are measured at fair value on initial recognition, as well as on each reporting date subsequent to the initial recognition of the transaction.

A gain or loss arising from sale or redemption or a change in the fair value of a held for trading financial liability is recognised in the income statement in the item *"Net income/(loss) from trading"*.

"Financial liabilities at fair value through profit or loss: Designated at FVTPL" – financial liabilities, like financial assets, may also be designated, according to IFRS 9, on initial recognition as measured at fair value, provided that:

- This decision provides more relevant information as:
  - It excludes or significantly reduces the measurement or accounting mismatch that could otherwise arise during the measurement of assets or liabilities or recognition of the respective profits or losses on a different basis; or
  - The group of financial liabilities or financial assets and financial liabilities is controlled and its performance assessed based on fair value and in line with a documented risk management strategy or investment strategy and information on this group is internally transferred to key managers of the Group on this basis; or
- The contract contains one or more embedded derivatives and the host contract is not an asset subject to IFRS 9, the Group

can include the entire hybrid contract in this category, with the exception of cases where:
  - The embedded derivative does not significantly change the cash flows that would otherwise be required by the contract; or
  - It is clear from the first assessment of a similar hybrid instrument that the exclusion of the embedded derivative is not permitted;
- The financial liability that arises when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

This category may also include financial liabilities represented by hybrid (combined) instruments containing embedded derivatives that otherwise should have been separated from the host contract.

Financial liabilities presented in this category are measured at fair value at initial recognition as well as during the life of the transaction. The changes in fair value are recognised in the income statement in the item *"Net income/(loss) from financial assets/liabilities at fair value through profit or loss",* except for those changes in fair value related to changes in credit risk of these financial liabilities (so-called own credit risk). In this scenario, the changes in fair value are recognised in the item *"Reserve funds from revaluation"* related to other comprehensive income. If such accounting treatment results in an inconsistency that arises from the application of different methods of measuring assets and liabilities, and related gains or losses, then the changes in fair value deriving from changes in credit risk are also recorded in the income statement in the item *"Net income/(loss) from financial assets/liabilities at fair value through profit or loss"*.

In 2023 and in 2022 the Group held no such liabilities.

The Group derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

g) Reclassification of Financial Instruments

Financial instruments are not reclassified subsequent to their initial recognition aside from reclassification in the reporting period after a change in the respective business model.

Reclassifications are expected to be very infrequent. Such changes must be determined by the Group's key management personnel as a result of external or internal changes and must be significant to the Group's operations and demonstrable to external parties.

The following external or internal changes may result in a business model change:
- Changes in laws and regulations concerning certain assets that obliges the entity to review its business model;
- Changes in strategy concerning certain asset's class, asset's geography, product type;
- Business combinations that induce the entity to review its business model concerning certain financial assets;
- The Group begins or ceases to perform an activity that is significant to its operations.

The following are not considered to be changes to a business model:
- A change in intention related to specific financial assets (even in circumstances of significant changes in market conditions);
- A temporary disappearance of a particular market for financial assets; or
- A transfer of financial assets between parts of the entity with different business models.

Any reclassification is applied by the Group prospectively, so the Group does not adjust any previously recognised gains, losses (including impairment gains or losses) or interest.

Investments in equity instruments that are designated as at FVTOCI at initial recognition and financial assets at fair value through profit or loss that are designated as at FVTPL may not be reclassified, as a decision to designation is irrevocable.

h) Day 1 Profit/Loss

If the transaction price differs from the fair value of a financial asset or financial liability measured at fair value, the difference between these values (profit or loss) is reported in the income statement, except for Level 3 fair value measurement. The Group typically does not conduct this type of transactions with Day 1 Profit/Loss.

2. Impairment of Financial Instruments

The Group recognises impairment losses on its debt financial instruments, other than those measured at FVTPL, its lease receivables and its off-balance credit risk exposures arising from financial guarantees and loan commitments. The impairment is based on expected credit losses whose measurement reflects:
- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supporting information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For reporting and provisioning purposes, the Group uses a three-stage model in line with IFRS 9 that takes into account changes in credit risk since initial recognition ("staging"):
- Stage 1 includes financial assets with a credit risk which has not increased significantly since initial recognition, as well as assets with low credit risk at the balance sheet date. The 12-month expected credit losses (or shorter depending on the maturity of

the instrument) are recognised for these assets. Interest income is calculated on the basis of the gross carrying amount of assets.
- Stage 2 includes credit exposures that, although performing, have seen their credit risk significantly deteriorating since initial recognition Full lifetime expected credit losses are recognised for these assets. Interest income is calculated on the basis of the gross carrying amount of assets.
- Stage 3 includes impaired credit exposures. Full lifetime expected credit losses are recognised for these assets. Interest income is calculated on the basis of the net carrying amount of assets. This category includes non-performing receivables.

Impairment models are adapted to comply with the accounting requirements stated in IFRS 9, and also follow the "Guidelines on credit institutions' credit risk management practices and accounting for expected credit losses" issued by EBA.

Subject to expected losses calculation are financial assets at amortised cost and the applicable off balance sheet exposures (such as loan commitments and financial guarantee contracts), all credit exposures assets classified at Fair Value through Other Comprehensive Income and Lease receivables.

Furthermore, specific adjustments are developed to the Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) parameters used for regulatory reporting purposes (Basel) to compound the Expected Credit Loss (ECL), and a model is developed to assess the Stage Allocation on unimpaired assets, at transaction level, between Stage 1 and Stage 2.

The main difference between the two stages is the time horizon which the ECL is expected to be calculated on.

On LGD and EAD specific adjustments are applied to parameters already calculated for "regulatory" purposes, in order to ensure full consistency, net of different regulatory requirements, between regulatory and accounting treatment. The main adjustments are to:
- Remove the conservatism only required for regulatory purposes;
- Introduce a "point in time" adjustment, instead of the "through the cycle" adjustment embedded in the regulatory parameters;
- Include forward-looking information; and
- Extend the credit risk parameters in a multiyear perspective.

As for PDs, dedicated lifetime PD curves are developed for each main client segment based on cumulated default rates, and are calibrated to reflect a point in time and forward-looking expectation regarding portfolio default rates.

The Expected Credit Loss derived from such adjusted parameters is also compounded taking into consideration macroeconomic forecasts.

A key aspect deriving from the model when compounding the final Expected Credit Loss is the stage allocation model, which allocates credit transactions between Stage 1 and Stage 2 (Stage 3 being equivalent to Impaired assets). Stage 1 mainly includes (i) newly originated exposures, (ii) exposures with "no significant increase in credit risk since initial recognition" or (iii) "low credit risk" exposures at the reporting date.

Stage 2 allocation assessment includes a combination of relative and absolute triggers. Relative triggers are:
- The relative comparison, at transaction level, between the PD at origination and the PD at each reporting date, both calculated through internal models, with thresholds set to include all the key variables of each transaction that could affect the Group's expectation about PD changes over time (eg age, maturity, level of PD at origination) – PD threshold is calculated specifically for each transaction using all the key variables. This procedure assesses whether there has been a material deterioration in credit quality since initial recognition with the life-time PD values (so called AP3 approach);
- additional relative trigger was introduced in May 2022 which assigns stage 2 to exposures having current PD higher than triple of the PD at origination.

Low credit risk exemption (LCRE) – specific condition allowing to keep stage 1 to exposures even if exceeding one of the two of relative triggers but only if the actual PD is lower than 0,306%.

Absolute triggers for stage 2 assignment are following:
- Exposures being overdue more than 30 days;
- new classifications to Forborne;
- transfer to Watchlist 2 process;
- having internal rating 8+ or 8.

Additionally, to the above mentioned stage 2 triggers, there is 3-months probation period in place for which the exposure is still categorized in stage 2 after above mentioned reasons for reclassification to stage 2 expired. Such rule is not valid for Forbearance trigger where the stage 2 assignment is fully symmetrical with the Forbearance classification.

The Group uses the "client default" definition in line with Regulation No. 575/2013 of the European Parliament and of the Council and with Final Report Guidelines on the application of the definition of default (EBA/GL/2016/07); specifically, a debtor's default involves situations where:

a. The debtor is in default with at least one repayment of the principal or related interest on any of its payables to the Group for a period greater than 90 days; and/or
b. It is likely that the debtor will be unable to settle its payables on a timely basis and in full without the Group resorting to realising collateral.

Standard cases where the debtor will be unable to settle its payables:
- Changes in contractual cash flows due to granting relief to the debtor (the "forbearance measure" from which the bank takes a loss);
- The loan has been restructured or deferred for a long period;
- The debtor has committed credit fraud or has violated the financial commitments of the loan;
- The debtor is dead or insolvent;
- It is probable that the debtor will enter into bankruptcy or legal restructuring of its debts, etc.

In this evaluation, expected disposal scenarios are also considered as far as UniCredit Group Non-Performing Assets Strategy foresees the recovery of defaulted assets via their transfer.

When defining the perimeter of impaired assets, the Definition of Default currently applied by UniCredit Group has been adopted, which incorporates some of the key principles embedded in the Definition of Default guidelines issued by EBA, such as the assessment of impairment or default by considering the overall exposure to a given debtor (so-called "debtor approach").

Financial assets at amortised cost
Financial assets at amortised cost predominantly include loans and advances to banks, loans and advances to customers and trade receivables and are reported net, ie reflecting impairment losses.

Individual impairment losses adjust the carrying amount of individually assessed financial assets at amortised cost to their recoverable amount. The recoverable amount of financial assets at amortised cost is set as the present value of expected future cash flows discounted with the original effective interest rate of the financial instrument.

Expected cash flows from the individual asset portfolios with the same characteristics (based on the segment/rating model) are set based on historical losses while taking into account the anticipated macroeconomic development. Based on this information, the expected loss is calculated as of the balance sheet date.

Financial assets at fair value through other comprehensive income
Impairment of debt financial assets at fair value through other comprehensive income in the amount of the expected credit loss is reported in the income statement under *"Impairment losses on financial assets"*. Impairment losses on equity securities classified as financial assets at fair value through other comprehensive income are not reported.

Trade receivables
Trade receivables impairment is calculated using a simplified approach based on days past due.

For additional information on Credit Risk Management, please refer to section V. Other Notes, point 35 b).

Loan commitments and financial guarantees
Under IFRS 9, the impairment requirements also apply to loan commitments and financial guarantees off the statement of financial position. The Group assesses on a forward-looking basis the expected credit losses associated with exposures from loan commitments and financial guarantee contracts.

When estimating life-time Expected Credit Loss for undrawn loan commitments, the Group estimates the expected portion of the loan commitment that will be drawn down over its expected life. The Expected Credit Loss is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of scenarios.

For financial guarantees, the Group estimates Expected Credit Losses based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs any amounts the Group expects to recover. The calculation is made using a probability-weighting of scenarios.

The Expected Credit Losses related to loan commitments and financial guarantee contracts are recognised under the item *"Provisions for risks and charges"* in the statement of financial position and under the item *"Net provisions for risks and charges: Loan commitments and financial guarantees given"* in the income statement.

3. Fair Value Measurement Principles
The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets and financial liabilities is based on their quoted market price on an active market at the balance sheet date without deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques that maximises market observable inputs and minimizing those unobservable.

Where discounted cash flow techniques are used, estimated future cash flows are based on Group management's best estimates and the discount rate is based on the market rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market rates at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated as the amount that the Group would receive or pay to terminate the contract at the balance sheet date, taking into account current market conditions and the current creditworthiness of the counterparties and of the Group.

Bonds in the Group's portfolio are valued on a daily basis using available market rates quoted by market participants using Bloomberg services. A group of contributors who provide reliable and regular bond valuations is selected for each of the bonds. The credit spread of the bond is calculated from particular contributions and discount curves.

If there are sufficient current market prices of contributions available, the valuation is calculated as an average value. To prevent possible errors of particular contributions, a comparison of daily changes is made at the same time.

If no market price is available as a source of valuation or the number of actual contributions is not sufficient, the Group will carry out the valuation on the basis of a risk-free swap rate, to which the credit spread known as of reporting date is applied. The Group continues to apply this method until:

- Market quotations are again available;
- The credit spread of a particular bond is adjusted based on a comparison of credit spreads of similar bonds;
- The Group receives other information about a change of the spread applied;
- The issuer's credit rating changes (change of internal and/or external rating, evidence from the market that creditworthiness is worsening); and
- The liquidity of the specific securities has deteriorated significantly.

Subsequently, the Group will carry out the valuation comprising new aspects of the market price, including an assessment of possible impairment losses (see section III. Material Accounting Policies, point 2. Impairment, namely impairment of financial assets at fair value through other comprehensive income).

Group management believes that the fair value of the assets and liabilities presented in these financial statements can be measured reliably.

Financial assets and financial liabilities are classified into fair value levels depending on the quality of the input used in the valuation. Individual levels are defined as follows:

- Level 1 input – quoted (unadjusted) prices on active markets for identical assets or liabilities available to the Group as of the date of valuation;
- Level 2 input – input data other than the quoted prices contained in level 1 that are observable for an asset or liability either directly or indirectly. This category includes the instruments valued at: quoted prices of similar assets or liabilities on active markets; quoted prices of identical or similar assets or liabilities on markets that are not active; valuation techniques for which a significant input is observable on the market directly or indirectly; and
- Level 3 input – unobservable input data for an asset or liability. This category includes instruments under which valuation techniques contain an input not based on observable data and the unobservable input may have a significant impact on the instrument's valuation.

The Group evaluates the levels at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

Fair Value Adjustments (FVA)

Fair value adjustment is defined as the amount to be added to the market observed mid-price or to the theoretical price generated by a valuation model to obtain a fair value of the position. Therefore FVA are aimed at ensuring that the fair value reflects the exit price of a certain position.

Adjustments used are as follows:

- Credit/debit valuation adjustment (CVA/DVA);
- Funding Cost and Funding Benefit Adjustment (FCA/FBA)
- Model Risk;
- Close-out Costs;
- Other Adjustments.

Credit/Debit valuation adjustment (CVA/DVA)

Credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and the Group's own credit quality respectively.

Group CVA/DVA methodology is based on the following inputs/ assumptions – simulation approach:

- New products that can be valuated are automatically included for CVA,
- Two sided bilateral CVA is used,
- EAD derived by simulation techniques – the whole portfolio of trades as well as risk mitigation techniques such as netting and margining with this counterpart is taken into account,
- PD – precise computation of counterparty exposure
  - Implied by current market default rates, obtained from Credit Default Swaps,
  - Use single name CDS where available, use sector curve approximations (based on internal rating and sector).

Funding Cost and Funding Benefit Adjustment (FCA/FBA)

Funding Valuation Adjustment (FundVA) is the sum of a Funding Cost Adjustment (FCA) and of a Funding Benefit Adjustment (FBA) that accounts for the expected future funding costs/benefits for derivatives that are not fully collateralised. Most material contributors are in-the-money trades with uncollateralised counterparties.

UniCredit FVA methodology is based on the following inputs:
- Positive and Negative exposure profiles derived from leveraging on a risk-neutral spin-off of the Counterparty Credit Risk internal model;
- PD term structure implied by current market default rates obtained from credit default swaps;
- A funding spread curve that is representative of the average funding spread of peer financial groups.

Model Risk
Financial models are used for the valuation of the financial instruments if direct market quotes are not readily available. In general, model risk is represented by the possibility that a financial instrument's evaluation is sensitive to the choice of model. It is possible to value the same financial instrument by using alternative models which could provide different results in term of pricing. The model risk adjustment refers to the risk that the actual fair value of the instrument differs from the value produced by the model.

Close-out Costs
This measures the implicit costs of closing an (aggregated) trading position. The short position could be closed by a long position and vice versa, or by entering into a new transaction (or several transactions) that offsets (hedges) the open position. Close-out costs are typically derived from the bid/ask spreads observed on the market. It accounts for the fact that a position is valued at mid but can only be closed at bid or ask. This adjustment is not needed when the position is marked at bid or ask and already represents an exit price. In addition a close-out adjustment of the NAV is applied when there are penalties relating to a redemption of investment funds.

Other Adjustments
Other fair value adjustments not included in the previous categories may be taken into consideration to align the evaluation to the current exit price, according to the level of liquidity of the market and valuation parameters, e.g. adjustment of equity prices whose quotation on the market are not representative of the effective exit price.

For Fair Value disclosures see section V. Other Notes, point 37. Fair Value of Financial Assets and Financial Liabilities.

4. Hedging Derivatives
Hedging derivatives are carried at fair value. Positive fair value is presented in the item *"Positive fair value of hedging derivatives"*, negative fair value is presented in the item *"Negative fair value of hedging derivatives"*. The method of recognising fair value depends on the model of hedge accounting applied.

Hedge accounting can be applied if:
- The hedge is in line with the Group's risk management strategy;
- The hedge relationship is formally documented at the inception of the hedge;
- It is expected that the hedge relationship will be highly effective throughout its life;
- The effectiveness of the hedge relationship can be objectively measured;
- The hedge relationship is highly effective throughout the accounting period; and
- For hedging future forecast transactions, it is highly probable that the transaction will occur.

As regards hedge accounting, the Group additionally used the option under IFRS 9 to continue applying the existing requirements for hedge accounting pursuant to IAS 39.

If a derivative hedges an exposure to changes in the fair value of recorded assets and liabilities or of legally-enforceable firm commitments, the hedged item is revaluated to change in fair value due to the hedged risk. Gains (losses) on the re-measurement of an interest-bearing hedged item and hedging derivative are recognised in the income statement in *"Net income from hedging against risk of changes in fair value"*. Realised interest income and expenses are reported on a net basis in *"Interest income"* or *"Interest expense"*.

If a derivative hedges an exposure to the variability of cash flows related to recognised assets and liabilities or expected transactions, the effective part of the hedge (change in fair value of the hedging derivative) is recognised in other comprehensive income in equity item *"Reserve funds from revaluation"*. The ineffective part of the hedge is recognised in the income statement.

If the hedging of expected transactions results in the recording of an asset or liability, the cumulative gains or losses from the revaluation of the hedging derivative previously recognised in other comprehensive income are transferred to the income statement at the same time as the hedged item affects the net profit or loss.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss recognised in other comprehensive income remains in equity and is recognised in accordance with the above policy. If the hedged transaction is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is immediately recognised in the income statement.

"Macro hedging" – IAS 39 allows financial assets and liabilities hedge against interest rate fluctuations to be not only a single asset or liability but also a monetary position contained in a number of financial assets or liabilities (or parts of them). Accordingly, a group of derivatives can be used to offset fair-value fluctuations in hedged items due to changes in market rates.

The Group applies macro hedging to some financial assets and some financial liabilities. Net changes, gains or losses, in the fair value of the macro-hedged assets or liabilities attributable to the hedged risk are recognised in the asset or liability item respectively *"Changes in fair value of the portfolio of hedged instruments"* and offset the income statement item *"Net income/(loss) from hedging against risk of changes in fair value"*.

5. Repurchase and reverse repurchase transactions

Securities sold under an agreement to repurchase them at a specified future date are also known as *"repo transactions"* or *"sale and repurchase agreements"*. Securities sold in such transactions are not derecognised from the statement of financial position, as the Group retains substantially all the risks and rewards of ownership, as the securities are repurchased at a fixed price when the repo transaction ends. Financial assets transferred to another counterparty under a repo transaction are measured in accordance with the appropriate accounting policy for such financial asset.

Securities sold under a repo transaction are recorded as assets in the line *"Financial assets at fair value through other comprehensive income"* or in the line *"Financial assets at fair value through profit or loss: Held for trading"*, and received loan, including accrued interest, is included in the line *"Financial liabilities at amortised cost: Deposits from banks"* or in the line *"Financial liabilities at amortised cost: Deposits from customers"*.

Debt securities purchased under agreements to purchase and resell at a specified future date, also known as *"reverse repos"* are not recorded in the Group´s statement of financial position but are presented in the off-balance sheet. The consideration paid (provided loan), including accrued interest, is recorded in the line *"Financial assets at amortised cost: Loans and advances to banks"* or in the line *"Financial assets at amortised cost: Loans and advances to customers"*.

The difference between the sale and repurchase considerations for both repo and reverse repo transactions are recognised on an accrual basis over the period of the transaction using the EIR and are recognised in the income statement in *"Interest income"* or *"Interest expense"*.

For sale of a security acquired from a reverse repo, the Group derecognises the securities acquired from off-balance sheet and records a payable from a *"short sale"*, which is revalued to fair value, in the statement of financial position. This payable is reported under *"Financial liabilities at fair value through profit or loss: Held for trading"* with any gains and losses recorded in the item *"Net income/(loss) from trading"*.

"Sell-buy" and "Buy-Sell" transactions are accounted for in the same way as *"repo transactions" and "reverse repos"*.

6. Borrowing and Lending of Securities

Financial assets lent under securities lending arrangements continue to be recognised in the statement of financial position if the risks and rewards of ownership are retained by the Group and are measured in accordance with the appropriate accounting policy for such financial assets.

Financial assets borrowed under securities borrowing agreements are not recognised in the Group's statement of financial position but are presented in off-balance sheet.

For sale of a security acquired on the basis of securities borrowing arrangements, the Group derecognises the securities acquired from off-balance sheet and records a payable from a short-term sale, which is revalued to fair value, in the statement of financial position. This payable is reported under *"Financial liabilities at fair value through profit or loss: Held for trading",* with any gains and losses recorded in the item *"Net income/(loss) from trading"*.

Income and expenses arising from the borrowing and lending of securities are recognised on an accrual basis over the period of the transactions in the item *"Fee and commission income"* or *"Fee and commission expenses"*.

7. Offsetting

Financial assets and liabilities shall be offset against each other, and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis. In the current and comparative period, the Group does not offset any financial assets and financial liabilities.

8. Cash and cash balances

Cash comprises cash in hand and cash in transit. Cash equivalents are short-term (with maturity of three months or less), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes.

"Cash and cash balances" are carried at amortised cost in the statement of financial position.

"Cash and cash balances" includes cash balances, cash advances and other on-demand deposits and the compulsory minimum reserve with the Czech National Bank, National Bank of Slovakia and commercial banks.

The compulsory minimum reserve held at the Czech National Bank and at the National Bank of Slovakia is a required deposit which must be held by all commercial banks licensed in the Czech Republic and in Slovakia respectively. This deposit can be disposed freely, provided that the average amount of reserves calculated by the CNB or the NBS in a given maintenance period is respected.

9. Property and Equipment

Property and equipment are assets which may be used for a period longer than one year. The Group has property and equipment to conduct its activities.

Property and equipment are initially recognised at cost including all costs directly attributable to bringing an asset into use.

After being recognised as an asset:

- Buildings and land used in the business (ruled by IAS 16 "Property, plant and equipment") are measured according to to the fair value model for the measurement subsequent to initial recognition;
- Tangible assets used in the business, other than buildings and land, are measured according to cost model.

<u>Buildings and land used in the business</u>
The fair value model allows the Group to represent the changes in value of the properties at the moment they arise, in compliance with the objectives of the adopted active management of the real estate portfolio. In this way, the recognition of capital gains and losses is not deferred at the time of sale of the real estate assets and is not influenced by the difference between market value (embedded in the sale price) and cost which, as stated, may no longer be meaningful if the acquisition of real estate assets did not take place recently.

In addition, the adoption of a fair value model allows a more accurate representation of the financial position of the Group, as it represents the value of the real estate properties at a single reference date – the date of preparation of the financial statements. This avoids heterogeneity in valuation inherent in the cost model which reflects market conditions at different times, i.e. the purchase dates.

The differences between current fair value and the previous fair value are recognised:

- If negative,
  - in the other comprehensive income statement, and accumulated in equity under the item *"Reserve funds from revaluation"* to the extent it reverses a previous positive revaluation, or otherwise
  - in the income statement in the item *"Net income/(loss) on property and investment property measured at fair value"*,
- If positive,
  - in the income statement in the item *"Net income/(loss) on property and investment property measured at fair value"* to the extent it reverses a previous negative revaluation, or otherwise
  - in the other comprehensive income statement, and accumulated in equity under the item *"Reserve funds from revaluation"*.

The *"Reserve funds from revaluation"* is linearly transferred to the item *"Retained earnings and reserve funds"* over the residual life of the particular property used in business. In the event of the sale of the asset, the reserve not yet reversed will be reclassified to the item *"Retained earnings and reserve funds"*.

The pay out of the revaluation surplus to shareholders is restricted and is eligible only in the event of the disposal of property.
The fair value was determined on the basis of independent external valuations on a half-yearly basis (as at 30 June and 31 December).

Properties used in business, measured according to the IAS 16 revaluation model, continue to be depreciated using the straight-line method over their useful life from the higher revalued amount.

The useful life of properties used in business is reviewed at least at each financial year-end (i.e. 31 December) on the basis of an external independent opinion.

<u>Tangible assets used in the business</u>
In the cost model, assets are stated at historical cost less accumulated depreciation and impairment.

<u>Depreciation, Impairment and Gains and losses on disposal</u>
Depreciation is calculated using the straight-line method over the assets' estimated useful lives. The depreciation periods (over the respective estimated useful lives) for individual categories of property and equipment are as follows:

• Buildings	20–50 years
• Technical improvement of buildings protected as cultural heritage	15 years
• Technical improvement of rented premises	10 years or in accordance with a contract
• Air-conditioning equipment	5 years
• Machinery and equipment	3–10 years

- Bank vaults 20 years
- Fixtures and fittings 5–10 years
- Motor vehicles 4–5 years
- IT equipment 4 years
- Low value tangible assets 2–3 years

Tangible assets (including right of use assets) are assessed for potential impairment or a reduction in useful life. If events or changes in the conditions occur that could result in the carrying amount not being recoverable, the carrying amount is written down to the recoverable amount if the carrying amount is higher than the estimated recoverable value. The recoverable amount is the higher of fair value less costs of disposal and the value in use.

The gains and losses on disposal are determined based on the net book value and are included in the item *"Profit/(loss) from the sale of non-financial assets"*. The insignificant costs of repair, maintenance and technical improvement are expensed as they are incurred. Vice versa, major repairs and technical improvements are capitalised.

Property and equipment which the Group intends to sell within 12 months, is classified as *"Non-current assets held for sale"*. Such property and equipment is reclassified at the lower of its carrying amount or its sales value less disposal costs. Profit or loss from the sale is presented in the item *"Profit/(loss) from the sale of non-financial assets"*.

10. Intangible Assets

Intangible assets are assets which may be used for a period longer than one year.

Intangible assets are stated at historical cost less accumulated depreciation and impairment.

Depreciation is calculated using the straight-line method over the assets' estimated useful lives. The depreciation period (over respective estimated useful lives) for intangible assets is as follows:

- Software and intangible assets 2–7 years or in accordance with a contract

Intangible assets are assessed for potential impairment or a reduction in useful life. If events or changes in the conditions occur that could result in the carrying amount not being recoverable, the carrying amount is written down to the recoverable amount if the carrying amount is higher than the estimated recoverable value. The recoverable amount is the higher of fair value less costs of disposal and the value in use.

11. Leases

Leases accounting policies are based on the standard IFRS 16 "Leases".

a) Provided Finance Lease

A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards of ownership.

Receivables from finance leases are reported as equal to the net investment in the lease upon receipt of the leased asset by the customer. The sum of future minimum lease instalments and initial fees for the provision of the lease equal to the gross investment in the lease (as finance lease contracts include a clause on purchase at the end of the lease period, there is no unsecured net book value). The difference between the gross and net investment in the lease represents deferred financial income reported as interest income over the lease period with the constant periodic profitability of the net investment in the finance lease. The amounts received from the lessee reduce the net investment.

Group receivables from finance leases include the cost of assets leased under finance leases in contracts where the asset has been already acquired, but the finance lease contract was not capitalised at the balance sheet date.

Significant contractual conditions for finance leases are as follows:

- The subject of the lease is specified in the text of the lease contract or in the acceptance certificate (part of the lease contract);
- The duration of the lease begins on the day of the acceptance of the subject of the lease by the lessee and ends upon the expiration of the agreed lease term;
- The lessee is authorised to purchase the subject of the lease from the lessor;
- The subject of the lease remains in the exclusive ownership of the lessor throughout the duration of the lease. The ownership is transferred to the lessee/buyer on the day the purchase price as per the purchase agreement is credited to the lessor's account;
- The purchase price and all amounts in the lease contract are net of VAT. The VAT rate is set by law and is indicated separately in invoices;
- The consideration for the lease includes an extraordinary lease payment, contractual flat fee (e.g. the processing and administration of the lease contract) and the number of lease payments indicated by the contract and calculated from the acquisition cost (in CZK or a foreign currency);
- The subject of the lease must be insured throughout the lease term; and
- The lessor may prematurely terminate the lease contract at any time without a notice period by withdrawal or by a notice with immediate effect if the lessee significantly breaches or fails to meet the obligations and commitments arising from the lease contract. In such a case, the lessee is obliged to make all the remaining lease payments to the lessor in line with the payment calendar. Payments are due upon the premature termination of the lease contract.

The finance lease receivables are presented in the item *"Financial assets at amortised cost: Loans and advances to customers"*.

b) Provided Operating Leases

Other leases are classified as operating leases. The leased asset continues to be owned by the lease company after the termination of the lease contract.

Income from operating leases is reported in *"Other operating income"*.

c) Received Leases

IFRS 16 requires that a lessee recognises an asset, representing the right of use of the underlying asset, and at the same time, a liability reflecting future payments of the lease contract for all of the leasing types.

At initial recognition, such an asset is measured on the basis of the lease contract cash flows which include, in addition to the present value of lease payments, any initial direct cost attributable to the lease, lease payments paid before the commencement date and any other costs required to dismantle/remove the underlying asset at the end of the contract and is decreased by incentives received. Right of use assets are reported in the item *"Property, equipment and right of use assets"*.

After initial recognition, the right-of-use is measured on the basis of the provisions set for tangible assets applying the cost model less any accumulated depreciation and any accumulated impairment losses. The depreciation period is equal to the determined lease term.

Accumulated depreciation and any accumulated impairment losses are reported in the item *"Depreciation and impairment of property, equipment and right of use assets"*.

The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Group applied the standard only to contracts previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

In line with the standard, the Group decided not to apply IFRS 16 for leases of intangible assets, short-term leases shorter than 12 months and leases with low-value underlying assets. Related expenses are presented on an accrual basis in the item *"Administrative expenses"*.

To calculate the lease liability and related assets based on the right of use, the Group discounts future lease payments using an appropriate discount rate. Lease payments are set for discounting in this respect based on contractual arrangements and net of VAT, as the obligation to pay this tax originates at the moment an invoice issued by the lessor and not as of the date of commencement of the lease contract.

To perform these calculations, payments must be discounted using the implicit interest rate based on the lease contract or, if this is not available, the incremental borrowing rate. This is determined based on the costs of financing a liability of similar duration and similar security to what is contained in the lease contract.

Details related to determining of lease term see part Determining lease term in the section IV. Critical Accounting Judgements, Estimates and Assumptions.

Lease liabilities are reported in the item *"Financial liabilities at amortised cost: Deposits from customers and lease liabilities"* based on the counterparty. After initial recognition, lease liabilities are increased by the interest expense calculated using the same interest rate used for the discounting of the relevant lease payments and decreased by the lease payments. The interest expense is reported in the item *"Interest expense"*.

The vast majority of right of use assets / lease liabilities is related to the Group's headquarter and its branches.

A summary of amounts in relation to leases received under IFRS 16 as of 31 December 2023 and 31 December 2022 is presented in the following tables:

Consolidated Statement of Comprehensive Income	Point in the section V. Other Notes	2023	2022
Depreciation of Right of use assets	18. Property, equipment and right of use assets	(333)	(334)
Interest expense	1. Net interest income	(58)	(27)

Consolidated Statement of Financial Position	Point in the section V. Other Notes	31 Dec 2023	31 Dec 2022
Right of use assets	18. Property, equipment and right of use assets	2 113	2 034
Lease liabilities	23. Financial liabilities at amortised cost: Deposits from customers	2 123	1 995

Lease modifications are changes in the term or condition of a lease contract that change the scope of the lease contract (e.g. by adding or decreasing assets under lease); the consideration to be paid; or the contractual lease term.

Lease modifications are accounted for as a separate lease contract which is additional to the original lease contract being modified if both of the following conditions are satisfied:
- the modification increase the scope of the lease by adding additional asset, and
- the lease payments are also increased so to reflect the market value of such increase in scope (possibly adjusted to take into account the specific feature of the specific lease contract).

On the contrary if the modification doesn't fulfill the condition above, modifications are accounted for by re-measuring the liability through discounting the revised lease payments for the revised lease term and applying the revised discount rate. The resulting adjustment to the lease liability is recognized by increasing/decreasing the right of use.

12. Factoring

Factoring represents the purchase of short-term receivables at nominal values that originated on the basis of supplies of goods or services made by a supplier to a customer and that are not past due.

The factoring company pays part of the purchase price "pre-financing" to the supplier. Receivables from purchased receivables are reported in *"Financial assets at amortised cost: Loans and advances to customers"* net of the payable arising from the purchased receivables. Once the customer makes the payment, the remaining part of the purchase price is paid to the supplier.

In return for its services, the Group collects a fee for the provided pre-financing. The fee is recognised in revenues at the point in time when the transaction takes place and reported in the item *"Fee and commission income"*. In addition to the fee, the Group charges interest, the absolute amount of which depends on the amount of pre-financing made and the length of the time period between the provision of part of the purchase price and collection of the payment from the customer. This interest is reported in the item *"Interest income"*.

13. Provisions for Risks and Charges

Provisions for risks and charges relate to a probable outflow of an uncertain amount over an uncertain period of time. Provisions for risks and charges are recognised when:
- There is an obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources will be required to settle the obligation (probable means the probability exceeds 50%); and
- The amount of the obligation can be reliably estimated.

A restructuring provision is recognised when the following criteria are met:
- The Group has prepared a detailed and formal restructuring plan;
- Those affected by the restructuring have a realistic expectation that the restructuring will take place as the implementation of the plan has commenced or its main features have been announced.

When creating provisions for off-balance sheet items, the Group proceeds analogically as for the impairment losses on financial assets at amortised cost or financial assets at fair value through other comprehensive income, in line with IFRS 9 requirements.

The provisions for off-balance sheet items are recorded in the statement of financial position in the item *"Provisions for risks and charges"*.

14. Deferred Incentives

The Group accounts for deferred incentives on an accrual basis. Related liability is recognised in the item *"Other liabilities"* against the income statement item *"Administrative expenses"*.

The Group Incentive System and the Local Incentive System are applied to the identified positions. Payment of the bonus for the given period is spread out over a multiple-year period.

Based on the Group Incentive System, the bonus payment is spread over 6 years (senior management) or 4 years (other identified staff). In each year, the bonus payment is conditional upon completion of the Compliance Assessment, Continuous Employment Condition and Clawback application, which confirm, reduce or entirely cancel the entitlement to a bonus payment. The incentives are paid partially in cash and partially in non-monetary instruments or shares.

Based on the Local Incentive System, the bonus payment is spread over 4 years. In each year, the bonus payment is conditional upon completion of the Compliance Assessment, Continuous Employment Condition and Clawback application, which confirm, reduce or entirely cancel the entitlement to bonus payment. The incentives are paid partially in cash and partially in non-monetary instruments.

15. Contingent Assets and Liabilities

A contingent liability is a possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The Group does not recognise contingent assets/liabilities in the statement of financial position, but regularly reviews their development to specify whether an inflow/outflow of resources embodying economic benefits has become probable. Where the likelihood of an outflow of economic benefits is higher than 50% (more likely than not), the Group recognises a provision. Where the likelihood of an inflow of economic benefits is almost 100% (virtually certain), the Group recognises an asset and revenue.

16. Interest Income and Interest Expense

Interest income and interest expense are recognised in the income statement in the period to which they relate, using the effective interest rate method. Interest income is recognised using the effective interest rate on financial assets measured at amortised cost, financial assets measured at FVTOCI. Interest expense is also calculated using the effective interest rate method for all financial liabilities at amortised cost.

Interest from loans and deposits is accrued on a daily basis. Interest income and expenses include relevant transaction costs and the amortisation of any discount or premium between the initial carrying amount of an instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income on financial assets at amortised cost or at FVTOCI classified in stage 1 and 2 (ie performing assets) is calculated from the gross carrying amount (ie before allowances). Interest income on financial assets at amortised cost or at FVTOCI classified in stage 3 (ie credit impaired assets) is calculated from the net carrying amount (ie after allowances) using *"unwinding"*.

In the environment of negative interest rates, negative interest income is presented in interest expense and negative interest expense is presented in interest income.

Net interest income comprises interest income and interest expense calculated using the effective interest method and other methods. Interest income calculated using the effective interest method is disclosed separately in the income statement to provide symmetrical and comparable information.

17. Fee and Commission Income and Expenses

Fee and commission income and expenses consist of fees and commissions received/paid by the Group for providing financial services, other than those related to the origination of a financial asset or liability, which form a part of the effective interest income/expenses.

Fees and commissions from financial services provided by the Group, including payment services, brokerage services, investment advice and financial planning, investment banking services and asset management services.

Fees and commission income are accounted for in the income statement as the Group satisfies the performance obligation embedded in the contract, according to "IFRS15 Revenue from Contracts with Customers" rules.

In particular:
- If the performance obligation is satisfied at a specific moment ("point in time"), the related revenue is recognised in the income statement when the service is provided;
- If the performance obligation is satisfied over-time, the related revenue is recognised in the income statement in order to reflect the progress of satisfaction of such obligation.

Transaction fees coming from securities transactions and payment services are typically booked at the point in time when the service is provided and immediately withdrawn from customer account.

Fees related to management, administration, deposit and custody services, account administration and payment cards are normally recognised over time during the term of the contract. The revenue is measured on straight-line basis and is evenly distributed during the term of the contract as this method best depicts the Group's commitment to stand ready for fulfilment of customer requests. These services are mostly invoiced on regular basis (typically monthly), selected services are invoiced in advance.

Fees related to loans provided, other than those related to the origination, which form a part of the effective interest income, are either booked at the point in time when the service is provided or recognised over time during the term of the contract based on the type of services provided.

The amount of revenues linked to fee and commission income is determined based on contractual conditions. Variability that would have impact on amount that the Group expects to receive is not usually foreseen for services provided by the Group.

If a contract regards different goods/services which are not priced and charged on the stand-alone price level, the revenue is allocated among the different obligation proportionally to the stand-alone price of the single item delivered. These amounts will therefore be accounted for in the income statement on the basis of the timing of satisfaction of each obligation.

This circumstance, which is not significant, might happen in case of customer loyalty programs that require to provide goods or services for free, or by cashing-in a price not at market condition, if the client reaches a specific volume of fees, or in case of programs to acquire new customers that assign a bonus to the target (in the form of a product or a service) when it becomes a new client. The stand-alone selling prices for free-of-charge customer options are determined using the adjusted market assessment method. Contract liability given by the customer options is not material.

The Group has decided, as practical expedient permitted under IFRS 15, not to disclose the amount of transaction price allocated to unsatisfied performance obligations related to fees and commissions from financial services. This is because the Group does not typically contract respective services for period that would be enforceable longer than 12 months. The only significant contract with deferred revenue for longer period than 12 months (contract with non-refundable up-front fees not related to specific services transferred to customer and thus linearly amortised to the item *"Fee and Commission Income"* during live of the contract – 5 and 15 years respectively) is included in the item *"Other liabilities"* in amount of MCZK 410 as of 31 December 2023 (as of 31 December 2022 MCZK 429).

18. Dividend income

Dividend income is recognised in the income statement in *"Dividend income"* on the date the dividend is declared.

19. Taxation

Tax non-deductible expenses are added to and non-taxable income is deducted from the profit for the period pursuant to Czech Accounting Standards to arrive at the taxable income base in the Czech Republic, which is further adjusted by tax allowances and relevant credits. The tax payable (item *"Tax liabilities: Income tax")* or receivable (item *"Tax receivables: Income tax")* is calculated using the tax rate valid at the year-end and reported in the expected amount of the settlement with the tax authorities.

The income tax of entities based in Slovakia is calculated in line with the regulations applicable in the Slovak Republic.

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts used for taxation purposes multiplied by the expected income tax rate for the period of the asset recovery or liability settlement, based on tax rates that have been enacted or substantially enacted. A deferred tax asset (item *"Tax receivables: Deferred tax"*) is only recognised to the extent that there are no doubts that there will be future taxable profits available against which this asset can be utilised. A deferred tax liability (item *"Tax liabilities: Deferred tax"*) is recognised for all taxable temporary differences.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of debt instruments at fair value through OCI, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI.

These exceptions are subsequently reclassified from OCI to the income statement, together with the respective deferred loss or gain. The Group also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Group only offsets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the Group's intention to settle on a net basis.

20. Segment Reporting

IFRS 8 Operating segments states that presentation and reporting of operating segments shall be in accordance with performance criteria monitored by the chief operating decision-maker who is responsible for operational decisions. At the Group, that decision-maker is the Board of Directors of the Bank.

The Group's primary segment reporting is broken down by types of customers, which correspond to the Group's various operations: 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.

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

Corporate and investment banking, leases include especially the following products and services: providing banking services to companies and public institutions, including loans, leasing, 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 customers, investment advisory, and consulting on mergers and acquisitions.

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

21. Standards and Interpretations Effective in the Current Period

The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments** – The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies. (Effective for annual periods beginning on or after 1 January 2023.)
- **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** – The amendments introduced a definition of 'accounting estimates' and included other amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively while changes in estimates are accounted for in the period in which the change occurs. (Effective for annual periods beginning on or after 1 January 2023.)
- **Amendments to IAS 12 Income Taxes** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction: The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decomissioning liabilities. For leases and decomissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. (Effective for annual periods beginning on or after 1 January 2023.)
- **Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules** – 'Pillar Two taxes' are taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The Pillar Two model rules aim to ensure that large multinational groups pay taxes at least at the minimum rate of 15 percent on income arising in each jurisdiction in which they operate by applying a system of top-up taxes. There are three active mechanisms under Pillar Two model rules that countries can adopt: the income inclusion rule, the undertaxed payment rule and a qualified domestic minimum top-up tax. They are often referred to as 'global minimum top-up tax' or 'top-up tax'. The amendments address stakeholders' concerns about deferred tax accounting in relation to the new top-up tax under IFRSs by
  - – providing entities with a temporary mandatory relief from deferred tax accounting for top-up tax; and
  - – requiring entities to provide new disclosures in relation to the top-up tax and the relief.

(The relief is effective immediately upon issuance of the amendments on 23 May 2023 and applies retrospectively.

Disclosure requirements, other than those about the relief, apply from 31 December 2023. No disclosures are required in interim periods ending on or before 31 December 2023.)

The Group expects to become a top-up tax payer in the following accounting period in accordance with Act No. 416/2023 Coll., on top-up taxes for large multinational groups and large domestic groups. The Bank expects that the impact of this matter on the total tax liability will not be material.

The adoption of these amendments to the existing standards has not led to any material changes in the Group's financial statements.

22. Standards and Interpretations Published by the IASB, but not yet Effective

At the date of authorisation of these financial statements, there are no amendments to the existing standards issued by IASB and adopted by the EU but not yet effective.

23. New and amended IFRS standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by IASB, except for the following new standards and amendments to the existing standards, which were not endorsed for use in the EU as at the date of publication of these financial statements (the effective dates stated below are for IFRS as issued by IASB):

- **Amendments to IAS 1 Presentation of Financial Statements –** Classification of Liabilities as Current or Non-current: Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments, as issued in 2020, has removed the requirement for a right to be unconditional and instead requires that a right to defer settlement must exist at the reporting date and have substance (the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early). (Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted.)
- **Amendments to IAS 1 Presentation of Financial Statements** – Non-Current Liabilities with Covenants: The amendments, as issued in 2022, further clarify that when the right to defer

settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt). (Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted.)

- **Amendments to IFRS 16 Leases** – Lease Liability in a Sale and Leaseback: Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. The amendments confirm the following:
  - on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;
  - after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. These amendments do not change the accounting for leases other than those arising in a sale and leaseback transaction. (Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted)

- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures –** Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely)
- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements** – The amendments introduce additional disclosure requirements for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. The amendments apply to supplier finance arrangements (also referred to as supply chain finance, payables finance or reverse factoring arrangements) that have all of the following characteristics:
  - a finance provider (also referred to as the factor) pays amounts a company (the buyer) owes its suppliers;
  - a company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid;
  - the company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

However, the amendments do not apply to arrangements for financing receivables or inventory. (Effective for annual periods beginning on or after 1 January 2024. Disclosure of comparative information for any reporting periods presented before, and information as at the beginning of, the annual reporting period in which the entity first applies those amendments is not required. Also, an entity is not required to disclose the information otherwise required by the amendments for any interim period presented within the annual reporting period in which the entity first applies those amendments. Early application is permitted).

- **Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of exchangeability** – Under IAS 21 The Effects of Changes in Foreign Exchange Rates, a company uses a spot exchange rate when translating a foreign currency transaction. In some jurisdictions, no spot rate is available because a currency cannot be exchanged into another currency. IAS 21 was amended to clarify:
  - when a currency is exchangeable into another currency; and
  - how a company estimates a spot rate when a currency lacks exchangeability.

The amendments also include additional disclosure requirements to help users to assess the impact of using an estimated exchange rate on the financial statements. (Effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.)

The Group anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the Group's financial statements in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. According to the Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements if applied as at the balance sheet date.

24. Recast of comparative figures in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and in the Consolidated Statement of Cash Flow

The following table summarises the impact on the Group's comparative figures in consolidated financial statements.

Consolidated Statement of Comprehensive Income	**2022**	**Recast**	**2022 Recasted**
Other operating income	n/a	1 549	1 549
Operating income	**20 762**	**1 549**	**22 311**
Other operating income and expenses, *of which:*	1 102	(1 549)	n/a
Other operating income	1 549	(1 549)	n/a
Other operating expenses	(447)	–	(447)
Operating expenses	(8 052)	(1 549)	(9 601)
Profit after tax	**9 128**	**–**	**9 128**

Consolidated Statement of Financial Position	**2022**	**Recast**	**2022 Recasted**
Cash and cash balances	7 086	668	7 754
Financial assets at amortised costs, *of which:*	645 469	(668)	644 801
Loans and advances to banks	108 389	(668)	107 721
Total assets	**766 412**	**–**	**766 412**

Consolidated Statement of Cash Flow	**2022**	**Recast**	**2022 Recasted**
Profit after tax	**9 128**	**–**	**9 128**
Adjustments for non-monetary items:			
Net interest income	n/a	(14 584)	(14 584)
Other non-monetary adjustments (FX revaluation, Accruals and Others)	(995)	277	(718)
Operating profit before changes in operating assets and liabilities	**12 549**	**(14 307)**	**(1 758)**
Financial assets at amortised cost, *of which:*	(39 646)	(12 487)	(52 133)
Loans and advances to banks	13 506	(12 487)	1 019
Interest received	n/a	23 221	23 221
Interest paid	n/a	(8 914)	(8 914)
Net cash flows from operating activities	**6 180**	**(12 487)**	**(6 307)**
Net cash flows from investment activities	**(8 211)**	**–**	**(8 211)**
Net cash flows from financial activities	**3 345**	**–**	**3 345**
Cash and cash balances at the beginning of the period	**5 772**	**13 155**	**18 927**
Cash and cash balances at the end of the period	**7 086**	**668**	**7 754**

IV. Critical Accounting Judgments, Estimates and Assumptions

These disclosures supplement the commentary on financial risk management (see section V. Other Notes, point 35. Financial Risk Management).

The presentation of the consolidated financial statements in conformity with IFRS requires Group management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. These estimates, which relate to the determination of fair values of financial instruments (where no public market exists), impairment of assets and provisions and other areas, are based on the information available at the balance sheet date.

Impact of the current geopolitical situation
The group is closely monitoring the ongoing evolvement of the current geopolitical situation and regularly assess its outlook and potential impacts on its loan portfolio. Although the Bank has not yet observed a deterioration in the quality of the loan portfolio due to global influences (war in Ukraine, conflict in the Middle East, high energy prices, high interest rates, disruption of supply-customer chains), 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.

These circumstances have requested, as of 31 December 2023, 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 31 December 2023, 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 are provided in section V. Other Notes, point 15 k).

Impact of climate-related matters
Climate change is impacting both society and companies alike. The Group is considering the impact of climate change on its business model, risk strategy, and also the effect on its financial statements.

Climate-related matters may affect the Group´s exposure to credit losses due to environmental disasters, regulatory change or a borrower's ability to meet its obligations to the Group. Subsequently, these may have impact on ECL and/or collateral valuation. Management carefully reviews these risks.

Climate-related matters may affect also the classification and measurement of loans as lenders may include terms linking contractual cash flows to an entity's achievement of climate-related targets. In this respect, the Group assesses whether the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment
The classification of financial assets is driven by the business model. Management applies judgment when determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Group considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity.

Assessment of whether cash flows are solely payments of principal and interest
Judgment is required to determine whether a financial asset's cash flows are solely payments of principal and interest and whether they are in line with the SPPI test. Judgment is required to assess whether risks and volatility of contractual cash flows are related to the basic lending arrangement. Features that require judgments include the modification of time value of money, assessment of whether prepayment fees applied to loans can be considered as a reasonable compensation for early terminations or prepayments.

Impairment of financial assets
Financial assets accounted for at amortised cost and at fair value recognised through other comprehensive income (except for the FVTOCI option), lease receivables, trade receivables and loan commitments and financial guarantees (not accounted at FVTPL) are subject to impairment under ECL model. Impairment is determined in the amount of the 12-month (or shorter depending on the instrument's maturity) expected credit loss for assets that have not experienced a significant increase in credit risk since initial recognition, and in the amount of lifetime expected losses for assets which have experienced a significant increase in credit risk since initial recognition or which are impaired. When assessing impairment, the return on financial assets is evaluated separately using the best possible estimate of the present value of future cash flows that are expected to be received. When estimating these cash flows, the Group management makes judgments about the debtor's financial situation and the net realisable value of any underlying collateral.

The creation of impairment allowances for expected credit losses and identified financial guarantee contracts and loan commitments involves many uncertainties concerning the outcomes of the risks stated above and requires Group management to make many subjective assessments when estimating the amount of losses. Measurement of impairment allowances for expected credit losses for financial assets of amortised cost and at fair value through other comprehensive income requires the application of models and significant judgments regarding future economic conditions and credit behaviour. Given current economic conditions, the result of estimates may differ from the impairment provisions recognised as at 31 December 2023 that are reported in items *"Impairment losses on: Financial assets at amortised cost"*, *"Impairment losses on: Financial assets at fair value through other comprehensive income"* and *"Net provisions for risks and charges: Loan commitments and financial guarantees given"*.

<u>Inclusion of Forward Looking Information (hereinafter "FLI")</u>

1. Macroeconomic Multiscenario Overlay Factor

The IFRS 9 impairment requirements set out that expected credit loss must be assessed based on past, current and forward-looking information. In this regard, the Group usually updates macroeconomic scenarios on a half year basis and account for the related effects in half year and year-end financial reports. In line with this usual practice, an update has been made also before year-end 2023.

The Group creates various favourable scenarios of future development and assigns probability weights to individual scenarios and result of this activity is the so-called multiscenario overlay factor which includes in the calculation the sensitivity of the Expected Credit Loss ("ECL") development in different scenarios. Specifically, the Group has selected two macroeconomic scenarios to determine the forward-looking component: a baseline scenario and one adverse scenario, the positive scenario used in previous years is deemed unnecessary in the current economic situation. The baseline scenario is the reference scenario and therefore is the most probable realization. Adverse scenario represents possible alternative realization, worse one compared to the baseline in terms of evolution of the economy. Considering the persisting uncertainty, the baseline scenario weight is set to 60%, while the negative scenario stays at 40%.

Scenarios are created by an independent department in accordance with UniCredit group forecasting rules.

a) IFRS9 Baseline Scenario –"Weak Growth"

The Baseline scenario reflects weak growth expected for next quarters as tighter financing conditions dampen activity. Disinflation is expected to be on track, with headline inflation on a declining path. No material gas rationing in most of countries is anticipated. Country's counter actions (high storage level, LNG and gas savings) in total are assumed to be able to compensate a very low (also a shutdown at a certain moment) gas supply from Russia.
The scenario is characterized by still high energy prices and weak global trade. A still restrictive ECB policy is considered. ECB rates remained at 400 bps in 4Q23, expected to be stable up to mid-2024 and reducing subsequently.

This scenario considers a deteriorating growth outlook with subdue global growth in 2023 and a still lower growth in 2024. The deceleration largely reflects the lagged effects of tighter monetary policy amid depleted household savings buffers and reduced support from fiscal policy. Headline inflation has declined considerably from its peak, mainly due to energy prices, but core inflation is also falling thanks to lower input price pressure.

The recent rise in oil prices is unlikely to prevent further disinflation as aggregate demand softens. Policy rates in most advanced economies have likely reached their peak, but rate cuts will probably have to wait until data-dependent central banks see clear evidence that core inflation is moving sustainably down towards their targets.

GDP growth was generally expected weak in 2023, esp. for the Czech Republic. But in 2024 growth improvements are expected for both countries. Future economic growth also determined by how quickly foreign demand rebounds (spill over effect of global trade).

Disinflation trend is expected to be ongoing. Inflation will remain well above target in most of the countries up to 2026. High prices generally eroded real income. Exchange rates are stable in case of Baseline scenario. In terms of policy rates, the tightening cycle seems at the end with some cuts expected from 2024 impacting on interbank rates.

b) IFRS9 Negative Scenario – "Recession"

In this scenario, we assume that an escalation of the conflict in Ukraine leads to a complete stop of Russia's gas supply, which compounds adverse shocks in the LNG market and other supply sources. Pressure spills over to the oil market. The price of energy soars while that of food and other commodities rise strongly, fuelling inflation. High uncertainty, supply-chain disruption and erosion of real incomes push the European economy in a recession. Inflation expectations at short maturities rise, but, crucially, it is assumed that expectations at intermediate-to-longer maturities remain well anchored and even decline as economic slack works its way through the economy, affecting wage setting and price formation more broadly. The ECB responds to the shock cutting rates meaningfully in 2024 (higher decline vs. base case).

Eurozone GDP would contract in 2024, with countries of United Kingdom of presence in recession. A tentative recovery is expected in 2025 as the commodity-price shock fades and supply chains start to normalize.

Eurozone inflation would be higher than in Base case in 2024, back to Base level in subsequent years as demand weakness and a widening of the output gap mitigate the effects of supply-side disruption. Inflation expectations remaining well anchored at longer maturities help avoid second-round effects. In this scenario, inflation remains above the ECB's 2% target in 2024 and eases to 2% from 2025.

ECB policy rate expected more dovish than in Base Case as central banks look through the near-term inflation spike and focus more on growth damage and its implications for price stability at the policy-relevant horizon.

Given the negative shock to growth, which leads the ECB to ease more than in the baseline, we expect yields on core curves to be lower compared to the baseline. The deviation relative to the baseline is expected to be somewhat higher in the first year.

The increase in uncertainty surrounding the economic outlook, coupled with significant deterioration in risk appetite, is expected to keep demand for safe assets strong, driving higher spreads (widening pressure).

Equity markets are expected to post significant losses in 2024 reflecting the recessionary environment.

In FX, we expect the EUR to come under pressure given the growth shock is more severe for the eurozone and amid a generalized increase in risk aversion. Currencies with flexible exchange rates are generally at more depreciated level compared to the baseline in all years.

In this scenario, oil price is expected to rise by ca. 25% on average in 2024–2026.

From the macroeconomic point of view, the growth shock will also hit countries of Central and Eastern Europe. Roughly half of cumulative shocks, on average, will come from the spill overs from the eurozone while the rest is caused by country-specific factors. Similarly, to the euro area and due to the currency depreciation, it is assumed the shock to be inflationary, with higher average inflation compared to the baseline in 2024 and 2025. Inflation is expected to be in the target range in most countries by the end of forecast horizon.

From the interest rates point of view, short-term rates lower compared to the baseline in 2024-2025 as central banks reduce interest rates to counter the impact of the shock on the economy. Lower rates vs. baseline result from the fact that the reduction of interest rates is accelerated in 2024 in the risk scenario.

In case of Stage 1, Stage 2 and Stage 3 – collective final expected credit loss is calculated using weighted average of ECLs under above mentioned scenarios.

See below overview of mentioned scenarios and its cumulative impact.

For "FLI deltas", which are used to include future projection within PD and LGD parameters, are used models based on macroeconomic factors from the table below. Real GDP, Monthly wage, Unemployment rate, average short term rate (3M Euribor for Slovakia), exchange rates to EUR and USD) and yearly change of House Price Index are used within the model.

		Baseline scenario (60 %)		
Country	**Macroeconomic scenario**	**2024**	**2025**	**2026**
Czech Rep.	Real GDP, year to year change in %	2,1	2,5	2,7
Czech Rep.	Inflation (CPI), at the end of period	3,7	2,8	2,8
Czech Rep.	Inflation (CPI), on average	3,7	3,0	2,8
Czech Rep.	Monthly wage, nominal in EUR	1 914,7	2 005,0	2 087,9
Czech Rep.	Unemployment rate in %	3,6	3,5	3,4
Czech Rep.	Reference rate, at the end of period	5,3	3,5	3,5
Czech Rep.	FX rate to EUR, at the end of period	24,6	25,0	25,0
Czech Rep.	FX rate to EUR, on average	24,4	24,7	25,0
Czech Rep.	FX rate to USD, at the end of period	21,4	21,6	21,6
Czech Rep.	FX rate to USD, on average	21,6	21,3	21,6
Czech Rep.	Short term interest rate, at the end of period	5,35	3,65	3,65
Czech Rep.	Short term interest rate, on average	6,40	4,50	3,65
Czech Rep.	Long term interest rate (10 years)	4,2	4,1	4,0
Czech Rep.	House Price index, year to year change in %	3,5	3,0	4,0
Slovakia	Real GDP, year to year change in %	1,6	2,6	2,5
Slovakia	Inflation (CPI), at the end of period	4,5	2,8	2,2
Slovakia	Inflation (CPI), on average	4,8	3,3	2,5
Slovakia	Monthly wage, nominal in EUR	1 543,6	1 635,7	1 729,1
Slovakia	Unemployment rate in %	5,8	5,4	5,0
Slovakia	FX rate EUR to USD, at the end of period	1,15	1,16	1,16
Slovakia	FX rate EUR to USD, on average	1,13	1,16	1,16
Slovakia	Short term interest rate, Euribor 3m, at the end of period	3,3	2,6	2,6
Slovakia	Short term interest rate, Euribor 3m, on average	3,8	3,0	2,6
Slovakia	Long term interest rate (10 years)	3,0	2,8	2,8
Slovakia	Long term interest rate (10 years) in Eurozone	2,3	2,3	2,3
Slovakia	House Price index, year to year change in %	0,2	2,6	3,0

		Negative scenario (40 %)		
Country	**Macroeconomic scenario**	**2024**	**2025**	**2026**
Czech Rep.	Real GDP, year to year change in %	(2,2)	1,1	3,4
Czech Rep.	Inflation (CPI), at the end of period	5,5	2,1	2,8
Czech Rep.	Inflation (CPI), on average	6,9	3,8	2,5
Czech Rep.	Monthly wage, nominal in EUR	1 680,9	1 777,8	1 993,3
Czech Rep.	Unemployment rate in %	4,3	4,2	4,1
Czech Rep.	Reference rate, at the end of period	3,8	3,3	3,3
Czech Rep.	FX rate to EUR, at the end of period	26,1	25,5	25,0
Czech Rep.	FX rate to EUR, on average	25,2	25,8	25,3
Czech Rep.	FX rate to USD, at the end of period	27,1	26,4	25,8
Czech Rep.	FX rate to USD, on average	26,4	26,7	26,1
Czech Rep.	Short term interest rate, at the end of period	3,8	3,3	3,3
Czech Rep.	Short term interest rate, on average	5,5	3,6	3,3
Czech Rep.	Long term interest rate (10 years)	4,5	4,2	4,2
Czech Rep.	House Price index, year to year change in %	(1,9)	0,2	1,0
Slovakia	Real GDP, year to year change in %	(2,4)	1,1	3,0
Slovakia	Inflation (CPI), at the end of period	5,6	2,4	2,2
Slovakia	Inflation (CPI), on average	6,0	4,0	2,3
Slovakia	Monthly wage, nominal in EUR	1 425,1	1 494,7	1 638,4
Slovakia	Unemployment rate in %	7,3	7,0	6,6
Slovakia	FX rate EUR to USD, at the end of period	0,96	0,97	0,97
Slovakia	FX rate EUR to USD, on average	0,95	0,96	0,97
Slovakia	Short term interest rate, Euribor 3m, at the end of period	2,0	2,0	2,0
Slovakia	Short term interest rate, Euribor 3m, on average	3,4	2,0	2,0
Slovakia	Long term interest rate (10 years)	3,2	2,9	2,8
Slovakia	Long term interest rate (10 years) in Eurozone	1,9	1,9	1,9
Slovakia	House Price index, year to year change in %	(1,1)	2,1	2,9

c) Sensitivity analysis

Since there are only two scenarios used currently, the sensitivity analysis will show only impact of decrease of GDP between baseline and downside scenario on increase of ECL (before overlays).

The sensitivity is calculated as ratio between:
- the difference between the ECL estimated under the negative scenario and the one under the baseline;
- the GDP deviations (on 3 years cumulative basis) between alternative and baseline scenarios (in % points).

The 3years cumulated GDP growth (country specific) is calculated similarly as compound interest:
$((1 + \%GDP_{2024})(1 + \%GDP_{2025})(1 + \%GDP_{2026}) – 1)$.

The Implied assumptions are:
- GDP forecast (over 3 years) is assumed to be the most relevant economic factor as indicator of scenario severity;
- for each Legal Entity the GDP of the reference country is considered for the calculation of the respective sensitivity.

	Cumulated 3-year GDP			ECL Amount in MCZK			% ECL Sensitivity vs 3-year cum. GDP
Country	Baseline	Negative	GDP Diff Negative – Baseline	Baseline	Negative	% ECL Diff (Negative – Baseline) / Baseline	Increase of ECL for each 1 GDP point drop
Czech Rep.	7,48	2,19	(5,29)	2 537	2 800	10,4%	2,0%
Slovakia	6,86	1,63	(5,23)	1 584	1 831	15,6%	3,0%

Results show that each 1 GDP point drop in 3-year cumulative GDP would cause increase of ECL by 2,0% on Czech Republic, resp. 3,0% increase on Slovak, portfolio.

2. Inclusion of Specific Factors

Considering actual and expected factors with realization date shortly after the beginning of 2024 financial year, the Group decided already for 2023 to reassess its models for impairment losses on receivables and recognize this impact in the income statement of 2023, specifically:

a) Expected **material changes of IRB models**, which serve as an input for loan loss provision ("LLP") calculation. All IRB models were redeveloped from scratch during 2018 – 2020 to comply with the new definition of default and valid regulation. Except for LGD & EAD model approval of all other models was granted before year end of 2023. Approval of remaining models is expected to be granted in 2024. In case of PD model for SME and retail the model was approved and implemented in November 2023 and gradual re-rating of the SME portfolio using the new model is ongoing. The Group assumes that the revised models provide higher accuracy of expected credit losses estimation, and therefore the estimated impact was recognized already in the income statement for 2023. The total increase of provision amounts to MCZK 196 (split on MCZK 109 on SME and MCZK 87 on Retail).

b) In order to factor in the LLP the effect of the sharp rise in energy costs for corporate segments and the rise in inflation and interest rates for private individuals, thus complementing the inclusion of the current and forward-looking macroeconomic conditions as per ordinary framework, **specific factor of geo-political uncertainties** is used. All other specific factors related to macro-economic contingency (Supply Chain Risk, Interest Rate Risk) applied were reconvened into this unique specific factor, to quantify LLP by transiting from the previous context, more connected to past COVID-19 and supply chain bottleneck crises, to the new one based on energy crises and growing inflation/ interest rates spilled over from Russia-Ukraine crises outbreak. The provisions increase amounts to MCZK 2 694 (split on MCZK 2 401 on Corporate and MCZK 293 on Retail).

c) **Dedicated approach for the Bullet/Balloon products** is used by the Group. To cope with the characteristics of the mentioned products, a correction to the IFRS 9 PD Lifetime is applied by keeping fixed the full maturity at inception (thus sterilizing the time effect if the lifetime riskiness does not reduce as time passes, as per amortizing loan). To anticipate the impact overlay factor was implemented as a temporary solution. The actual provisions resulting from this methodological change amounts to MCZK 138.

Determining Fair Values

Determining fair value of financial assets and liabilities for which there are no observable market prices requires the use of valuation techniques as described in accounting policy, section III. Significant Accounting Policies, point 3. Fair Value Measurement Principles. For financial instruments that trade infrequently and have low price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Determining lease term
To determine the duration of a lease, it is necessary to take into account the non-cancellable period set in the contract when the lessee is entitled to use the underlying asset, while taking into account the possibility of an extension if the lessee is reasonably certain to use the possibility of extension.

Especially for contracts that allow the extension of the lease contract after the end of the first period without the need to explicitly express the intention to use this extension, the period is determined with respect to factors such as the length of the first period, existence of plans to change the use of/abandon the asset and any other circumstances with an impact on the reasonable certainty of the extension of the lease contract.

After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is under its control and affects its ability to exercise or not exercise the option to renew or to terminate.

Hedge Accounting
When designating financial instruments as qualifying hedge relationships, the Group has determined that it expects a hedge to be highly effective over the life of the hedging instrument.

When accounting for derivatives as cash flow hedges, the Group has determined that the hedged cash flow exposure relates to highly probable future cash flows.

Provisions for liabilities
The amounts recognised as provisions are based on management's judgment and represent the best estimate of expenses needed to settle a liability of uncertain timing or uncertain amount.

V. Other notes

1. Net interest income

	2023	2022
Interest income		
Financial assets at amortised cost:	42 381	29 765
Loans and advances to central banks	14 740	11 866
Loans and advances to banks	1 511	948
Loans and advances to customers	26 130	16 951
Financial assets at fair value through other comprehensive income	1 562	638
Interest income calculated using the effective interest method	**43 943**	**30 403**
Hedging derivatives	(8 420)	(7 383)
Effect of hedging derivatives	**(8 420)**	**(7 383)**
Financial assets at amortised cost – finance lease	619	553
Financial assets at fair value through profit or loss:	–	9
Held for trading	–	9
Other assets	534	508
Other interest income	**1 153**	**1 070**
Interest income	**36 676**	**24 090**
Interest expense		
Financial liabilities at amortised cost:	(27 463)	(14 531)
Deposits from central banks	(583)	(69)
Deposits from banks	(1 904)	(659)
Deposits from customers	(22 764)	(13 374)
Debt securities issued	(2 212)	(429)
Financial liabilities at fair value through profit or loss:	–	(17)
Held for trading	–	(17)
Hedging derivatives	6 269	5 069
Lease liabilities	(58)	(27)
Interest expense	**(21 252)**	**(9 506)**
Net interest income	**15 424**	**14 584**

Negative interest expense from liabilities is reported in interest income in the following lines:
- Loans and advances to central banks – as of 31 December 2023 MCZK 0 (as of 31 December 2022 MCZK 166)
- Loans and advances to banks – as of 31 December 2023 MCZK 0 (as of 31 December 2022 MCZK 86)
- Loans and advances to customers – as of 31 December 2023 MCZK 0 (as of 31 December 2022 MCZK 205)

Negative interest income from assets is reported in interest expense in the following lines:
- Deposits from the central banks – as of 31 December 2023 MCZK 0 (as of 31 December 2022 MCZK (22))
- Deposits from banks – as of 31 December 2023 MCZK 0 (as of 31 December 2022 MCZK (15))
- Deposits from customers – as of 31 December 2023 MCZK 0 (as of 31 December 2022 MCZK (7))

2. Net fee and commission income

	2023	2022
Fee and commission income from		
Securities transactions	13	21
Management, administration, deposit and custody services	880	799
Loans	1 472	1 314
Payment services	605	718
Account administration	465	488
Payment cards	1 380	1 205
Other	254	295
Total fee and commission income from contracts with customers	**5 069**	**4 840**
Loan commitments and financial guarantees	613	562
Fee and commission income	**5 682**	**5 402**
Fee and commission expenses from		
Securities transactions	(15)	(15)
Management, administration, deposit and custody services	(110)	(111)
Loans	(562)	(394)
Payment services	(55)	(55)
Payment cards	(1 111)	(872)
Other	(167)	(153)
Fee and commission expenses	**(2 020)**	**(1 600)**
Net fee and commission income	**3 662**	**3 802**

3. Dividend income

	2023	2022
Dividend income		
Financial assets at fair value through profit or loss not held for trading mandatorily at fair value	4	5
Financial assets at fair value through other comprehensive income	3	3
Total	**7**	**8**

4. Net income/(loss) from trading

	2023	2022
Net realised and unrealised gain/(loss) from debt instruments held for trading	4	129
Net realised and unrealised gain/(loss) from derivatives held for trading	209	348
Net realised and unrealised gain/(loss) from FX spot transactions and from revaluation of receivables and payables denominated in FX	2 489	1 555
Net income/(loss) from trading	**2 702**	**2 032**

5. Net income/(loss) from hedging against risk of changes in fair value

	2023	2022
Hedging instruments	(1 439)	(2 100)
Hedged instruments	1 441	2 098
Net income/(loss) from hedging against risk of changes in fair value	**2**	**(2)**

More details on hedging are included in section V. Other Notes, point 35. Financial Risk management.

6. Net income/(loss) from the sale or repurchase

	2023	2022
Financial assets at amortised cost: Loans and advances to customers	160	107
Financial assets at fair value through other comprehensive income	39	46
Financial liabilities: Debt securities issued	1	189
Net income/(loss) from the sale or repurchase	**200**	**342**

7. Net income/(loss) from financial assets/liabilities at fair value through profit or loss

	2023	2022
Shares	102	(4)
Net income/(loss) from financial assets and liabilities at fair value through profit or loss	**102**	**(4)**

8. Impairment losses

	2023	2022
Cash and cash balances	**96**	**(93)**
Stage 1	96	(93)
Financial assets at amortised cost, of which:	**(390)**	**(1 502)**
Loans and advances to banks	9	(12)
Stage 1	9	(8)
Stage 2	–	–
Stage 3	–	(4)
Loans and advances to customers	**(399)**	**(1 490)**
Corporate Customers	**(235)**	**(1 603)**
Stage 1	(591)	(1 366)
Stage 2	(836)	(1 256)
Stage 3	1 192	1 019
Retail Customers	**(164)**	**113**
Stage 1	(162)	(168)
Stage 2	15	232
Stage 3	(17)	49
Financial assets at fair value through other comprehensive income	**4**	**(5)**
Stage 1	4	(5)
Total	**(290)**	**(1 600)**

Impairment Losses to Cash and cash balances are represented by impairment losses to current accounts and sight deposits toward banks that are included in the item *"Other on-demand deposits"* in section V. Other Notes, point 11. "Cash and cash balances".

9. Administrative expenses

	2023	2022
Personnel expenses		
Wages and salaries paid to employees	(2 932)	(2 619)
Social costs	(1 108)	(1 003)
Other	(270)	(306)
	(4 310)	**(3 928)**
Other administrative expenses		
Rent and building maintenance	(349)	(341)
Information technologies	(1 545)	(1 536)
Promotion and marketing	(218)	(236)
Consumables used	(68)	(68)
Audit, legal and advisory services	(162)	(151)
Administrative and logistic services	(244)	(217)
Deposits and transactions insurance	(715)	(835)
Other services	(277)	(250)
Other	(21)	(15)
	(3 599)	**(3 649)**
Total	**(7 909)**	**(7 577)**

A summary of remuneration to key managers is presented in the following table:

	2023	2022
Short-term employee benefits	182	179
Other long-term employee benefits	43	42
Total	**225**	**221**

Key managers are persons with authority and direct or indirect responsibilities as regards planning, managing and supervising the Group's activities, including all (executive and other) managers. Information on equity-based bonuses is included in section V. Other Notes, point 30. Equity-based bonuses.

The Group's average number of employees was as follows:

	2023		2022	
	Czech Republic	Slovakia	Czech Republic	Slovakia
Employees	2 188	974	2 188	997
Members of the Board of Directors	8	1	8	1
Members of the Supervisory Board	2	1	2	1
Other executives directly reporting to the Board of Directors	38	2	36	2

Employees include all the employees of the Group. Members of the Board of Directors, Members of the Supervisory Board and Other executives directly reporting to the Board of Directors include persons representing the Bank.

Information on fees charged by auditors for the accounting period (excluding VAT):

	2023			2022		
	Bank	Consolidated companies	Total	Bank	Consolidated companies	Total
Audit	11	6	**17**	10	5	**15**
Ostatní auditorské služby	7	1	**8**	4	2	**6**
Celkem	**18**	**7**	**25**	**14**	**7**	**21**

10. Other operating income and expenses

	2023	2022
Income from rent	634	623
Other income related to the specific service of finance leasing	39	58
Other income	528	868
Total other operating income	**1 201**	**1 549**
Other taxes	(32)	(23)
Fines and penalties	(15)	(10)
Other expenses related to the specific service of finance leasing	(48)	(67)
Other expenses	(479)	(347)
Total other operating expenses	**(574)**	**(447)**
Total	**627**	**1 102**

Items “Other income” and “Other expenses” are mainly represented by additional income/expenses from/for operating leasing business.

The following table summarises cash flows to be received from operating leases where the Group is the lessor:

	Due within 1 year	Due in 1–5 years	Due in the following years
2023			
Cash flows to be received from operating leases	526	812	4
2022			
Cash flows to be received from operating leases	475	650	9

11. Cash and cash balances

	31.12.2023	31.12.2022
Cash in hand	3 712	3 758
Balances with central banks	–	318
Other on-demand deposits	2 300	3 010
Compulsory reserves	2 806	668
Total	**8 818**	**7 754**

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 out of which the vast majority (99,9%) as of 31 December 2023 are classified by credit quality at stage 1 with the total allowance of MCZK 2 (as of 31 December 2022: MCZK 98).

12. Financial assets at fair value through profit or loss

(a) Held for Trading

(i) Based on the Type of Financial Instrument

	31.12.2023	31.12.2022
Debt securities	3	11
Derivatives	33 982	52 684
Total	**33 985**	**52 695**

From debt securities, no securities are provided as collateral as of 31 December 2023 and as of 31 December 2022.

(ii) Based on the Type of Issuer

	31.12.2023	31.12.2022
Debt securities		
Public administration	3	11
Total	**3**	**11**

(b) Mandatorily at fair value

	31.12.2023	31.12.2022
Shares and Other debt securities	171	540
Total	**171**	**540**

(ii) Based on the Type of Issuer

	31.12.2023	31.12.2022
Shares and Other debt securities		
Other financial institutions	171	540
Total	**171**	**540**

13. Financial assets at fair value through other comprehensive income

(a) Based on the Type of Financial Instrument

	31.12.2023	31.12.2022
Debt securities	51 933	28 301
Shares	20	18
Total	**51 953**	**28 319**

From debt securities, MCZK 7 708 are provided as collateral (as of 31 December 2022: MCZK 5 448).

Debt securities are included in financial assets at fair value through other comprehensive income pursuant to paragraph 4.1.2.a) of IFRS 9 – classified based on the business model and meeting the SPPI test.

Shares are included in financial assets at fair value through other comprehensive income pursuant to paragraph 5.7.5. of IFRS 9 – FVTOCI option.

(b) Based on the Type of Issuer

	31.12.2023	31.12.2022
Debt securities		
Financial institutions	–	2 381
Government institutions	49 360	22 563
Other	2 573	3 357
Shares		
Other	20	18
Total	**51 953**	**28 319**

All debt securities included in financial assets at fair value through other comprehensive income as of 31 December 2023 are classified by credit quality in stage 1 with the total allowance of MCZK 2 (as of 31 December 2022: MCZK 7).

Out of total amount of debt securities 98% were included within Internal Rating 1 and 2% within Internal Rating 2 and 3 as of 31 December 2023 (as of 31 December 2022 94% within Internal Rating 1 and 6% within Internal Rating 2 and 3).

(c) Participation Interests

Name	Registered office	Date of acquisition	Acquisition price	Net book value 2023	Net book value 2022	Share of the Group at 31 Dec 2023	Share of the Group at 31 Dec 2022
CBCB – Czech Banking Credit Bureau, a.s. (bank register)	Prague	10 October 2001	0.24	0.24	0.24	20%	20%
Total			**0.24**	**0.24**	**0.24**		

14. Financial assets at amortised cost – loans and advances to banks

(a) Analysis of Receivables from Banks, by Type

	31.12.2023	31.12.2022
Term deposits	23 952	35 620
Reverse repurchase commitments (see section V, point 32)	134 596	72 101
Total	**158 548**	**107 721**

The vast majority (99,9%) of financial assets at amortised cost – loans and advances to banks as of 31 December 2023 are classified by credit quality at stage 1 with the total allowance of MCZK 3 (as of 31 December 2022: MCZK 11).

Out of total amount financial assets at amortised cost – loans and advances to banks 83 % were included within Internal Rating 1, 17% within Internal Rating 2 and 3 as of 31 December 2023 (as of 31 December 2022 87% within Internal Rating 1, 2% within Internal Rating 2 and 11% within Internal Rating 3).

(b) Analysis of Receivables from Banks, by Geographical Sector (based on Client´s domicile)

	31.12.2023	31.12.2022
Czech Republic	128 841	84 607
Slovakia	2 226	10 491
Other EU countries	27 145	12 249
Other	336	374
Total	**158 548**	**107 721**

15. 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
31 Dec 2023												
Current accounts (overdrafts)	28 683	(176)	28 507	6 431	(541)	5 890	1 777	(1 510)	267	36 891	(2 227)	34 664
Mortgage loans	130 807	(355)	130 452	18 049	(1 118)	16 931	1 390	(913)	477	150 246	(2 386)	147 860
Credit cards	10	–	10	4	–	4	1	(1)	–	15	(1)	14
Leases	9 665	(51)	9 614	2 700	(136)	2 564	486	(318)	168	12 851	(505)	12 346
Factoring	6 076	(17)	6 059	624	(8)	616	92	(9)	83	6 792	(34)	6 758
Other loans	161 667	(495)	161 172	16 184	(1 160)	15 024	4 153	(2 658)	1 495	182 004	(4 313)	177 691
Debt securities	30 871	–	30 871	–	–	–	–	–	–	30 871	–	30 871
Total	**367 779***	**(1 094)**	**366 685**	**43 992**	**(2 963)**	**41 029**	**7 899**	**(5 409)**	**2 490**	**419 670**	**(9 466)**	**410 204**

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

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
31 Dec 2022												
Current accounts (overdrafts)	29 236	(444)	28 792	7 993	(216)	7 777	1 925	(1 651)	274	39 154	(2 311)	36 843
Mortgage loans	103 705	(509)	103 196	17 926	(634)	17 292	2 930	(1 742)	1 188	124 561	(2 885)	121 676
Credit cards	9	–	9	4	–	4	1	–	1	14	–	14
Leases	8 967	(61)	8 906	2 435	(113)	2 322	543	(382)	161	11 945	(556)	11 389
Factoring	7 093	(49)	7 044	472	(5)	467	161	(8)	153	7 726	(62)	7 664
Other loans	147 012	(873)	146 139	20 355	(643)	19 712	3 662	(2 279)	1 383	171 029	(3 795)	167 234
Debt securities	18 828	–	18 828	–	–	–	–	–	–	18 828	–	18 828
Total	**314 850***	**(1 936)**	**312 914**	**49 185**	**(1 611)**	**47 574**	**9 222**	**(6 062)**	**3 160**	**373 257**	**(9 609)**	**363 648**

* The balance also includes unamortized modification loss of MCZK 6.

Retail 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
31 Dec 2023												
Current accounts (overdrafts)	539	(6)	533	685	(57)	628	38	(29)	9	1 262	(92)	1 170
Mortgage loans	130 327*	(191)	130 136	37 392	(539)	36 853	434	(161)	273	168 153	(891)	167 262
Credit cards and consumer loans	8 271**	(99)	8 172	4 502	(315)	4 187	286	(191)	95	13 059	(605)	12 454
Leases	674	(3)	671	590	(12)	578	45	(25)	20	1 309	(40)	1 269
Other loans	7 884	(51)	7 833	903	(68)	835	171	(96)	75	8 958	(215)	8 743
Total	**147 695**	**(350)**	**147 345**	**44 072**	**(991)**	**43 081**	**974**	**(502)**	**472**	**192 741**	**(1 843)**	**190 898**

* The balance also includes unamortized modification loss of MCZK 21.
** The balance also includes unamortized modification loss of MCZK 1.

Retail 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
31 Dec 2023												
Current accounts (overdrafts)	845	(9)	836	631	(23)	608	66	(51)	15	1 542	(83)	1 459
Mortgage loans	122 686*	(118)	122 568	29 743	(420)	29 323	498	(140)	358	152 927	(678)	152 249
Credit cards and consumer loans	5 743**	(94)	5 649	4 590	(419)	4 171	210	(151)	59	10 543	(664)	9 879
Leases	680	(5)	675	589	(14)	575	68	(38)	30	1 337	(57)	1 280
Other loans	7 622	(63)	7 559	985	(59)	926	182	(102)	80	8 789	(224)	8 565
Total	**137 576**	**(289)**	**137 287**	**36 538**	**(935)**	**35 603**	**1 024**	**(482)**	**542**	**175 138**	**(1 706)**	**173 432**

* The balance also includes unamortized modification loss of MCZK 24.
** The balance also includes unamortized modification loss of MCZK 2.

From financial assets at amortised cost – Loans and advances to customers MCZK 48 718 are provided as collateral (as of 31 December 2022: MCZK 141 912).

(b) Classification of Gross Receivables from Customers according to Internal Rating incl. Probability of Default ("PD") for Internal Ratings

	Gross Receivables 31 Dec 2023	Gross Receivables 31 Dec 2022	PD – mid values 31 Dec 2023 and 31 Dec 2022
Corporate Customers			
Performing receivables – stage 1 and 2			
Internal rating 1	33 766	31 271	0,02% – 0,04%
Internal rating 2	44 781	23 792	0,06% – 0,10%
Internal rating 3	63 236	50 916	0,14% – 0,26%
Internal rating 4	86 069	91 727	0,36% – 0,66%
Internal rating 5	93 232	68 704	0,90% – 1,68%
Internal rating 6	58 151	67 258	2,29% – 4,25%
Other internal rating	31 066	27 604	5,80% – 20,00%
Receivables without internal rating	1 470	2 763	37,15%
Total	**411 771**	**364 035**	
Non-performing receivables – stage 3	7 899	9 222	100%
Total	**419 670**	**373 257**	

	Gross Receivables 31 Dec 2023	31 Dec 2022	PD – mid values 31 Dec 2023 and 31 Dec 2022
Retail Customers			
Performing receivables – stage 1 and 2			
Internal rating 1	2 683	6 462	0,02% – 0,04%
Internal rating 2	6 127	13 914	0,06% – 0,10%
Internal rating 3	45 447	26 175	0,14% – 0,26%
Internal rating 4	90 249	61 622	0,36% – 0,66%
Internal rating 5	32 002	40 617	0,90% – 1,68%
Internal rating 6	10 009	12 378	2,29% – 4,25%
Other internal rating	4 882	9 091	5,80% – 20,00%
Receivables without internal rating	368	3 855	37,15%
Total	**191 767**	**174 114**	
Non-performing receivables – stage 3	974	1 024	100%
Total	**192 741**	**175 138**	

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

	31.12.2023	31.12.2022
Financial institutions	54 286	48 193
Non-financial institutions	313 903	285 210
Government sector	42 015	30 245
Individuals and others	190 898	173 432
Total	**601 102**	**537 080**

(d) Analysis of Net Receivables from Customers, by Type of Collateral Provided and Classification

	Carrying amount	Bank and similar guarantee	Mortgage	Corporate guarantee	Movable assets	Other security	Total collateral	Net exposure
31.12.2023								
Stage 1	514 030	2 466	161 483	17 231	3 399	42 430	227 009	287 021
Stage 2	84 110	226	31 216	3 857	2 522	–	37 821	46 289
Stage 3	2 962	75	1 017	935	100	542	2 669	293
Total	**601 102**	**2 767**	**193 716**	**22 023**	**6 021**	**42 972**	**267 499**	**333 603**
31.12.2022								
Stage 1	450 201	3 158	141 407	10 663	3 295	36 516	195 039	255 162
Stage 2	83 177	468	28 945	3 564	2 569	–	35 546	47 631
Stage 3	3 702	53	1 997	853	125	384	3 412	290
Total	**537 080**	**3 679**	**172 349**	**15 080**	**5 989**	**36 900**	**233 997**	**303 083**

The collateral amount stated fulfilling relevant internal conditions for collateral is capped by the maximum exposure of particular exposures.

The item "Net exposure" includes, inter alia, receivables from project funding that are secured by real estate collateral in the nominal value of MCZK 30 212 (as of 31 December 2022: MCZK 41 288). For the project funding of commercial real estate (IPRE), the collateral quality is taken into account when determining the transaction rating; in these cases, the collateral value is strongly correlated with the solvency of the debtor.

In specific segments like Corporate and Micro Business the loss allowance is set to very low level (<=1%) thanks to application of LGD secured concept for materially collateralized part of exposure. For other segments the collateral value is embedded in the calculation of LGD parameter.

(e) Analysis of Net Receivables from Customers, by Geographical Sector (based on Client´s domicile)

	31.12.2023	31.12.2022
Czech Republic	381 706	367 390
Slovakia	194 907	147 435
Other EU countries	20 411	17 482
Other	4 078	4 773
Total	**601 102**	**537 080**

(f) Analysis of Net Receivables from Customers, by Industry Sector

	31.12.2023	31.12.2022
Real estate services	93 408	82 448
Financial services	32 957	31 183
Wholesale	37 639	33 169
Households (individuals)	186 756	169 415
Retail (entrepreneurs)	9 871	11 273
Leasing and rental	24 072	19 446
Automotive industry	5 917	6 329
Power industry	28 246	25 187
Other, *of which:*	182 236	158 630
Government bonds	30 871	18 823
Total receivables from customers	**601 102**	**537 080**

(g) Analysis of Forborne receivables

The Group’s approach to forbearance reporting is disclosed in section V. Other Notes, point 35. Financial Risk Management.

Analysis of forborne receivables by sectors:

	Gross performing receivables	Gross non-performing receivables	Total gross forborne receivables	Impairment of performing receivables	Impairment of non-performing receivables	Total impairment of forborne receivables	Net balance of forborne receivables
31.12.2023							
Non-financial institutions	6 852	2 148	9 000	(722)	(1 741)	(2 463)	6 537
Individuals and others	400	122	522	(15)	(54)	(69)	453
Total	**7 252**	**2 270**	**9 522**	**(737)**	**(1 795)**	**(2 532)**	**6 990**

All forborne performing receivables are classified as stage 2 receivables, while all forborne non-performing receivables are classified as stage 3 receivables.

	Gross performing receivables	Gross non-performing receivables	Total gross forborne receivables	Impairment of performing receivables	Impairment of non-performing receivables	Total impairment of forborne receivables	Net balance of forborne receivables
31.12.2022							
Non-financial institutions	16 087	2 980	19 067	(314)	(2 172)	(2 486)	16 581
Individuals and others	595	122	717	(22)	(73)	(95)	622
Total	**16 682**	**3 102**	**19 784**	**(336)**	**(2 245)**	**(2 581)**	**17 203**

Net balance of forborne receivables represented 1.16 % of the total net receivables from customers as of 31 December 2023 (as of 31 December 2022: 3.20%).

The table below provides an analysis of forborne receivables balance based on past due days:

	Gross balance of forborne receivables	Impairment of forborne receivables	Net balance of forborne receivables
31.12.2023			
Performing receivables			
Before due	6 554	(694)	5 860
Past due	698	(43)	655
Total forborne performing receivables	**7 252**	**(737)**	**6 515**
Non-performing receivables			
Up to 90 days past due	1 327	(964)	363
91 to 180 days past due	175	(140)	35
181 days to 1 year past due	292	(242)	50
Over 1 year past due	476	(449)	27
Total forborne non-performing receivables	**2 270**	**(1 795)**	**475**
Total	**9 522**	**(2 532)**	**6 990**
31.12.2022			
Performing receivables			
Before due	15 520	(276)	15 244
Past due	1 162	(60)	1 102
Total forborne performing receivables	**16 682**	**(336)**	**16 346**
Non-performing receivables			
Up to 90 days past due	2 146	(1 354)	792
91 to 180 days past due	395	(380)	15
181 days to 1 year past due	138	(113)	25
Over 1 year past due	423	(398)	25
Total forborne non-performing receivables	**3 102**	**(2 245)**	**857**
Total	**19 784**	**(2 581)**	**17 203**

The table below shows movements in gross balance of forborne receivables:

Balance as of 1 January 2022	**24 083**
Transfer to forborne receivables balance	4 738
Additions	632
Write-offs	–
Settled	(3 629)
Transfer from forborne receivables balance	(5 936)
Other	(104)
Total gross balance of forborne receivables as of 31 December 2022	**19 784**
Balance as of 1 January 2023	**19 784**
Transfer to forborne receivables balance	2 295
Additions	503
Write-offs	(12)
Settled	(1 818)
Transfer from forborne receivables balance	(11 241)
Other	11
Total gross balance of forborne receivables as of 31 December 2023	**9 522**

The table below shows movements in the impairment of forbearance:

Balance as of 1 January 2022	(2 942)
Transfer to forborne receivables balance	(256)
Charge during the current year	(556)
Release during the current year	625
Receivables written off – use	1
Transfer from forborne receivables balance	503
Other decreases	44
Total impairment of forborne receivables as of 31 December 2022	**(2 581)**
Balance as of 1 January 2023	(2 581)
Transfer to forborne receivables balance	(776)
Charge during the current year	(377)
Release during the current year	236
Receivables written off – use	12
Transfer from forborne receivables balance	957
Other decreases	(3)
Total impairment of forborne receivables as of 31 December 2023	**(2 532)**

(h) Analysis of Receivables from Customers

Movement in Gross Amount of Receivables from Customers

	Stage 1	Stage 2	Stage 3	Total
Corporate Customers				
Balance as of 1 January 2022	282 539	35 570	11 045	329 154
Provided during the current year	156 993	10 397	1 668	169 058
Repaid during the current year	(103 446)	(16 374)	(4 395)	(124 215)
Receivables written off	–	(3)	(741)	(744)
Transfer between stages	(21 234)	19 594	1 640	–
FX differences	(2)	1	5	4
Total gross value of receivables from customers as of 31 December 2022	**314 850**	**49 185**	**9 222**	**373 257**
Balance as of 1 January 2023	314 850	49 185	9 222	373 257
Provided during the current year	148 677	12 437	1 316	162 430
Repaid during the current year	(94 510)	(17 173)	(3 986)	(115 669)
Receivables written off	–	(3)	(346)	(349)
Transfer between stages	(1 240)	(453)	1 693	–
FX differences	2	(1)	–	1
Total gross value of receivables from customers as of 31 December 2023	**367 779**	**43 992**	**7 899**	**419 670**
Retail Customers				
Balance as of 1 January 2022	153 683	10 275	1 300	165 258
Provided during the current year	24 931	12 261	125	37 317
Repaid during the current year	(24 031)	(2 881)	(356)	(27 268)
Receivables written off	–	(8)	(163)	(171)
Transfer between stages	(17 010)	16 891	119	–
FX differences	3	–	(1)	2
Total gross value of receivables from customers as of 31 December 2022	**137 576**	**36 538**	**1 024**	**175 138**
Balance as of 1 January 2023	137 576	36 538	1 024	175 138
Provided during the current year	24 149	12 079	124	36 352
Repaid during the current year	(14 452)	(3 865)	(298)	(18 615)
Receivables written off	–	(11)	(123)	(134)
Transfer between stages	424	(671)	247	–
FX differences	(2)	2	–	–
Total gross value of receivables from customers as of 31 December 2023	**147 695**	**44 072**	**974**	**192 741**

Change in transfer between stages (both Corporate and retail clients) in year-to-year comparison was caused by implementation of so called AP3 approach (assessment of credit quality deterioration since initial recognition which was measured on the life-time PD values) causing higher transfer in 2022.

Movement in Impairment of Receivables from Customers

	Stage 1	Stage 2	Stage 3	Total
Corporate Customers				
Balance as of 1 January 2022	**(1 055)**	**(728)**	**(7 311)**	**(9 094)**
Charge during the current year	(1 520)	(1 204)	(1 976)	(4 700)
Of which provided in the respective year	*(718)*	*(592)*	*(694)*	*(2 004)*
Release during the current year	544	555	2 331	3 430
Of which repaid in the respective year	*196*	*114*	*1 099*	*1 409*
Receivables written off – use	5	4	718	727
Transfer between stages	88	(240)	152	–
FX differences	2	2	24	28
Total impairment of receivables from customers as of 31 December 2022	**(1 936)**	**(1 611)**	**(6 062)**	**(9 609)**
Balance as of 1 January 2023	**(1 936)**	**(1 611)**	**(6 062)**	**(9 609)**
Charge during the current year	(1 772)	(3 112)	(2 386)	(7 270)
Of which provided in the respective year	*(387)*	*(804)*	*(689)*	*(1 880)*
Release during the current year	2 372	1 737	2 989	7 098
Of which repaid in the respective year	*181*	*144*	*1 067*	*1 392*
Receivables written off – use	–	3	336	339
Transfer between stages	245	25	(270)	–
FX differences	(3)	(5)	(16)	(24)
Total impairment of receivables from customers as of 31 December 2023	**(1 094)**	**(2 963)**	**(5 409)**	**(9 466)**
Retail Customers				
Balance as of 1 January 2022	**(481)**	**(820)**	**(668)**	**(1 969)**
Charge during the current year	(132)	(664)	(170)	(966)
Of which provided in the respective year	*(86)*	*(243)*	*(53)*	*(382)*
Release during the current year	439	479	143	1 061
Of which repaid in the respective year	*24*	*54*	*79*	*157*
Receivables written off – use	1	8	158	167
Transfer between stages	(116)	62	54	–
FX differences	–	–	1	1
Total impairment of receivables from customers as of 31 December 2022	**(289)**	**(935)**	**(482)**	**(1 706)**
Balance as of 1 January 2023	**(289)**	**(935)**	**(482)**	**(1 706)**
Charge during the current year	(876)	(831)	(327)	(2 034)
Of which provided in the respective year	*(92)*	*(231)*	*(65)*	*(388)*
Release during the current year	510	1 070	183	1 763
Of which repaid in the respective year	*49*	*43*	*103*	*195*
Receivables written off – use	–	11	122	133
Transfer between stages	306	(305)	(1)	–
FX differences	(1)	(1)	3	1
Total impairment of receivables from customers as of 31 December 2023	**(350)**	**(991)**	**(502)**	**(1 843)**

i) Receivables Written-Off and Being Subject to Enforcement

The amount of written-off receivables due from customers still subject to enforcement as of 31 December 2023 was MCZK 1 908 (as of 31 December 2022: MCZK 2 945).

j) Receivables from Finance Leases

	31 Dec 2023	31 Dec 2022
	Cash Flow to be received (gross receivables from finance lease)	
Receivables from finance leases:		
Within 1 year	5 264	4 826
From one year to two years	3 917	3 866
From two years to three years	2 817	2 620
From three years to four years	1 696	1 623
From four years to five years	883	727
More than five years	909	695
Total cash flows to be received from finance leases	15 486	14 357
Unearned finance income	(1 326)	(1 075)
Lease receivables	**14 160**	**13 282**

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

The Group reviewed its portfolios to identify specific assets with direct exposure to Ukraine and/or the Russian Federation (incl. Belarus) (i.e. assets owned by residents of the respective countries) and concluded that direct exposure is limited (from a credit risk management point of view approximately MCZK 945 which represents approx. 0.16% of Group's total customers on-balance exposure (as of 31 December 2022: MCZK 1 377 representing approx. 0.26% of Bank's total customers on-balance exposure)).

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 or stage 3. These exposures in amount of MCZK 934 from a credit risk management point of view represent approximately 0.16% of the Group's total customers on-balance exposure (as of 31 December 2022: MCZK 507 representing approx. 0.1% of Bank's total customers on-balance exposure). The cumulated loan loss provision allocated to such direct and high-risk indirect exposures represents an amount of MCZK 255 (stock of provisions/reserves as of 31 December 2023) (as of 31 December 2022: MCZK 302).

16. Positive fair value of hedging derivatives

Based on the Hedging Purpose

	31.12.2023	31.12.2022
Fair value hedging	5 345	6 628
Cash flow hedging	8 967	14 803
Total	**14 312**	**21 431**

More details on hedging are included in section V. Other Notes, point 35. Financial Risk management.

17. Equity-accounted investees

	Assets	Liabilities	Equity	Operating income	Profit/(loss)	Net book value
31 December 2023						
RCI Financial Services, s.r.o. (50%)	2 799	2 198	602	175	100	349
Total						**349**
31 December 2022						
RCI Financial Services, s.r.o. (50%)	2 640	2 028	612	180	108	355
Total						**355**

Changes in Investments in Associates

	2023	2022
Balance at 1 January	355	365
Change in the income statement	50	54
Dividend	(56)	(64)
Total at 31 December	**349**	**355**

18. Property, equipment and right of use assets

	31.12.2023	31.12.2022
Property and equipment for operations		
Buildings and land	941	868
Leasehold improvements of rent buildings	237	233
Fixtures and fittings	37	33
IT equipment	60	57
Assets provided under operating leases – transport facilitites	3 219	2 847
Other	477	371
Right of use assets		
Buildings and land	2 113	2 034
Total	**7 084**	**6 443**

(a) Movements in Property and Equipment Held for Operations

	Buildings and land	Leasehold improvements of rent buildings	Fixtures and fittings	IT equipment	Operating leases transport facilitites	Other	Total
Fair Value (Buildings and land) / Cost at 1 January 2022	2 542	1 050	148	630	3 889	498	**8 757**
Accumulated depreciation and impairment at 1 January 2022	(1 716)	(833)	(121)	(562)	(1 122)	(214)	**(4 568)**
Net Book Value at 1 January 2022	**826**	**217**	**27**	**68**	**2 767**	**284**	**4 189**
Increases in fair value	23	–	–	–	–	–	**23**
Reductions in fair value	(3)	–	–	–	–	–	**(3)**
Additions	73	63	13	18	1 063	100	**1 330**
Disposals	–	–	–	–	(431)	–	**(431)**
Depreciation charges	(34)	(39)	(5)	(28)	(498)	(13)	**(617)**
Other and FX rate gains or losses	(17)	(8)	(2)	(1)	(54)	–	**(82)**
Net Book Value at 31 December 2022	**868**	**233**	**33**	**57**	**2 847**	**371**	**4 409**
Fair Value (Buildings and land) / Cost at 31 December 2022	2 617	1 080	135	621	4 006	586	**9 045**
Accumulated depreciation and impairment at 31 December 2022	(1 749)	(847)	(102)	(564)	(1 159)	(215)	**(4 636)**

	Buildings and land	Leasehold improvements of rent buildings	Fixtures and fittings	IT equipment	Operating leases transport facilitites	Other	Total
Fair Value (Buildings and land) / Cost							
at 1 January 2023	2 617	1 080	135	621	4 006	586	**9 045**
Accumulated depreciation and impairment at 1 January 2023	(1 749)	(847)	(102)	(564)	(1 159)	(215)	**(4 636)**
Net Book Value at 1 January 2023	**868**	**233**	**33**	**57**	**2 847**	**371**	**4 409**
Increases in fair value	5	–	–	–	–	–	**5**
Reductions in fair value	(44)	–	–	–	–	–	**(44)**
Additions	118	44	15	27	1 338	111	**1 653**
Disposals	–	–	–	–	(156)	(8)	**(164)**
Depreciation charges	(24)	(40)	(7)	(28)	(490)	(12)	**(601)**
Other and FX rate gains or losses	18	–	(4)	4	(320)	15	**(287)**
Net Book Value at 31 December 2023	**941**	**237**	**37**	**60**	**3 219**	**477**	**4 971**
Fair Value (Buildings and land) / Cost at 31 December 2023	2 678	1 122	131	574	4 436	713	**9 654**
Accumulated depreciation and impairment at 31 December 2023	(1 737)	(885)	(94)	(514)	(1 217)	(236)	**(4 683)**

The carrying amount of Buildings and land that would have been recognised had the assets been carried under the cost model (i.e. not revalued) would be MCZK 721 (as of 31 December 2022: MCZK 614).

(b) Movements in Right of Use Assets

	Buildings and land	Total
Net Book Value at 1 January 2022	**2 322**	**2 322**
Additions	180	180
Disposals	(134)	(134)
Depreciation	(334)	(334)
Other and FX rate gains or losses	–	–
Net Book Value at 31 December 2022	**2 034**	**2 034**
Cost at 31 December 2022	3 446	3 446
Accumulated depreciation and impairment at 31 December 2022	(1 412)	(1 412)
Net Book Value at 1 January 2023	**2 034**	**2 034**
Additions	424	424
Disposals	(12)	(12)
Depreciation	(333)	(333)
Other and FX rate gains or losses	–	–
Net Book Value at 31 December 2023	**2 113**	**2 113**
Cost at 31 December 2023	3 858	3 858
Accumulated depreciation and impairment at 31 December 2023	(1 745)	(1 745)

19. Intangible assets

Movements in Intangible Assets

	Software	Total
Cost at 1 January 2022	5 571	5 571
Accumulated amortisation and impairment at 1 January 2022	(2 695)	(2 695)
Net Book Value at 1 January 2022	**2 876**	**2 876**
Additions	463	463
Amortisation charges	(688)	(688)
Other	61	61
Net Book Value at 31 December 2022	**2 712**	**2 712**
Cost at 31 December 2022	6 043	6 043
Accumulated amortisation and impairment at 31 December 2022	(3 331)	(3 331)
Cost at 1 January 2023	6 043	6 043
Accumulated amortisation and impairment at 1 January 2023	(3 331)	(3 331)
Net Book Value at 1 January 2023	**2 712**	**2 712**
Additions	678	678
Amortisation charges	(915)	(915)
Other	78	78
Net Book Value at 31 December 2023	**2 553**	**2 553**
Cost at 31 December 2023	6 551	6 551
Accumulated amortisation and impairment at 31 December 2023	(3 998)	(3 998)

20. Other assets

	31.12.2023	31.12.2022
Deferred expenses and accrued income	530	572
Trade receivables	238	219
Receivables from securities	13	4
Clearing and settlement accounts	679	466
Other	182	236
Total	**1 642**	**1 497**
Impairment losses on other assets	(14)	(7)
Net other assets	**1 628**	**1 490**

21. Financial liabilities held for trading

Based on the Type of Financial Instrument

	31.12.2023	31.12.2022
Derivatives	33 373	52 725
Total	**33 373**	**52 725**

22. Financial liabilities at amortised cost – deposits from banks

Analysis of Deposits from Banks by Type

	31.12.2023	31.12.2022
Deposits from central banks	3 667	37 776
Current accounts	5 002	8 086
Loans	4 951	5 659
Term deposits	4 491	538
Sale and repurchase agreements (see section V, point 32)	15 209	4 851
Other	41	–
Total	**33 361**	**56 910**

Item "Deposits from central banks" includes as of 31 December 2023 MCZK 3 667 of funding from Targeted Longer-Term Refinancing Operations (hereinafter "TLTRO"), namely TLTRO III.7 drawn in March 2021 (as of 31 December 2022: MCZK 37 776 when the amount included also TLTRO III.4 drawn in June 2020 and repaid in June 2023).

The TLTRO liabilities are banking book funding instruments to be subsequently measured at amortised cost according to IFRS 9, 4.2.1. Financial conditions incorporated into TLTROs are reflecting The European Central Bank (hereinafter "ECB") monetary policy initiatives to prospectively reduce market cost of funding for banking institutions by using non-conventional tools and reflected in money market operations. In addition to the more favourable conditions already introduced in March 2020 (to be applied in the period from 24 June 2020 to 23 June 2021), the Governing Council of ECB on 10 December 2020 decided to extend similar favourable conditions for the period from 24 June 2021 to 23 June 2022.

For banks that reach the lending performance threshold during the predefined reference periods ending 31 December 2021 the borrowing rates can be as low as 50 basis points below the average interest rate on the Deposit Facility Rate (hereinafter "DFR") during the periods from 24 June 2020 to 23 June 2021 and from 24 June 2021 to 23 June 2022, and as low as DFR during the rest of the life of the respective TLTRO III transaction.

Referencing EIR rules for markets-driven remunerations, changes in market index (e.g. base rate and spread) will be reflected by adjusting instruments' carrying amount calculated by referencing the evolution of the "TLTRO index" and limited to the accrued (to-date) portion.

As a result, TLTRO III EIR for a 3year funding drawn in June 2020 and March 2021 ranges between –0.33% and –0.83% in 2021 and as well in 2022 until 23 November 2022, coherently with (i) benchmark achievements for Cumulative Net Lending (hereinafter "CNL") as at March 2021 and December 2021 and (ii) current Main Refinancing Operation and DFR levels.

On 27 October 2022 the Governing Council of ECB decided to recalibrate the conditions of TLTRO III as part of the monetary policy measures adopted to restore price stability over the medium term with effective date as of 23 November 2022. From 23 November 2022 until the maturity date or early repayment date of each respective outstanding TLTRO III operation, the interest rate will be indexed to the average DFR (average calculated since 23 November 2022). It was assessed that the change in the TLTRO conditions constitutes a substantial modification of the terms of the financial liability, which was accounted for as a derecognition of the original financial liability and the recognition of a new one. The contractual conditions of the liability were changed mainly by transforming its nature in a "plain-vanilla" floating rate instrument at market conditions for periods and the previous accounting approach, i.e. catch-up recalculation of the EIR, is no more possible to apply.

Thus, the full amount of the liability was derecognized as of 23 November 2022 with positive one-off PL impact recognized in the line item *"Net income/(loss) from the sale or repurchase of financial liabilities"* equal to MCZK 181.

In 2023 Bank recognized, a Net Interest Income contribution from TLTRO equal to MCZK 583 as expense (2022: income of MCZK 97).

23. Financial liabilities at amortised cost – deposits from customers and Lease liabilities

Analysis of Deposits from Customers by Type

	31.12.2023	31.12.2022
Current accounts	432 412	394 021
Term deposits	130 902	99 875
Lease Liabilities	2 123	1 995
Sale and repurchase agreements (see section V, point 32)	50 060	–
Other	1 889	7 483
Total	**617 386**	**503 374**

Movements in Lease Liabilities

	2023	2022
As at 1 January	1 995	2 385
Additions	412	46
Accretion of interest	58	27
Lease payments	(365)	(428)
Other and FX rate gains or losses	23	(35)
Total at 31 December	**2 123**	**1 995**

The Group had total cash outflows for leases of MCZK 427 in 2023, incl. those leases that are not in-scope of IFRS 16 (in 2022: MCZK 495).

24. Financial liabilities at amortised cost – issued debt securities

Analysis of Issued Debt Securities

	31.12.2023	31.12.2022
Mortgage bonds	47 916	16 793
Structured bonds	1 753	1 372
Other issued debt securities	28 855	16 247
Total	**78 524**	**34 412**

Movements in Issued Debt Securities

	2023	2022
As at 1 January	**34 412**	**23 866**
Issue	43 084	13 283
Repayment of principal	(140)	(2 848)
Accretion of interest	2 212	429
Repayment of interest	(1 044)	(318)
Total at 31 December	**78 524**	**34 412**

Structured bonds (included in the line “Structured bonds” and partly in the line “Mortgage bonds”) include embedded options – currency, equity, commodity and interest rate options – in the total nominal value of MCZK 1 857 (at 31 December 2022: MCZK 1 291). The positive fair value of these derivatives of MCZK 4 is reported under “Financial assets held for trading” (at 31 December 2022: MCZK 384); the negative fair value of these derivatives of MCZK (238) is recognised under “Financial liabilities held for trading” (at 31 December 2022: MCZK (128)).

Other issued debt securities includes also MREL instrument (MREL = The Minimum Requirement for Own Funds and Eligible Liabilities) in the form of EUR Senior Non-Preferred Bond issued for purpose of fulfilment of the capital requirements under the EU law (BRRD2 Directive and Czech Recovery and Resolution Crisis Act) as a part of the Single Point of Entry model (“SPE”) applied within UC Group. The MREL instruments was issued as of 23 November 2021 with total nominal value of MCZK 16 408 and maturity date as of 23 November 2027 and as of 27 September 2023 with total nominal value of MCZK 10 632 and maturity date as of 23 September 2029. In both cases with option to call the bond after 5 years. The only investor is UniCredit S.p.A. The total value as of 31 December 2023 is MCZK 27 045 (at 31 December 2022: MCZK 15 967).

25. Negative fair value of hedging derivatives

Based on the Hedging Purpose

	31.12.2023	31.12.2022
Fair value hedging	14 886	14 576
Cash flow hedging	15 001	25 223
Total	**29 887**	**39 799**

More details on hedging are included in section V. Other Notes, point 35. Financial Risk management.

26. Other liabilities

	31.12.2023	31.12.2022
Deferred income and accrued expenses	1 345	1 430
Trade payables	385	415
Payables to employees	728	597
Unsettled security transactions	396	373
Clearing and settlement accounts	5 688	4 481
Other	563	407
Total	**9 105**	**7 703**

27. Provisions for risks and charges

Provisions for risks and charges include the following items:

	31.12.2023	31.12.2022
Provisions for off-balance sheet credit exposures	1 269	1 150
Stage 1	214	324
Stage 2	323	244
Stage 3	732	582
Legal disputes	41	89
Provision for restructuring	1	1
Other	107	24
Total	**1 418**	**1 264**

(a) Provisions for Off-Balance Sheet Credit Exposures

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	202	136	892	**1 230**
Charge during the year	294	253	212	**759**
Release during the year	(168)	(142)	(514)	**(824)**
Other – FX rate gains or losses	(4)	(3)	(8)	**(15)**
Total provisions for off-balance sheet credit items at 31 December 2022	**324**	**244**	**582**	**1 150**
Balance at 1 January 2023	324	244	582	**1 150**
Charge during the year	221	307	562	**1 090**
Release during the year	(333)	(231)	(419)	**(983)**
Other – FX rate gains or losses	2	3	7	**12**
Total provisions for off-balance sheet credit items at 31 December 2023	**214**	**323**	**732**	**1 269**

(b) Other Provisions

	Legal disputes	Restructuring provision	Other	Total
Balance at 1 January 2022	81	15	39	**135**
Charge during the year	15	–	(2)	**13**
Usage during the year	(7)	(5)	(12)	**(24)**
Release of redundant provisions and other	–	(9)	(1)	**(10)**
Total other provisions at 31 December 2022	**89**	**1**	**24**	**114**
Balance at 1 January 2023	89	1	24	**114**
Charge during the year	12	–	113	**125**
Usage during the year	(54)	–	53	**(1)**
Release of redundant provisions and other	(6)	–	(83)	**(89)**
Total other provisions at 31 December 2023	**41**	**1**	**107**	**149**

28. Income tax

(a) Tax in the Income Statement

	2023	2022
Current year tax expense	(2 091)	(2 361)
Changes on prior year tax expense estimate	160	19
Deferred tax	(190)	308
Total income tax expense	**(2 121)**	**(2 034)**

The income tax of the Group differs from the theoretical tax which would arise if the tax rate effective in the Czech Republic were applied as follows:

	2023	2022
Profit for the year before income tax	12 576	11 162
Tax calculated using the tax rate of 19%	(2 389)	(2 121)
Changes in estimates relating to prior years	160	22
Non-taxable income	505	277
Tax non-deductible expenses	(151)	(165)
Impact of prior years on the deferred tax	(174)	(4)
Impact of a higher Slovak tax rate	(16)	(22)
Recognition of previously unrecognised deferred tax	(2)	(7)
Other	(54)	(14)
Total income tax	**(2 121)**	**(2 034)**

The effective tax rate of the Group is 16.87% (2022: 18.22%*)*.

The item “Other” also includes the adjustment of deferred tax due to the change in the statutory nominal income tax rate from 19% do 21% in the amount of MCZK 35.

(b) Deferred Tax Asset/Liability

Deferred income tax is calculated on all temporary differences using the balance sheet liability method under the application of the appropriate tax rate.

When calculating net tax assets and liabilities, the Group offsets deferred tax assets against deferred tax liabilities arising from income tax paid to the same tax institution in the same tax category.

Group Management believes that the Group will be able to fully recover deferred tax assets reported as of 31 December 2023 based on the current and anticipated future level of taxable profits.

(i) Deferred Tax Asset

	31.12.2023	31.12.2022
Tax non-deductible provisions	163	131
Impairment of loans and off-balance sheet items	807	965
Differences arising from the net book values of tangible assets	496	29
Reserve from revaluation of hedging instruments *	1 239	1 979
Reserve from revaluation of financial assets at fair value through other comprehensive income *	86	54
Other	212	202
Offsetting against deferred tax liability	(812)	(334)
Net deferred tax asset	**2 191**	**3 026**

* Change in deferred tax from these items is posted via Other Comprehensive Income.

(ii) Deferred Tax Liability

	31.12.2023	31.12.2022
Impairment of loans and off-balance sheet items	567	558
Differences arising from the net book values of tangible assets	626	122
Differences arising from the net book values of intangible assets	175	161
Reserve from revaluation of hedging instruments *	13	70
Reserve from revaluation of financial assets at fair value through other comprehensive income *	13	20
Reserve from revaluation of property measured at fair value *	46	52
Other	2	2
Offsetting against deferred tax asset	(812)	(334)
Net deferred tax liability	**630**	**651**

* Change in deferred tax from these items is posted via Other Comprehensive Income.

Change in Differences arising from the net book values of tangible assets (both Deferred tax asset and Deferred tax liability) in year-to-year comparison was caused by implementation of the Amendment to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, effective for annual periods beginning on or after 1 January 2023.

The Group additionally carries the following deferred tax assets which are not recognised: arising from non-tax deductible provisions recognized Unicredit Bank of MCZK 11 (2022: MCZK 11) and by UniCredit Leasing Slovakia, a.s. of MCZK 29 (2022: MCZK 29) and from tangible assets by UniCredit Leasing CZ, a.s. of MCZK 23 (2022: MCZK 18).

29. Issued capital and share premium

The recorded, issued and fully paid capital of the Group amounted to MCZK 8 755 as of 31 December 2023 and 2022.

(a) Shareholder Structure

Entity	Registered office	Nominal value of shares in MCZK	Share premium in MCZK	Ownership percentage
At 31 Dec 2023				
UniCredit S.p.A	Italy	8 755	3 495	100.00
Total		**8 755**	**3 495**	**100.00**
At 31 Dec 2022				
UniCredit S.p.A	Italy	8 755	3 495	100.00
Total		**8 755**	**3 495**	**100.00**

(b) Capital Breakdown

	31 Dec 2023 Number of shares	31 Dec 2023 MCZK	31 Dec 2022 Number of shares	31 Dec 2022 MCZK
Ordinary shares of CZK 16,320,000	100	1 632	100	1 632
Ordinary shares of CZK 13,375,000	200	2 675	200	2 675
Ordinary shares of CZK 10,000	436 500	4 365	436 500	4 365
Ordinary shares of CZK 7,771,600	10	78	10	78
Ordinary shares of CZK 46	106 563	5	106 563	5
Total issued capital		**8 755**		**8 755**

The shares are freely transferrable. Ordinary shares include the entitlement to participate in the Group's governance and the entitlement to a share on profit.

The most significant topics that are within the scope of authority of the general meeting and that a shareholder can therefore make decisions about include:

a. Decisions about changes to the Articles of Association, unless it is a change resulting from the increase of share capital by the Board of Directors as per Section 511 et seq. of Act No. 90/2012 Coll., on Business Corporations (BCA), or a change that occurred based on other legal facts;
b. Decisions on the increase in share capital or on authorising the Board of Directors as per Section 511 et seq. of the BCA, or about the possibility of offsetting a cash receivable from a bank against a receivable for the payment of the issue rate;
c. Decisions to decrease the share capital and to issue bonds as per Section 286 et seq. of the BCA;
d. Appointing and recalling members of the Supervisory Board, Audit Committee and other bodies set by the Articles of Association;
e. Approving regular, extraordinary or consolidated financial statements and in cases defined by the law also interim financial statements, decisions about the allocation of profit and or other own resources or about the settlement of loss and the determination of shares in profit for the members of the Board of Directors and the Supervisory Board;
f. Decisions about remuneration of members of the Supervisory Board and the Audit Committee;
g. Decisions about filing a request for equity securities of the Bank to be accepted for trading on a European regulated market or to be excluded from trading on a European regulated market;
h. Appointing the Bank's auditors based on the recommendation of the Audit Committee; and
i. Decisions about establishing discretionary funds of the Bank and the methods of their creation and use.

The effective date for the exercise of the right to a dividend is the same as the effective date for participation at the General Meeting; this date is the seventh calendar day before the General Meeting is held. The right to a dividend lapses after the three-year legal period passes in line with Section 629 of Act No. 89/2012 Coll., Civil Code.

After the dissolution of the Bank, each shareholder has a right to a share in the liquidation proceeds in line with Section 37 of the BCA; this share is paid out in cash. The decision to dissolve the Bank with liquidation, to appoint and recall a liquidator including the determination of remuneration, and the approval of the proposed distribution of the liquidation proceeds are within the authority of the General Meeting.

Both at 31 December 2023 and 31 December 2022, the Group held no treasury shares.

30. Equity-based bonuses

The Group has not implemented any employee motivation or stabilisation programme for the purchase of treasury shares or remuneration in the form of treasury share options.

31. Retained earnings and reserve funds

The following table shows the breakdown of the reserve funds:

	31.12.2023	31.12.2022
Reserve funds	5 243	5 243
Special-purpose reserve fund	11 609	11 609
Retained earnings	52 399	52 221
Total	**69 251**	**69 073**

As part of the cross-border merger, the share capital of UniCredit Bank Slovakia a.s. of MCZK 6 056, the reserve fund of UniCredit Bank Slovakia a.s. of MCZK 1 166 and retained earnings of UniCredit Bank Slovakia a.s. of MCZK 4 385 were transferred into a Special-purpose reserve fund denominated in EUR. This part of the Special-purpose reserve fund in total amount of MCZK 11 609 from cross-border merger can only be used to settle the loss of the Bank.

32. Repurchase and reverse repurchase transactions

(a) Reverse Repurchase Transactions

	31.12.2023	31.12.2022
Loans and advances to banks	134 596	72 101
Fair value of securities received	132 295	70 740

No securities received as collateral as part of reverse repurchase transactions are further provided as collateral under repurchase transactions as of 31 December 2023 and as of 31 December 2022.

(b) Repurchase Transactions

	31.12.2023	31.12.2022
Deposits from banks	15 209	4 851
Deposits form clients	50 060	–
Fair value of securities provided	66 893	5 694

33. Contingent liabilities, contingent assets and financial derivatives

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.

(a) Contingent Liabilities

Legal Disputes

As of 31 December 2023, the Group assessed the legal disputes in which it acted as a defendant. The Group recorded provisions for these legal disputes (see section V, point 27). 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.

Taxation

Czech and Slovak tax legislation has significantly changed in recent years. Many complicated legislation areas remained unresolved, and it may not be possible to determine the interpretation of taxation authorities in specific cases in advance. It is not possible to quantify the consequences of this uncertainty; they may be resolved solely under the condition that the relevant legal regulations are adopted in practice or in the event that official interpretations are available.

Loan Commitments, financial guarantees and other commitments given

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.

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 (see section V. Other Notes, point 35. Financial Risk Management).

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 (see section V. Other Notes, point 35. Financial Risk Management).

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 31 December 2023, the aggregate provisions amounted to MCZK 1 269 (as of 31 December 2022: MCZK 1 150), see section V. Other Notes, point 27. Provisions (a).

	Gross amount	Provisions for risks and charges	Net amount
31.12.2023			
Letters of credit and financial guarantees	**49 947**	**(570)**	**49 377**
– Stage 1	46 136	(127)	46 009
– Stage 2	3 424	(141)	3 283
– Stage 3	387	(302)	85
Other contingent liabilities (undrawn credit facilities)	**173 231**	**(699)**	**172 532**
– Stage 1	160 285	(87)	160 198
– Stage 2	12 108	(182)	11 926
– Stage 3	838	(430)	408
Total	**223 178**	**(1 269)**	**221 909**
31.12.2022			
Letters of credit and financial guarantees	**52 405**	**(594)**	**51 811**
– Stage 1	48 832	(202)	48 630
– Stage 2	3 204	(73)	3 131
– Stage 3	369	(319)	50
Other contingent liabilities (undrawn credit facilities)	**159 733**	**(556)**	**159 177**
– Stage 1	142 798	(122)	142 676
– Stage 2	16 176	(171)	16 005
– Stage 3	759	(263)	496
Total	**212 138**	**(1 150)**	**210 988**

Classification of Off-balance sheet items gross amount according to Internal Rating incl. Probability of Default ("PD") for Internal Ratings

	Gross Off-balance sheet items		PD – mid values 31 Dec 2023 and 31 Dec 2022
	31 Dec 2023	31 Dec 2022	
Performing receivables – stage 1 and 2			
Internal rating 1	24 032	18 071	0,02 % – 0,04 %
Internal rating 2	45 433	34 713	0,06% – 0,10%
Internal rating 3	33 594	55 757	0,14% – 0,26%
Internal rating 4	65 494	52 518	0,36% – 0,66%
Internal rating 5	30 839	28 736	0,90% – 1,68%
Internal rating 6	18 518	17 216	2,29% – 4,25%
Other internal rating	4 040	3 855	5,80% – 20,00%
Receivables without internal rating	3	144	37,15%
Total	**221 953**	**211 010**	
Non-performing receivables – stage 3	1 225	1 128	100%
Total	**223 178**	**212 138**	

(b) Contingent Assets

The Bank has an option to draw a credit line from The Export-Import Bank of The Republic of China of MCZK 224 (MUSD 10) with the maximum maturity of five years from the time of drawing.

(c) Financial Derivatives

(i) Nominal and Fair Values of Financial Derivatives

	Nominal value	Positive fair value	Negative fair value
31.12.2023			
Trading instruments – interbank market (OTC)			
Options (majority for FX)	145 229	1 817	1 810
Interest rate swap contracts	862 970	28 067	26 982
Forward rate agreements (FRA)	8 220	8	1
Cross currency swap contracts	177 469	3 252	2 615
Foreign exchange forwards and swaps	35 829	445	1 588
Other instruments	3 298	394	377
Total trading instruments	**1 233 015**	**33 983**	**33 373**
Hedging instruments			
Interest rate swap contracts	763 090	13 921	29 342
Cross currency swap contracts	83 274	391	545
Total hedging instruments	**846 364**	**14 312**	**29 887**

	Nominal value	Positive fair value	Negative fair value
31.12.2022			
Trading instruments – interbank market (OTC)			
Options (majority for FX)	126 391	2 001	2 000
Interest rate swap contracts	922 527	44 066	43 693
Forward rate agreements (FRA)	1 206	–	4
Cross currency swap contracts	154 852	5 749	3 706
Foreign exchange forwards and swaps	44 302	174	2 646
Other instruments	4 186	694	676
Total trading instruments	**1 253 464**	**52 684**	**52 725**
Hedging instruments			
Interest rate swap contracts	643 386	19 775	39 378
Cross currency swap contracts	98 480	1 656	421
Total hedging instruments	**741 866**	**21 431**	**39 799**

(ii) Residual Maturity of Financial Derivatives Concluded on the Interbank Market

	Up to 1 year	1 – 5 years	Over 5 years	Total
31.12.2023				
Trading instruments				
Interest rate instruments	170 261	475 766	262 430	908 457
Equity instruments	825	3 195	–	4 020
Currency instruments	218 387	90 928	7 925	317 240
Other	2 497	801	–	3 298
Total	**391 970**	**570 690**	**270 355**	**1 233 015**
Hedging instruments				
Interest rate instruments	101 381	433 244	228 465	763 090
Currency instruments	16 118	16 852	50 304	83 274
Total	**117 499**	**450 096**	**278 769**	**846 364**
31.12.2022				
Trading instruments				
Interest rate instruments	174 225	477 212	299 419	950 856
Equity instruments	373	2 914	116	3 403
Currency instruments	188 581	98 609	7 829	295 019
Other	2 992	1 194	–	4 186
Total	**366 171**	**579 929**	**307 364**	**1 253 464**
Hedging instruments				
Interest rate instruments	105 331	347 871	190 184	643 386
Currency instruments	14 744	35 228	48 508	98 480
Total	**120 075**	**383 099**	**238 692**	**741 866**

34. Segment reporting

The Group presents the segment information based on performance criteria as disclosed in section III. Material Accounting Policies, point 20. Segment reporting.

(a) Segment Information by Client Category

	Retail and private banking	Corporate and investment banking, leases	Other	Total
31.12.2023				
Net interest and dividend income	5 273	12 788	(2 630)	**15 431**
Net fee and commission income	821	2 900	(59)	**3 662**
Management services	366	3	–	**369**
Deposit and custody services and Securities transactions	149	302	(60)	**391**
Financial services (loans, guarantees, factoring etc.)	158	1 568	3	**1 729**
Transactional and Banking Services (current accounts, payments etc.)	148	1 027	(2)	**1 173**
Other net income	497	2 847	331	**3 675**
Depreciation/impairment of property and equipment and intangible assets	–	(191)	(1 658)	**(1 849)**
Impairment loss	(450)	63	97	**(290)**
Segment expenses	(3 900)	(4 790)	637	**(8 053)**
Profit before tax	2 241	13 617	(3 282)	**12 576**
Income tax	–	–	(2 121)	**(2 121)**
Result of segment	**2 241**	**13 617**	**(5 403)**	**10 455**
Segment assets	213 035	652 880	17 995	**883 910**
Segment liabilities	272 827	441 160	83 378	**797 365**

	Retail and private banking	Corporate and investment banking, leases	Other	Total
31.12.2022				
Net interest and dividend income	5 008	11 199	(1 615)	**14 592**
Net fee and commission income	1 133	2 725	(56)	**3 802**
Management services	367	4	–	**371**
Deposit and custody services and Securities transactions	109	301	(47)	**363**
Financial services (loans, guarantees, factoring etc.)	157	1 375	6	**1 538**
Transactional and Banking Services (current accounts, payments etc.)	500	1 045	(15)	**1 530**
Other net income	604	3 119	(199)	**3 524**
Depreciation/impairment of property and equipment and intangible assets	–	(173)	(1 466)	**(1 639)**
Impairment loss	(39)	(1 553)	(8)	**(1 600)**
Segment expenses	(3 729)	(4 534)	746	**(7 517)**
Profit before tax	2 977	10 783	(2 598)	**11 162**
Income tax	–	–	(2 034)	**(2 034)**
Result of segment	**2 977**	**10 783**	**(4 632)**	**9 128**
Segment assets	190 860	558 726	16 826	**766 412**
Segment liabilities	221 858	423 599	39 533	**684 990**

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.

(b) Information on Geographical Areas

	Czech Republic	Slovakia	Total
31.12.2023			
Net interest and dividend income	10 615	4 816	**15 431**
Net fee and commission income	2 551	1 111	**3 662**
Other net income	2 190	1 492	**3 682**
Depreciation/impairment of property and equipment and intangible assets	(1 304)	(545)	**(1 849)**
Impairment loss	(22)	(268)	**(290)**
Segment expenses	(6 026)	(2 034)	**(8 060)**
Profit before tax	8 004	4 572	**12 576**
Income tax	(1 510)	(611)	**(2 121)**
Result of segment	**6 494**	**3 961**	**10 455**
Segment assets	725 651	158 259	**883 910**
Segment liabilities	681 698	115 667	**797 365**

	Czech Republic	Slovakia	Total
31.12.2022			
Net interest and dividend income	11 751	2 841	**14 592**
Net fee and commission income	2 588	1 214	**3 802**
Other net income	2 726	798	**3 524**
Depreciation/impairment of property and equipment and intangible assets	(1 124)	(515)	**(1 639)**
Impairment loss	(879)	(721)	**(1 600)**
Segment expenses	(5 398)	(2 119)	**(7 517)**
Profit before tax	9 665	1 497	**11 162**
Income tax	(1 616)	(418)	**(2 034)**
Result of segment	**8 049**	**1 079**	**9 128**
Segment assets	627 370	139 042	**766 412**
Segment liabilities	539 619	145 371	**684 990**

35. Financial risk management

(a) Introduction
The Group is exposed to the following types of risk:
- Credit risk;
- Market risk; and
- Operational risk.

The Board of Directors is responsible for the overall risk management strategy which it approves and assesses on a regular basis. The Board of Directors has established the Assets and Liabilities Committee (ALCO), the Credit Committee and the Committee for Operational Risk Management. These committees are in charge of monitoring and managing individual risks with regard to individual specific fields. The committees report to the Board of Directors on a regular basis.

The principal part of the Group is the Bank; for this reason, the below description primarily relates to the risk management in the Bank. Risk management in subsidiaries is described in section V. Other Notes, point 35b (vi).

(b) Credit Risk
The Group is exposed to credit risk as a result of its trading, lending, hedging investment and brokerage activities.

Credit risk is managed at the level of individual customers (transactions) and at the portfolio level.

The Credit Underwriting, Credit Operations and Strategic Credit Risk Management departments are directly responsible for credit risk management. These departments are organisationally independent of the business divisions and report directly to a member of the Board of Directors in charge of the Risk management division (Chief Risk Officer).

Under its credit risk management policy, the Group defines the general principles, methods and tools applied when identifying, measuring and managing credit risk. The Group's credit risk management policy is set by the Strategic Credit Risk Management department. This policy is reviewed on a regular basis at least once a year.

In its internal guidelines, the Group defines the underwriting approval competencies, including the definition of responsibilities and competencies of the Credit Committee.

The table below presents the maximum credit risk exposure related to balance sheet assets. Maximum credit risk exposure excludes impact of received collateral:

	2023	2022
Cash and cash balances	8 818	7 754
Financial assets at fair value through profit or loss, *of which:*	34 156	53 235
Held for trading	33 985	52 695
Mandatorily at fair value	171	540
Financial assets at fair value through other comprehensive income	51 953	28 319
Financial assets at amortised cost, *of which:*	759 650	644 801
Loans and advances to banks	158 548	107 721
Loans and advances to customers	601 102	537 080
Positive fair value of hedging derivatives	14 312	21 431
Changes in fair value of the portfolio of hedged instruments	1 122	(3 164)
Other assets	1 628	1 490
Total	**871 639**	**753 866**

The table below presents the maximum credit risk exposure related to off-balance sheet items. Maximum credit risk exposure excludes impact received collateral:

	2023	2022
Letters of credit and financial guarantees	49 377	51 811
Other contingent liabilities (undrawn credit facilities)	172 532	159 177
Total	**221 909**	**210 988**

(i) Credit Risk Management at the Level of Individual Customers

The internal rating system comprises 26 rating levels (1 to 10 adding "+" and "–" to certain rating classes, such as: 1+; 1; 1–; 2+; etc). When classifying customers, the Bank assesses (in addition to the number of days past due with regard to overdue receivables, if any) financial indicators related to the client (such as the structure of and proportion between the statement of financial position, the income statement, and the cash flow statement), management quality, ownership structure, individual customers' market position, reporting quality, production equipment, account-use history, etc. Customers in default are assigned internal ratings of 8–, 9 or 10.

Corporate customers

Credit risk at the level of individual customers is managed by analysing customers' financial health and determining maximum credit risk exposure (credit limit). Analysis is focused on the customers' competitive position in the relevant market, a rating of their financial statements, prediction of future liquidity, etc. The result of this analysis is, inter alia, a rating that reflects the probability of client default and takes into account quantitative, qualitative and behavioral factors. Analysing the financial position and setting the limits for credit exposure and rating is undertaken prior to the granting of a loan. Subsequently the rating is reviewed, and creditworthiness is reassessed at least annually.

Retail customers

For receivables from individuals, the ability of the client to fulfil their obligations is determined using a standardised system of credit scoring based on risk-relevant features (credit application scoring). The Bank sets and regularly updates the probability of client default, using the behavioral scoring method. A client's final rating combines both application and behavioral components.

Credit registries

The Bank uses information provided by credit registries as an additional source of information for assessing a client's financial standing for both Corporate and Retail Client

Collateral

In accordance with its credit risk management strategy, prior to granting the loans, the Bank may require that the customers post collateral for the loans. The amount and type of collateral depends on the client's financial health and the type of the loan. The Bank considers the following to be acceptable types of collateral: cash, investment grade securities, guarantees issued by other reputable entities (including bank guarantees), and pledges in form of mortgage over real estate property. When determining the realisable value of collateral, the Bank principally takes into consideration the financial health of the party providing the collateral for personal collateral (eg guarantees) and the nominal value of the collateral for non-personal collaterals such as pledge of property. The collateral is valued based on expert appraisals made by a special department of the Bank or external valuations. The realisable value of collateral is determined based on this appraised value by applying an adjusting co-efficient that reflects the Bank's ability to realise the given collateral, as and when needed.

(ii) Credit Risk Management at the Portfolio Level

The Bank regularly analyses and monitors trends in individual credit sub-portfolios

The Bank monitors its overall credit risk exposure, ie it takes into account all on-balance and off-balance sheet exposures and quantifies the expected losses from its credit exposure on regular basis. The expected loss is determined based on internal estimates of risk parameters, ie the probability of default (PD), exposure at default (EaD) and loss given default (LGD).

The Bank regularly monitors its credit exposure to individual industries, countries, or economically-connected groups of debtors.

The Bank assesses the concentration risk of the loan portfolio on a regular basis and establishes concentration limits as appropriate in relation to specific industries, countries, or economically-connected groups of debtors.

(iii) Classification of Receivables, Impairment Losses and Provisions

The Bank categorises its receivables arising from financial activities on a regular basis, in accordance with IFRS 9 Financial instruments; in particular, it divides its receivables into non-performing receivables = receivables in default (stage 3) and performing receivables = receivables without default (stages 1 and 2).

Stage 2 receivables are receivables which have experienced significant increase in credit risk between the initial recognition and balance sheet date. All receivables are regularly monitored for default and significant increase in credit risk.

Impairment Losses on Non-Performing Receivables

Impairment losses related to individual non-performing receivables (ie stage 3 under IFRS 9 Financial Instruments) are recognised if carrying amount of individual receivables is less than recoverable amount and the Bank does not write off such receivables (fully or partially). The Bank assesses recoverable of the amount of all receivables in respect of which the debtors are in default: (i) individually if the amount of the receivable exceeds an equivalent of MEUR 1, (ii) collectively using recovery rate derived from the relevant model which reflects historic recovery experience. The Bank writes off receivables if no income is anticipated on it or on the collateral received with regard to the given receivable.

The impairment loss is (i) for individually assessed receivables equal to the difference between the receivable's gross carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate; (ii) for collectively assessed receivables equal to the lifetime expected credit loss determined on portfolio basis.

Impairment Losses on Performing Receivables

For performing receivables that have experienced no significant increase in credit risk since origination (ie stage 1), the Bank determines the impairment loss as the portion of lifetime expected credit losses (ECL) that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date (1-year expected credit loss). For Performing receivables that have experienced a significant increase in credit risk since origination, but are still performing receivables (ie stage 2), the Bank determines the impairment loss as the expected loss until the final maturity of the receivable (lifetime expected credit loss).

Credit exposures included in stage 1 due to low credit risk exemption amounts to MCZK 1 293 as of 31 December 2023 represented by retail exposures (31 December 2022: MCZK 13).

Provisions for Off-Balance Sheet Items

The Bank recognises such provisions using the same methods as are used in determining impairment losses on receivable portfolios while taking into account conversion factors related to the specific type of the off-balance exposure.

Impact of ESG Topics on Impairment Losses

In relation of the ESG topics currently no impact to provisions was identified. In coordination with the UniCredit Group´s activities data collection and delivery for stress testing and regulatory reporting (e.g. regarding physical risks, transitional risks and energy performance certificate) were carried out. No result or impact is known yet as of 31 December 2023. The Group is aware of the importance of ESG topic for the future and makes steps to be prepared to cover the upcoming requirements. Accordingly, UniCredit Group signed up to the Net-Zero Banking Alliance. Additionally, a methodology to estimate the potential actual annual deterioration of the fair value (FV) of the collaterals behind the mortgage portfolio has been developed. The Group is active to promote the ESG topic in communication with clients and to support them to provide necessary information using implemented questionnaires.

Data collection and assessment from ESG questionnaire process is mandatory part of approval process for high-end exposure part of portfolio with further future extension of the process to different client groups. The Group is a member of the regular ESG committee of the Czech Banking Association, supporting and cooperating on activities targeting future smooth data collection and processing helping clients to reduce data collection burden. A part of this activity is the creation and the implementation of harmonized questionnaire, which will be used by all larger banks on the Czech and Slovak markets to collect data related to ESG. Internal implementation project regarding data storage and processing is in progress.

(iv) Forbearance
The Bank classifies loan receivables as forborne if the originally agreed payment conditions were changed since the loan provision due to customers' financial difficulties (changes predominantly include payment deferral, temporary payment reduction, postponement of the ultimate due date, etc). These items are recognised in the statement of financial position either as non-performing loan receivables or performing loan receivables.

Loan receivables with a change in the originally-agreed payment conditions are generally classified as non-performing loan receivables. Following a robust assessment, the Bank may categorise individual receivables as performing receivables, despite a change in the conditions. This approach is applied if the reasons for the change of the payment conditions are not serious and the Bank does not anticipate incurring a loss from the future collection of such loan receivables.

Performing receivables also include receivables originally classified as non-performing receivables upon the change of payment conditions and which were subsequently transferred into the category of Performing loan receivables because the debtor complied with newly-agreed conditions in line with the Bank's internal rules. This group accounts for the majority of loan receivables reported as forborne – performing receivables.

Loan receivables with changed payment conditions are managed by Credit Restructuring & Workout Department and are subject to standard restructuring and workout procedures and monitoring. The exception is receivables that are not assessed as non-performing receivables upon a change of the payment conditions. These loans are only managed by Credit Restructuring & Workout Department after a thorough assessment of the need to use the know-how of this specialised unit. When releasing receivables from the management of this unit, the statues of individual cases and the need to use the know-how of the Credit Restructuring & Workout staff is also carefully reviewed.

The period for which the client is designated as forborne is referred to as the probation period and lasts a minimum of two years from the client default /forbearance if the forbearance was without client default. In addition, this period can only be terminated if the client fulfils the agreed conditions duly and timely, is not in delay in excess of 30 days. For amortizing loans, the debt must be reduced by at least 10% during probation period.

Due to the size of the forborne portfolio and the above procedures and practices, we have not identified any serious threats for the Bank resulting from this portfolio. This is supported by the fact that a portion of receivables with changed payment conditions in order to overcome the debtor's deteriorated financial position is reclassified once more as non-performing (recognised in the Bank's statement of financial position as non-performing forborne receivable – see above).

(v) Recovery of Receivables
The Bank has established the Credit Workout & Restructuring Department which manages the receivables whose recoverability is at risk (both Non-performing and Performing). The purpose of this unit involves achieving one or a number of the following goals in respect of risk-bearing credit receivables:

a. "Revitalisation" of the credit arrangement, restructuring and subsequent reclassification into standard receivables;
b. Full repayment of the credit;
c. Minimisation of the loss from the credit (realisation of collateral, sale of the receivable with a discount, etc); and/or
d. Prevention of additional losses from the loan (comparison of future expenses versus income).

(vi) Risk Management in Subsidiaries
The risk management in subsidiaries follows similar principles as the risk management in the Bank taking into account specific features of products provided by subsidiaries and their portfolios.

These specific features primarily include the following:

- Determination of the fair value of financed assets when deciding on the provision of funding;
- Management of risk of a market value change of financed assets during financing;
- Valuation and selling activities after an extraordinary termination of a contract (or due termination of a contract in respect of operating leases) and management of the risk arising from these operations;
- Control activities to prove the connection of the purpose of financing with the existence of the financed asset before the conclusion of the contract and during the contract period (including the prevention against fraudulent activities); and
- Management of the risk of concentration in relation to types of financed assets (classes of assets).

The organisational structure of risk management, risk decision-making committees and system for the allocation of authorities are adjusted to reflect the specific features or products and risks of subsidiaries. This ensures both the independence of risk management from business activities and independence of the persons participating in the valuation of assets and their realisation from the persons having the decision-making authority in the provision of funding.

(c) Market Risk

(i) Trading
The Group holds trading positions in various financial instruments, including financial derivatives. The majority of the Group's business

activities are driven by the requirements of the Group's customers. Depending on the predicted demand of its customers, the Group holds a supply of financial instruments and maintains access to the financial markets through quoting of the bid and offer prices and by trading with other market makers. These positions are also held for the purpose of short term profit taking on the expected future development of financial markets and the instruments are classified in line with IFRS 9 Financial instruments as held for trading. The Group's business strategy is thus affected by short term profit taking and market-making and its goal is to maximise net income from trading.

The Group manages risks associated with its trading activities at the level of individual types of risk and types of financial instruments. The basic tools used for market risk management are limits on the volumes applicable to individual transactions, limits for portfolio sensitivity (basis point value, or BPV), stop loss limits, and value at risk (VaR) limits. The description quantitative methods applied in risk management are included in the following section "Market risk management".

The majority of derivatives are negotiated on the OTC market due to the non-existence of a public market for financial derivatives in the Czech Republic.

(ii) Market Risk Management

Below are described selected types of risk to which the Group is exposed through its trading activities as well as managing the positions resulting from these activities and managing these risks. There is also market risk exposure in the Group's banking book which corresponds to portfolios of financial instruments not held for trading. Market Risk is measured for the Trading and Banking book separately and also collectively. The procedures applied by the Group to measure and manage these risks are described in detail in the following paragraphs.

The Group is exposed to market risk arising from its open positions in interest rate, equity and foreign currency instrument transactions that are sensitive to changes in the situation on the financial market.

The Group's risk management focuses on managing the total net exposure to interest rate risk resulting from the Group's structure of assets and liabilities. The Group monitors interest rate risk by measuring the sensitivity of particular assets and liabilities which mature/reprice in specific time interval. This sensitivity is expressed by the change in the values of assets and liabilities if interest rates increase by one basis point (BPV). For hedge accounting purposes, the Group identifies specific assets/liabilities causing this mismatch so that the accounting criteria for the application of hedge accounting are met.

Value at Risk

Value at Risk represents the main method for managing market risks arising from the Group's open positions. Value at Risk represents the potential loss from an unfavourable movement on the market within a certain time period at a certain confidence level. Value at Risk is measured based on a 1-day holding period and a confidence level of 99%. The Group's Value at Risk ("VaR") model calculations have the following limitations:

- The one-day holding period assumes that all positions can be closed during a single day. This assumption does not necessarily apply to markets with lower liquidity.
- The 99% confidence level does not reflect all possible losses that can occur at this confidence level.
- VaR is calculated from the positions at the end of the trading day and does not consider the positions which can be opened on an "intra-day" basis.
- Using historical data as a basis for determining possible future developments does not necessarily cover all possible future scenarios, especially crisis scenarios.

The Group uses VaR to measure interest rate risk, foreign currency risk, equity risk and other types of risk connected with the negative movements in the prices of market factors (spread risk, option risk, etc). The aggregate structure of VaR limits is approved by the Assets and Liabilities Committee (ALCO). At least once a year, the structure and amount of limits are revised in accordance with the Group's needs and developments on the financial markets. The results of the VaR calculation are published daily for selected users (Board of Directors, selected employees of the Financial Markets Department, the Market Risk Department, the Assets & Liabilities Management Unit, and the MARS department of the parent bank/sub-holding).

The VaR calculation divides the calculated risk into interest rate and credit portions. The credit portion of VaR is calculated based on the volatility of the credit spread between securities and the risk free interest rate. For this purpose, the yield curves of particular issuers, industries, or groups of issuers with identical rating are downloaded into the system for market risk management. Specific securities are mapped to these yield curves and the volatility of the credit spread is calculated. The Group regularly reassesses the mapping of debt securities with the relevant yield curves and, if necessary, the debt securities are re-mapped to curves that reliably reflect the credit risk of the specific debt securities

The outputs of the VaR calculation model are back-tested and compared with the results of the changes to interest rates on the financial markets on a daily basis. If the Group identifies any inaccuracies, the model is adjusted to correspond with the current development on the financial markets.

The table below shows the Values at Risk:

	At 31 Dec 2023	Average for 2023	At 31 Dec 2022	Average for 2022
VaR of Financial assets at fair value through profit or loss Held for trading	13,79	12,74	10,83	26,51
VaR of Financial assets at fair value through other comprehensive income	177,67	240,60	168,57	140,11

Value at Risk
The year 2023 was mainly affected by the global increase in prices, which we observed every month in the form of high inflation. We could observe, both at the level of the Czech Republic and at the level of the EU, the very strict monetary policy of the central banks in the form of high interest rates, which contributed to a slowdown in the growth of inflation, but also to a slowdown in the growth of the economy.

The VaR of financial assets at fair value through profit or loss Held for trading intended for trading was without major fluctuations in 2023, the position was reduced in 2022 as part of the centralization of the trading book to UniCredit Group in accordance with the Group's strategy. From the point of view of financial assets at fair value through other comprehensive income, there was an increase in the position of government bonds in 2023 in accordance with the Group's strategy.

Interest Rate Risk
The Group is exposed to interest rate risk because of mismatch in interest-bearing assets and liabilities maturities, re-pricing periods and notionals in defined time buckets (gap or mismatch risk). In the event of a change in interest rates, the Group is also exposed to interest rate risk as a result of the different mechanism or timing of adjustments to particular types of interest rates (such as PRIBOR), declared interest rates on deposits (basis risk and yield curve risk). Interest risk management is focused on optimising the Group's net interest income in accordance with the strategies approved by the Board of Directors.

The overall interest rate position of the Group is measured primarily by calculating the sensitivity of the change in the fair value of the portfolio to a shift in interest rates by one basis point (BP01). Interest rate sensitivity is measured with a breakdown by time period and individually by currency. Different interest rate risks related to individual currencies are offset within individual time buckets and aggregate short and long positions. The main positions are represented by CZK and EUR.

The utilization of the base point value (BP01) remained generally stable during the period considered.

Interest rate derivatives are generally used to manage the mismatch between the interest sensitivity of assets and liabilities. These transactions are carried out in accordance with the internal Liquidity Management Policy and the internal Funds Transfer Pricing Policy and by the Strategy of Interest Rate Risk Management in the Banking Book approved by the Board of Directors. Part of the Group's income is generated by the intentional mismatch between the assets and liabilities that are interest rate-sensitive.

The Group applies a "Basis Point Value (BPV)" approach for measuring interest sensitivity of assets and liabilities. BPV represents the change in the present value of cash flows derived from individual instruments if interest rates increase by one basis point (0.01%), ie it represents the sensitivity of instruments to interest rate risks.

The Group has set up interest rate risk limits to restrict oscillation of net interest income resulting from changes of interest rates by 0.01% (the "BPV limit").

Stress Testing of Interest Rate Risk
The Group carries out monthly following stress scenarios:
- Group calculates simulated impact to Economic Value of Equity ("EVE") under stress scenarios of significant movements in financial markets, internally defined low probability scenarios and UniCredit Group macro scenarios.
- Group calculates the impact to Net Interest Income ("NII") under stress scenarios of significant movements in financial markets

Both stress tests are on a monthly basis compared to set of Risk Appetite Framework ("RAF") Triggers.

EVE stress test
EVE, ie the economic value of equity, is calculated as the present value of all cash flows of assets decreased by the present value of all cash flows of liabilities. In other words, it is the net present value ("NPV") of all the Group's future cash flows.

The stress test aims to express the increase / decrease of this net NPV depending on the shock change of market factors and to compare the decrease of NPV with the set limits (internal and regulatory).

The standard stress scenario corresponds to a various shifts in the interest yield curve required by regulators including:
- EBA +200/-200 basis points shift,
- Supervisory outlier test ("SOT"): Parallel Up, Parallel Down, Flattening, Steepening, Rates Up or Down

The following table shows the impact of the stress scenarios on the Group's EVE results. The Group uses the euro as the base currency for stress testing results.

Economic Value of Equity 2023								
	Stress test based on EBA (% impact on Equity) 2023				SOT test (% impact on Tier 1) 2023			
	EV+200	EV–200	Parallel up	Parallel down	Flattening	Steepening	Rates up	Rates down
Maximal impact of the stress test	–7,95%	5,91%	–8,00%	5,96%	–5,78%	3,92%	–7,40%	2,89%
Minimal impact of the stress test	–10,91%	2,68%	–10,94%	2,69%	–6,71%	3,04%	–8,33%	2,12%
Average impact of the stress test	–9,20%	3,84%	–9,24%	3,86%	–6,25%	3,45%	–8,01%	2,42%
RAF Trigger (31.12.2023)	–13,70%	–13,70%	–13,70%	–13,70%	–13,70%	–13,70%	–13,70%	–13,70%

Economic Value of Equity 2022								
	Stress test based on EBA (% impact on Equity) 2022				SOT test (% impact on Tier 1) 2022			
	EV+200	EV–200	Parallel up	Parallel down	Flattening	Steepening	Rates up	Rates down
Maximal impact of the stress test	–9,22%	9,04%	–9,32%	9,14%	–1,95%	4,19%	–6,01%	2,64%
Minimal impact of the stress test	–13,04%	4,44%	–13,20%	4,49%	–6,35%	2,67%	–8,80%	1,18%
Average impact of the stress test	–11,47%	5,79%	–11,58%	5,86%	–4,37%	3,49%	–7,04%	1,83%
RAF Trigger (31.12.2022)	–13,70%	–13,70%	–13,70%	–13,70%	–13,70%	–13,70%	–13,70%	–13,70%

NII stress test

The two main stress scenarios correspond to a parallel shift in the yield curve UP by 100 basis points and DOWN by –100 (or –30 for currencies with already negative rates) basis points for all currencies (CZK, EUR, USD)

Additional stress scenarios represent various market changes, for example parallel shifts +200/–200 basis points.

The following table shows the impact of these two main scenarios on the bank NII as a percentage portion against the Budgeted NII.

	RAF Parallel Up	RAF Parallel Down	NII +200bps	NII –200bps
Net interest income (% impact on NII budget) 2023				
Maximal impact of the stress test	3,75%	0,70%	1,35%	0,55%
Minimal impact of the stress test	–0,70%	–3,77%	–2,41%	–2,84%
Average impact of the stress test	1,94%	–1,96%	0,49%	–1,44%
RAF Trigger	–13,00%	–13,00%	–	–
Net interest income (% impact on NII budget) 2022				
Maximal impact of the stress test	11,57%	–1,81%	4,08%	–0,96%
Minimal impact of the stress test	4,37%	–8,27%	1,44%	–3,19%
Average impact of the stress test	8,91%	–4,72%	2,92%	–2,42%
RAF Trigger	–11,50%	–11,50%	–	–

Hedge Accounting

As part of its market risk management strategy, the Group hedges against interest rate risk. The Group's hedge strategy uses both fair value hedges and cash flow hedges.

Fair value hedges are used for reducing the price interest rate risk of issued bonds, purchased securities, loans or deposits. Cash flow hedges are used to eliminate uncertainty in future cash flows in order to stabilise Net interest income; in other words to manage reinvestment risk.

Fair Value Hedging
Hedged instruments include separately financial assets and liabilities recognised at amortised cost and debt financial assets at fair value through other comprehensive income. Hedging instruments are derivatives (most commonly interest rate swaps and cross currency swaps).

At the inception of the hedge relationship, the Group performs a prospective fair value hedge effectiveness test on the basis of future changes in fair values of hedged and hedging instruments and of expected interest rates movements (the "prospective test"). On the basis of actual interest rate developments, a test of effectiveness is carried out monthly. The Group undertakes monthly effectiveness testing to be able to detect possible non-effectiveness of the hedge relationships.

For particular hedged items and hedging transactions (loans, deposits, securities, interest rate swaps, etc), specific dates and amounts of cash flows are determined from the inception of a hedge relationship until the maturity of the hedged instrument. The present values of particular cash flows for the relevant date (date of effectiveness measurement) are determined on the basis of the discount factors for specific currencies. The fair value of a transaction is the sum of discounted cash flows from the relevant trade at the given time. The cumulative change of the fair value is determined by comparing the fair value in the given time with the initial valuation. These cumulative changes are further netted for realised cash flows by adding them back or subtracting. The hedge effectiveness is measured using the comparison of the cumulative change in the fair value of the hedged and hedging instrument. The hedge is considered effective if the proportion of cumulative fair value changes of hedged and hedging instruments is between 80% and 125%.

In the table below, the Group sets out the accumulated fair value adjustments arising from the corresponding continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the year.

	Carrying amount of hedged items (excluding the accumulated fair value hedge adjustment)		Accumulated amount of fair value adjustments on the hedged items	
	Assets	**Liabilities**	**Assets**	**Liabilities**
31 Dec 2023				
Fair Value Hedge				
Micro fair value hedges				
Interest rate risk – see "A" below	80 013	44 635	591	416
Portfolio fair value hedges				
Interest rate risk – see "B" below	168 448	131 483	1 122	(6 540)
31 Dec 2022				
Fair Value Hedge				
Micro fair value hedges				
Interest rate risk – see "A" below	48 328	18 954	3 561	(457)
Portfolio fair value hedges				
Interest rate risk – see "B" below	86 770	101 590	(3 164)	(12 656)

The corresponding Consolidated Statement of Financial Position line items, where the hedged item and the cumulative fair value changes are recorded, include:
"A" represents hedging of
- Loans presented in the line *"Financial assets at amortised cost, of which: Loans and advances to customers"*,
- Purchased bonds presented in the line *"Financial assets at fair value through other comprehensive income"*,
- Money-markets trades presented in the line *"Financial liabilities at amortised cost, of which: Deposits from banks"* and
- Issued bonds presented in the line *"Financial liabilities at amortised cost, of which: Debt securities issued"*.

"B" represents hedging of
- Loans presented in the line *"Financial assets at amortised cost, of which: Loans and advances to customers"* and
- Current accounts presented in the line *"Financial liabilities at amortised cost, of which: Deposits from customers"*.

Hedging instruments are represented by hedging derivatives presented in the item *"Positive fair value of hedging derivatives" or "Negative fair value of hedging derivatives".*

The table below sets out the outcome of the Group's hedging strategy, in particular, to changes in the fair value of the hedged items and hedging instruments in the current year and the comparative year, used as the basis for recognising ineffectiveness:

	Gains/(losses) attributable to the hedged risk		Hedge ineffectiveness
	Hedged items	Hedging instruments	
31 Dec 2023			
Fair Value Hedge			
Micro fair value hedges			
Interest rate risk	3 333	(3 332)	1
Portfolio fair value hedges			
Interest rate risk	(1 869)	1 870	1
31 Dec 2022			
Fair Value Hedge			
Micro fair value hedges			
Interest rate risk	(2 390)	2 388	(2)
Portfolio fair value hedges			
Interest rate risk	4 455	(4 455)	–

Cash Flow Hedging
In compliance with IAS 39, Cash Flow Hedging is used to hedge an uncertain (variable) future cash flow (interest payments) which may affect the future P/L in a negative manner. To this end, the interest flows of hedged instruments and related derivatives designated as hedging instruments are projected for the future (forecast transactions). Hedging shall apply to the risk of variability of interest flows arising from the determined assets, liabilities, planned or forecast transactions (or portions thereof), depending on the change of interest rates. Hedging shall be considered correct, provided the netted cash flow relating to the hedging instrument in each time bucket is lower than, or equal to, the cash flow from hedged instruments. Projected Cash flow from Derivative Gap is compared to the Projected Cash flow of underlying balance sheet item – there has to be an excess of underlying (so called Cashflow test).

In the case of Cash Flow Hedge accounting, a hedging instrument is recognised at fair value. To prove the effectiveness of hedge relations, the prospective and retrospective tests are performed:

Prospective test:
- Cashflow test
- Fair value test – Sensitivity to future interest rates movements is calculated for both underlying and Hedging instrument and compared to prove the hedge relationship to be effective, i.e. total delta is in the range 80–125%.

Retrospective test:
- Historical changes in Fair Value of both underlying and Hedging instrument are compared to prove the hedge relationship to be effective, i.e. in the range mentioned above, and
- Historical monthly changes in Fair Value of both underlying and Hedging instrument are compared to prove the hedge relationship to be effective.

The table below sets out the Group's financial assets and financial liabilities designated as hedged items in continuing cash flow hedge relationships and the outcome of the Group's hedging strategy:

	Cash flow hedge reserve		Net changes in fair value of hedging instruments used for measuring hedge ineffectiveness		
			in total	Effective portion	Hedge ineffectiveness
	Continuing hedges	Discontinued hedges		recognised in OCI	recognised in the income statement in net trading income
31 Dec 2023					
Cash Flow Hedge					
Portfolio cash flow hedges					
Interest rate risk – see "A" below	(5 859)	17	4 072	4 072	–
31 Dec 2022					
Cash Flow Hedge					
Portfolio cash flow hedges					
Interest rate risk – see "A" below	(9 924)	10	(2 506)	(2 506)	–

The corresponding Consolidated Statement of Financial Position line items, where the hedged item and the cumulative fair value changes are recorded, include:
"A" comprises hedging of:

- Loans presented in the line *"Financial assets at amortised cost, of which: Loans and advances to customers"* and line *"Financial assets at amortised cost, of which: Loans and advances to banks"*,
- Purchased float bonds presented in the line *"Financial assets at fair value through other comprehensive income"*,
- Deposits presented in the line *"Financial liabilities at amortised cost, of which: Deposits from customers"* and line *"Financial liabilities at amortised cost, of which: Deposits from banks"* and
- Issued bonds presented in the line *"Financial liabilities at amortised cost, of which: Debt securities issued"*.

Hedging instruments are represented by hedging derivatives presented in the item *"Positive fair value of hedging derivatives"* or *"Negative fair value of hedging derivatives"*.

The maturity profile of hedging instruments is included in section V. Other Notes, point 33. Contingent liabilities, contingent assets and financial derivatives.

The following table provides a reconciliation by risk category of components of equity and analysis of the other comprehensive income statement items from hedge accounting:

	2023	2022
Cash Flow Hedging Reserve		
Interest rate risk		
As at 1 January	(8 005)	(5 998)
Change in fair value	5 715	(1 207)
Revaluation reclassified to profit or loss	(1 643)	(1 299)
Deferred tax	(682)	499
Total at 31 December	**(4 615)**	**(8 005)**

Interest Rate Benchmark Reform
A comprehensive reference rates reform ("IBOR reform") has taken place following the concerns raised in recent years about the integrity and reliability of major financial market benchmarks. In order to assess the relevant risks associated with the global benchmark reforms mandated by the Financial Stability Board, and taking appropriate actions to ensure an adequate transition to alternative or reformed benchmark rates ahead of the deadline of the end of 2021 specified in the revised EU Benchmark Regulation ("BMR"), UniCredit Group launched in October 2018 UniCredit Group wide project in order to manage the IBORs discontinuation.

The implications of IBOR reform on Group's financial statements were insignificant as most of the Group's contract with variable interest rates are based on interest rate benchmarks that already fulfil the conditions set by BMR, ie based on PRIBOR or EURIBOR.

The Group's main contract with variable interest rates based on interest rate benchmarks other than PRIBOR or EURIBOR were indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). Although US dollar LIBOR was planned to be discontinued by the end of 2021, in March 2021 the ICE Benchmark Administration (IBA), the FCA-regulated and authorised administrator of LIBOR, announced that certain USD LIBOR settings (i.e., the overnight and the one-, three-, six- and 12-month settings) will cease to be published after 30 June 2023. Other LIBOR settings (i.e. all GBP, EUR, CHF and JPY LIBOR settings and the one-week and two-month USD LIBOR settings) ceased to be published after 31 December 2021.

Nevertheless, the Group had finished the process of implementing appropriate fallback provisions (i.e. definition of the steps that should be taken to agree a new reference rate if the reference rate in the transaction is no longer available) for all LIBOR indexed exposures by the end of 2021.

<u>Impact of the Interest Rate Benchmark Reform on the Group's hedge relationships</u>
The Group updated its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Group to discontinue its hedge relationships.

The Group replaced in the reporting period certain USD LIBOR settings (i.e., the overnight and the one-, three-, six- and 12-month settings) that ceased to be published after 30 June 2023 with alternative benchmark rate SOFR without any other impacts on Bank's hedge relationships.

The Group's hedge relationships with interest rate benchmark affected by IBOR reform (i.e. USD LIBOR settings as mentioned above) whose
- notional value represented 2.1% of total notional value and
- fair value represented 1.3% of total positive and negative fair value of all hedging instruments as of 31 December 2022 and thus insignificant.

Details of the Group's hedge accounting relationships are disclosed in section V. Other Notes, Note 33. Contingent liabilities, contingent assets and financial derivatives and Note 35 Financial risk management, part (c) Market risk.

<u>Impact of the Interest Rate Benchmark Reform on the Group's Financial instruments measured at amortised cost and lease liabilities</u>
The Group's contract with interest rate benchmark affected by IBOR reform (i.e. USD LIBOR settings as mentioned above) are in following accountings portfolio with stated carrying amount as of 31 December 2022:
- Financial assets at amortised cost – loans and advances to customers and banks of MCZK 100.
- Financial liabilities at amortised cost – deposits from customers and banks of MCZK 1.

As of 31 December 2023, there is no contract with interest rate benchmark affected by IBOR reform as all the relevant interest rate has been replaced with an alternative benchmark rate.

Currency Risk
Assets and liabilities denominated in foreign currencies, including off-balance sheet exposures, comprise the Group's exposure to currency risks. Both realised and unrealised foreign exchange gains and losses are reported directly in the income statement.

The Group has established a system of currency risk limits based on its net currency exposure in individual currencies.

The following table shows the structure of assets and liabilities by currency (not including potential impact of off-balance sheet exposures):

	CZK	EUR	USD	CHF	Other	Total
At 31 Dec 2023						
Cash and cash balances	4 028	4 066	460	26	238	**8 818**
Financial assets at fair value through profit or loss, *of which:*	33 982	3	171	–	–	**34 156**
Held for trading	33 982	3	–	–	–	**33 985**
Mandatorily at fair value	–	–	171	–	–	**171**
Financial assets at fair value through other comprehensive income	41 025	10 928	–	–	–	**51 953**
Financial assets at amortised cost	386 970	368 684	3 372	181	443	**759 650**
of which:						
Loans and advances to banks	133 650	22 642	2 256	–	–	**158 548**
Loans and advances to customers	253 320	346 042	1 116	181	443	**601 102**
Positive fair value of hedging derivatives	14 312	–	–	–	–	**14 312**
Changes in fair value of the portfolio of hedged instruments	610	512	–	–	–	**1 122**
Equity-accounted investees	349	–	–	–	–	**349**
Other assets	893	716	13	–	6	**1 628**
Total exposure – assets	**482 169**	**384 909**	**4 016**	**207**	**687**	**871 988**
Financial liabilities at fair value through profit or loss, *of which:*	33 372	1	–	–	–	**33 373**
Held for trading	33 372	1	–	–	–	**33 373**
Financial liabilities at amortised cost	443 646	270 101	11 492	939	3 093	**729 271**
of which:						
Deposits from banks	6 304	27 052	4	–	1	**33 361**
Deposits from customers	429 481	172 386	11 488	939	3 092	**617 386**
Debt securities issued	7 861	70 663	–	–	–	**78 524**
Negative fair value of hedging derivatives	29 959	(72)	–	–	–	**29 887**
Changes in fair value of the portfolio of hedged instruments	(5 759)	(781)	–	–	–	**(6 540)**
Other liabilities	3 169	5 471	395	5	65	**9 105**
Provisions for risks and charges	726	600	71	11	10	**1 418**
Total exposure – liabilities	**505 113**	**275 320**	**11 958**	**955**	**3 168**	**796 514**
Gap	(22 944)	109 589	(7 942)	(748)	(2 481)	**75 474**

	CZK	EUR	USD	CHF	Other	Total
At 31 Dec 2022						
Cash and cash balances	3 220	3 615	465	40	414	**7 754**
Financial assets at fair value through profit or loss, *of which:*	52 693	2	540	–	–	**53 235**
Held for trading	52 693	2	–	–	–	**52 695**
Mandatorily at fair value	–	–	540	–	–	**540**
Financial assets at fair value through other comprehensive income	18 599	9 720	–	–	–	**28 319**
Financial assets at amortised cost	329 160	313 985	1 104	25	527	**644 801**
of which:						
Loans and advances to banks	91 428	16 282	11	–	–	**107 721**
Loans and advances to customers	237 732	297 703	1 093	25	527	**537 080**
Positive fair value of hedging derivatives	21 433	(2)	–	–	–	**21 431**
Changes in fair value of the portfolio of hedged instruments	(3 164)	–	–	–	–	**(3 164)**
Equity-accounted investees	355	–	–	–	–	**355**
Other assets	824	638	16	1	11	**1 490**
Total exposure – assets	**423 120**	**327 958**	**2 125**	**66**	**952**	**754 221**
Financial liabilities at fair value through profit or loss, *of which:*	52 724	1	–	–	–	**52 725**
Held for trading	52 724	1	–	–	–	**52 725**
Financial liabilities at amortised cost	331 100	246 397	13 231	891	3 077	**594 696**
of which:						
Deposits from banks	5 479	51 422	9	–	–	**56 910**
Deposits from customers	319 915	166 269	13 222	891	3 077	**503 374**
Debt securities issued	5 706	28 706	–	–	–	**34 412**
Negative fair value of hedging derivatives	39 940	(141)	–	–	–	**39 799**
Changes in fair value of the portfolio of hedged instruments	(11 108)	(1 548)	–	–	–	**(12 656)**
Other liabilities	3 090	3 970	308	8	327	**7 703**
Provisions for risks and charges	598	611	29	9	17	**1 264**
Total exposure – liabilities	**416 344**	**249 290**	**13 568**	**908**	**3 421**	**683 531**
Gap	6 776	78 668	(11 443)	(842)	(2 469)	**70 690**

The table below shows the marginal Values at Risk for currency risk representing contribution of currency risk to total VaR of Financial assets at fair value through profit or loss Held for trading and all currency risk as all open FX positions are closed within Financial assets at fair value through profit or loss Held for trading:

	At 31 Dec 2023	Average for 2023	At 31 Dec 2022	Average for 2022
VaR of Financial assets at fair value through profit or loss Held for trading	10,67	7,17	8,46	17,07

Equity Risk

Equity risk is the risk of movement in the prices of equity instruments held in the Group's portfolio and of financial derivatives derived from these instruments. The main source of this risk is trading in equity instruments, although equity risk also arises as a result of the Group's non-trading activities. The risks associated with equity instruments are managed using trading limits. The methods used to manage these risks are described above.

Liquidity Risk

Liquidity risk arises due to the way the Group's finances its activities and manages its positions. It includes the risk the Group would be unable to finance its assets using instruments with appropriate maturity and the risk that the Group would be unable to dispose of its assets for an appropriate price within the necessary time period.

The Group has access to diversified sources of funds, which comprise deposits and other savings, securities issued, loans taken (including subordinated loans) and its own equity capital. This diversification makes the Group flexible and limits its dependency on a single funding source. The Group regularly evaluates the liquidity risk, in particular by monitoring changes in the structure of funding and comparing these changes with the Group's liquidity risk management strategy, which is approved by the Board of Directors. As part of its liquidity risk management strategy, the Group holds a proportion of its assets in highly liquid funds, such as state treasury bills and similar bonds.

Liquidity risk is evaluated regularly by the Group by analysing of differences between the residual maturity of assets and liabilities across time buckets. Two approaches are used: short-term and long-term (structural). In the short-term approach, the Group daily monitors and in detail the difference between liquidity inflows and outflows. Limits are set for cumulative inflows and outflows with an outlook of several weeks. If limits are breached, the Group takes action to reduce the liquidity risk. In the long-term (structural) perspective, the Group monitors the difference between the maturity of assets and liabilities for periods longer than one year. The Group sets limits and appropriate action is taken if they are breached (eg by acquiring long-term sources of refinancing).

The Group has a contingency plan in the event of a liquidity crisis. This plan defines the roles, responsibilities and process of crisis management. It also defines the possible measures which should be considered in the event of an emergency situation.

Stress tests of short-term liquidity are performed by the Group on monthly or weekly basis respectively (based on the development of liquidity indicators or in the case of "liquidity attention phase" activation). The stress tests verify the Group's ability to overcome extreme situations, such as systemic interruption of the inter-bank money market, a decrease in the Group's credit rating, IT system breakdowns, and reputation risk to the Group. The stress scenarios' results are presented to the ALCO.

The following table shows undiscounted cash flows of financial assets and financial liabilities, issued guarantees and provided loan facilities:

	Carrying amount	Net cash flow	Up to 3 months	3 months – 1 year	1–5 year	Over 5 years	Unspecified.
At 31 Dec 2023							
Cash and cash balances	8 818	8 818	8 755	–	–	60	3
Financial assets at fair value through profit or loss, *of which:*	34 156	98 093	5 505	15 187	50 649	26 752	–
– held for trading debt and equity instruments	3	3	3	–	–	3	–
– held for trading derivatives	33 982	97 919	5 505	15 187	50 649	26 578	–
– mandatorily at fair value	171	171	–	–	–	171	–
Financial assets at fair value through other comprehensive income	51 953	62 717	495	3 382	24 635	34 205	–
Financial assets at amortised cost *of which:*	759 650	814 402	196 472	76 747	270 196	267 250	3 737
Loans and advances to banks	158 548	158 770	155 027	3 732	11	–	–
Loans and advances to customers	601 102	655 632	41 445	73 015	270 185	267 250	3 737
Positive fair value of hedging derivatives	14 312	73 551	4 036	11 166	44 697	13 652	–
Changes in fair value of the portfolio of hedged instruments	1 122	1 122	–	–	–	1 122	–
Equity-accounted investees	349	349	–	–	–	349	–
Other assets	1 628	1 628	1 357	271	–	–	–
Total exposure – assets	**871 988**	**1 060 680**	**216 620**	**106 753**	**390 177**	**343 390**	**3 740**
Financial liabilities at fair value through profit or loss, *of which:*	33 373	96 310	5 852	14 827	50 445	25 186	–
– held for trading debt instruments	–	–	–	–	–	–	–
– held for trading derivatives	33 373	96 310	5 852	14 827	50 445	25 186	–
Financial liabilities at amortised cost, *of which:*	729 271	744 833	620 496	30 050	80 824	13 340	123
Deposits from banks	33 361	33 513	23 823	5 935	2 874	758	123
Deposits from customers	617 386	619 109	595 819	20 861	1 516	913	–
of which:							
Lease liabilities	2 123	2 389	82	276	1 122	909	–
Other than lease liabilities	615 263	616 720	595 737	20 585	394	4	–
Debt securities issued	78 524	92 211	854	3 254	76 434	11 669	–
Negative fair value of hedging derivatives	29 887	91 623	4 184	12 094	51 494	23 851	–
Changes in fair value of the portfolio of hedged instruments	(6 540)	(6 540)	(6 540)	–	–	–	–
Other liabilities	9 105	9 105	7 288	1 817	–	–	–
Provisions for risks and charges	1 418	1 418	239	132	330	620	97
Total exposure – liabilities	**796 514**	**936 749**	**631 519**	**58 920**	**183 093**	**62 997**	**220**
Gap	75 474	123 931	(414 899)	47 833	207 084	280 393	3 520
Undrawn loan facilities	49 947	49 947	49 947	–	–	–	–
Bank guarantees	173 231	173 231	173 231	–	–	–	–

Please note that the Net cash flow from Undrawn loan facilities and Bank guarantees are presented in the time bucket “Up to 3 months” as the worst-case scenario.

The negative liquidity gap in time buckets up to 3 months only theoretical. Based on historical experience, actual cash flows differ from contractual cash flows (eg. Deposits from customers containing core deposits, which represent a stable part of liabilities).

	Carrying amount	Net cash flow	Up to 3 months	3 months – 1 year	1–5 year	Over 5 years	Unspecified.
At 31 Dec 2022							
Cash and cash balances	7 754	7 755	6 869	–	–	215	3
Financial assets at fair value through profit or loss, *of which:*	53 235	108 029	6 796	18 180	50 265	32 788	–
– held for trading debt and equity instruments	11	12	–	9	–	3	–
– held for trading derivatives	52 684	107 477	6 796	18 171	50 265	32 245	–
– mandatorily at fair value	540	540	–	–	–	540	–
Financial assets at fair value through other comprehensive income	28 319	30 968	190	4 715	16 875	9 188	–
Financial assets at amortised cost *of which:*	644 801	715 108	158 197	78 798	231 695	244 518	2 568
Loans and advances to banks	107 721	107 884	104 674	33	3 845	–	–
Loans and advances to customers	537 080	607 224	53 523	78 765	227 850	244 518	2 568
Positive fair value of hedging derivatives	21 431	53 214	3 619	9 035	28 089	12 471	–
Changes in fair value of the portfolio of hedged instruments	(3 164)	(3 164)	–	–	–	(3 164)	–
Equity-accounted investees	355	355	–	–	–	355	–
Other assets	1 490	1 490	1 134	356	–	–	–
Total exposure – assets	**754 221**	**913 755**	**176 805**	**111 084**	**326 924**	**296 371**	**2 571**
Financial liabilities at fair value through profit or loss, *of which:*	52 725	104 917	6 801	18 464	48 117	31 535	–
– held for trading debt instruments	–	–	–	–	–	–	–
– held for trading derivatives	52 725	104 917	6 801	18 464	48 117	31 535	–
Financial liabilities at amortised cost *of which:*	594 696	601 350	487 388	61 394	49 974	2 460	134
Deposits from banks	56 910	57 637	9 281	36 007	10 747	1 468	134
Deposits from customers *of which:*	503 374	504 318	477 833	24 407	1 265	813	–
Lease liabilities	1 995	2 179	80	260	1 046	793	–
Other than lease liabilities	501 379	502 139	477 753	24 147	219	20	–
Debt securities issued	34 412	39 395	274	980	37 962	179	–
Negative fair value of hedging derivatives	39 799	88 780	6 327	11 093	43 010	28 350	–
Changes in fair value of the portfolio of hedged instruments	(12 656)	(12 656)	(12 656)	–	–	–	–
Other liabilities	7 703	7 703	6 009	1 694	–	–	–
Provisions for risks and charges	1 264	1 264	47	162	496	450	109
Total exposure – liabilities	**1 186 905**	**1 295 676**	**971 749**	**117 214**	**142 862**	**63 608**	**243**
Gap	(432 684)	(381 921)	(794 944)	(6 130)	184 062	232 763	2 328
Undrawn loan facilities	52 405	52 405	52 405	–	–	–	–
Bank guarantees	159 733	159 733	159 733	–	–	–	–

(d) Operational Risk
Operational risk is the risk of loss due to deficiencies or failures of internal processes, people and systems or external events. This definition includes legal risk, however, it does not include strategic or reputation risk. Legal risk includes, inter alia, the risk of fines, sanctions or punitive damages resulting from supervision measures and private settlement.

The Bank's organisational structure and its internal rules fully respect the segregation of incompatible duties to prevent conflict of interests. Internal rules unambiguously define the obligations and competencies of employees, including management, and regulate the working processes and control activities. Non-Financial Risks and Control Committee is the main control and decision body regarding operational risk. All members of the Board of Directors are permanent members of the committee. The Non Financial Risks Department is an independent body reporting directly to a member of the Board of Directors in charge of risk management. The Operational Risk Department is authorised to secure unified and coordinated operational risk management in accordance with the applicable regulations and the standards of the parent company.

Operational risk management and monitoring is performed by authorised employees of individual departments. The Internal Audit Department identifies extraordinary trends and breach of or non-compliance with directives and assesses the control and management system's functionality.

The Group has continued developing and setting up its comprehensive system for the identification, monitoring and management of operational risk. In line with the 2023 Operational Risk Management Strategy, the Group defined its priorities with respect to mitigating operational risk exposure that are consistent with the risk profile and risk appetite of the Group and the Bank.
The operational risk appetite is the operational risk level acceptable to the Bank and is measured using ELOR (Expected Loss on Revenue), which is the proportion of anticipated losses arising from operational risk (estimate based on historical data) to income (budgeted income on a quarterly basis). Setting the ELOR limit and its monitoring was performed in line with the Group's policies.

To ensure effective collection of operational risk events and data, the Bank uses an on-line information system developed by UniCredit Group. The system complies with the requirements for capital adequacy management. The data acquired through the system is taken into account when calculating the capital requirement and when managing operational risk. It serves as the basis for designing processes that reduce the number of particular events and mitigate the consequences (eg when preparing process mitigation measures or the Group's strategic insurance plan). The data is also used for reviewing the reliability of proposed measures for operational risk mitigation. The data is collected on a continuous basis in cooperation with individual departments of the Bank (all significant events are reported and resolved immediately). Based on the collected data, a quarterly consolidated report is prepared, which is presented to the Operational Risk Management Committee and distributed within the Bank. The Board of Directors, the Internal Audit Department and the parent company are informed about the most significant cases of operational risk on a weekly basis, or immediately if necessary. The data is regularly reconciled with the accounting records and other sources in order to ensure data completeness and accuracy.

In 2023, the Group analysed the scenarios, and configured and analysed the risk indicators. Another important element of the operational risk management system is managing the continuity of operations (emergency planning, crisis management). The Bank has updated and tested the recovery plans (for crisis situations) in order to ensure their full usefulness and effectiveness under current conditions. In addition, the Non Financial Risks Department enhances overall awareness of operational risk within the Group and trains the Group's staff via training sessions and e-learning courses.

Based on the consent obtained from the regulatory body, the Group calculates the capital requirement for operational risk under the advanced measurement approach (AMA). Under this approach, the UniCredit Group model based on internal and external data, the results of scenario analyses and risk indicator data is used.

(e) Capital Management
Management of the Group monitors the development of the Group's capital adequacy on a consolidated basis and its capital position. The regulator of the banking market, the Czech National Bank, established rules for the calculation of capital requirements and monitors their development. Since 1 January 2014, the Group has met the requirements of Basel III (Regulation (EU) No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms) that was implemented by the Czech National Bank through Decree No. 163/2004 Coll. on the performance of the activity of banks, credit unions and investment firms. The Basel III rules were established in response to the financial crisis and introduce requirements for increased capital quality, requirement for an increased coverage of risks, the minimum standard for liquidity management, rules for the leverage ratio and improve risk management and corporate governance.

The Group's regulatory capital consists of the following:
- Common Equity Tier 1 (CET 1) capital which comprises registered capital, share premium, reserve funds, retained earnings, accumulated other comprehensive income from revaluation of available-for-sale securities, post-tax profit for the period if audited at the time of reporting; minus intangible assets and gaps in the coverage of anticipated losses through adjustments for credit risk using the internal rating based approach;

- Tier 1 (T1) capital creating CET1; and
- Tier 2 (T2) capital which is the excess in the coverage of anticipated credit losses when using the internal rating based approach.

The Group complies with the defined minimum requirements of Basel III rules for capital adequacy, including capital buffers.

In 2021, the Group has received from the Czech National Bank the decision on intermediate and "fully loaded" target amounts of the Minimum Requirement for Own Funds and Eligible Liabilities (MREL), implemented through Act No. 374/2015 Coll.

- The levels of MREL are expressed based on risk-weighted assets and the leverage ratio (higher levels calculated using the two approaches will represent a limiting factor).

The Group successfully issued its first MREL instruments in 2021 to be compliant with an intermediate target from 1 January 2022 as set by the Czech National Bank. MREL will become a "fully loaded" requirement as of 1 January 2024. Further details are provided in section V. Other Notes, point 24.

Statement of capital for the Group's capital adequacy calculation on a consolidated basis as reported to the regulator in accordance with applicable rules as of 31 December 2023 and as of 31 December 2022 is stated in the Annual Report, part "Consolidated financial highlights".

36. 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.

(a) Transactions with the parent company

	31.12.2023	31.12.2022
Assets		
Cash and cash balances	1 132	1 357
Loans and advances to banks	13 968	12 032
Financial assets held for trading	18 891	28 744
Positive fair value of hedging derivatives	5 672	7 343
Total	**39 663**	**49 476**

	31.12.2023	31.12.2022
Liabilities		
Deposits from banks	4 423	461
Debt instruments	27 045	15 967
Financial liabilities held for trading	18 307	28 476
Negative fair value of hedging derivatives	15 683	19 130
Total	**65 458**	**64 034**

	31.12.2023	31.12.2022
Off-balance sheet items		
Issued guarantees	1 184	778
Irrevocable credit facilities	1 245	1 222
Total	**2 429**	**2 000**

	2023	2022
Interest income	618	633
Interest expense	(4 230)	(4 037)
Fee and commission income	19	4
Fee and commission expenses	(30)	(44)
Net profit/loss from financial assets and liabilities held for trading	249	(706)
Net profit/loss from hedging of the risk of change in fair values	(138)	(282)
Administrative expenses	(1 017)	(905)
Total	**(4 529)**	**(5 337)**

(b) Transactions with key management members

	31.12.2023	31.12.2022
Assets		
Loans and advances to customers	153	151
of which:		
Board of Directors	30	29
Other management members	123	122
Total	**153**	**151**

	31.12.2023	31.12.2022
Payables to customers	161	165
of which:		
Board of Directors	42	59
Other management members	119	106
Total	**161**	**165**

	31.12.2023	31.12.2022
Off-balance sheet items		
Irrevocable credit facilities	2	7
of which:		
Board of Directors	1	1
Other management members	1	6
Total	**2**	**7**

(c) Transactions with other related parties

	31.12.2023	31.12.2022
Assets		
Cash and cash balances	389	722
of which:		
UniCredit Bank Austria AG	245	409
AO UniCredit Bank	86	120
Financial assets held for trading	6 410	11 712
of which:		
UniCredit Bank AG	6 410	11 712
Loans and advances to banks	2 591	6
of which:		
UniCredit Bank Austria AG	2 578	–
AO UniCredit Bank	13	6
Loans and advances to customers	1 105	1 045
of which:		
RCI Financial Services, s.r.o.	1 105	1 045
Positive fair value of hedging derivatives	7 339	11 254
of which:		
UniCredit Bank AG	7 339	11 254
Total	**17 834**	**24 739**

	31.12.2023	31.12.2022
Liabilities		
Deposits from banks	2 668	5 351
of which:		
UniCredit Bank Austria AG	879	1 058
UniCredit Bank AG	1 762	4 198
UniCredit Bank Hungary Zrt.	6	55
Deposits from customers	40	54
of which:		
UniCredit Services S.C.p.A.	40	54
Financial liabilities held for trading	5 074	4 698
of which:		
UniCredit Bank AG	5 074	4 698
Negative fair value of hedging derivatives	11 650	14 931
of which:		
UniCredit Bank AG	11 650	14 931
Total	**19 432**	**25 034**

	31.12.2023	31.12.2022
Off-balance sheet items		
Issued guarantees	2 903	3 820
of which:		
UniCredit Bank AG	2 240	1 884
UniCredit Bank Austria AG	161	1 421
UniCredit Bank Hungary Zrt.	7	10
AO UniCredit Bank	14	85
Irrevocable credit facilities	7 352	6 448
of which:		
UniCredit Bank AG	4 144	4 045
UniCredit Bank Austria AG	1 515	1 333
RCI Financial Services, s.r.o.	1 650	1 005
Total	**10 255**	**10 268**

	2023	2022
Interest income	3 316	3 103
of which:		
UniCredit Bank AG	2 620	3 053
UniCredit Bank Austria AG	10	14
RCI Financial Services, s.r.o.	68	33
Interest expense	(195)	(175)
of which:		
UniCredit Bank AG	(66)	(41)
UniCredit Bank Austria AG	(54)	(126)
Fee and commission income	68	93
of which:		
UniCredit Bank AG	7	73
UniCredit Bank Hungary Zrt.	1	2
UniCredit Bank Austria AG	59	12
Fee and commission expenses	(6)	(6)
of which:		
UniCredit Bank Austria AG	(4)	(4)
Net profit/loss from financial assets and liabilities held for trading	(2 643)	5 576
of which:		
UniCredit Bank AG	(2 943)	5 576
Net profit/loss from hedging against risk of changes in fair value	(72)	(1 188)
of which:		
UniCredit Bank AG	(72)	(1 188)
Administrative expenses	(15)	(35)
of which:		
UniCredit Bank Austria AG	2	(7)
Total	**453**	**7 368**

37. Fair value of financial assets and financial liabilities

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

Financial assets at fair value through profit or loss

Held for trading

	Level 1	Level 2	Level 3	Total
31.12.2023				
Debt securities	3	–	–	**3**
Derivatives	–	33 625	357	**33 982**
Total	**3**	**33 625**	**357**	**33 985**
31.12.2022				
Debt securities	11	–	–	**11**
Derivatives	1	52 530	153	**52 684**
Total	**12**	**52 530**	**153**	**52 695**

Mandatorily at fair value

	Level 1	Level 2	Level 3	Total
31.12.2023				
Shares and Other debt securities	–	–	171	**171**
Total	**–**	**–**	**171**	**171**
31.12.2022				
Shares and Other debt securities	–	405	135	**540**
Total	**–**	**405**	**135**	**540**

Financial assets at fair value through other comprehensive income

	Level 1	Level 2	Level 3	Total
31.12.2023				
Debt securities	49 697	2 232	4	**51 933**
Shares	–	–	20	**20**
Total	**49 697**	**2 232**	**24**	**51 953**
31.12.2022				
Debt securities	23 507	4 548	246	**28 301**
Shares	–	–	18	**18**
Total	**23 507**	**4 548**	**264**	**28 319**

Positive fair value of hedging derivatives

	Level 1	Level 2	Level 3	Total
31.12.2023				
Fair value hedging	–	5 345	–	**5 345**
Cash flow hedging	–	8 967	–	**8 967**
Total	**–**	**14 312**	**–**	**14 312**
31.12.2022				
Fair value hedging	–	6 628	–	**6 628**
Cash flow hedging	–	14 803	–	**14 803**
Total	**–**	**21 431**	**–**	**21 431**

Financial liabilities held for trading

	Level 1	Level 2	Level 3	Total
31.12.2023				
Derivatives	–	33 014	359	**33 373**
Total	**–**	**33 014**	**359**	**33 373**
31.12.2022				
Derivatives	–	52 569	156	**52 725**
Total	**–**	**52 569**	**156**	**52 725**

Negative fair value of hedging derivatives

	Level 1	Level 2	Level 3	Total
31 Dec 2023				
Fair value hedging	–	14 886	–	**14 886**
Cash flow hedging	–	15 000	1	**15 001**
Total	**–**	**29 886**	**1**	**29 887**
31.12.2022				
Fair value hedging	–	14 576	–	**14 576**
Cash flow hedging	–	25 223	–	**25 223**
Total	**–**	**39 799**	**–**	**39 799**

Fair values of financial assets and liabilities that are not reported at fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities that are not reported at fair values in the Group's statement of financial position (the fair value is calculated using discounted future cash flows under the application of arm's length market rates to which credit mark-ups derived from internal rating categories of individual customers are added):

	Carrying amount	Fair value	Level 1	Level 2	Level 3
31.12.2023					
Financial assets					
Loans and advances to banks	158 548	161 218	–	155 997	5 221
Loans and advances to customers	601 102	566 576	30 627	219 051	316 898
Financial liabilities					
Deposits from banks	33 361	33 467	–	27 905	5 562
Deposits from customers	617 386	617 325	–	50 786	566 539
Debt securities issued	78 524	34 755	–	34 755	–
31.12.2022					
Financial assets					
Loans and advances to banks	107 721	107 542	–	89 342	18 868
Loans and advances to customers	537 080	500 029	18 828	209 995	271 206
Financial liabilities					
Deposits from banks	56 910	57 074	–	47 235	9 839
Deposits from customers	503 374	503 321	–	731	502 590
Debt securities issued	34 412	21 837	–	21 837	–

Transfers between stages of financial assets and liabilities that are reported at fair values

For the year ended 31 December 2023 and 31 December 2022, no financial assets reported at fair value were transferred between Levels 1 and 2.

For the years ended 31 December 2023 and 31 December 2022, no financial liabilities reported at fair value were transferred between Levels 1 and 2.

The following tables show transfers of assets reported at fair value from and to Level 3.

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Property measured at fair value	Total
	Held for trading	Other than held for trading mandatorily at fair value			
Opening balance at 1 Jan 2022	**248**	**267**	**81**	**826**	**1 422**
Revaluation gains and losses					
In the income statement	–	(151)	–	–	(151)
In other comprehensive income	–	–	(6)	21	15
Purchases	144	–	249	73	466
Sales/maturity	(104)	–	–	–	(104)
Transfers from/to other levels	–	19	(3)	(18)	(2)
Depreciation	–	–	–	(34)	(34)
Other	(135)	–	(57)	–	(192)
Closing balance at 31 Dec 2022	**153**	**135**	**264**	**868**	**1 420**
Total revaluation gains and losses included in the income statement for the period:					–
Of which: Total revaluation gains and losses included in the income statement for the period arising from financial assets held at the period end					–

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Property measured at fair value	Total
	Held for trading	Other than held for trading mandatorily at fair value			
Opening balance at 1.1.2023	**153**	**135**	**264**	**868**	**1 420**
Revaluation gains and losses					
In the income statement	–	36	–	(8)	28
In other comprehensive income	–	–	(1)	(31)	(32)
Purchases	216	–	3	135	354
Sales/maturity	(17)	–	(242)	–	(259)
Transfers from/to other levels	15	–	–	–	15
Depreciation	–	–	–	(23)	(23)
Other	(10)	–	–	–	(10)
Closing balance at 31.12.2023	**357**	**171**	**24**	**941**	**1 493**
Total revaluation gains and losses included in the income statement for the period:					28
Of which: Total revaluation gains and losses included in the income statement for the period arising from financial assets held at the period end					28

The following table contains the transfers of financial liabilities at fair value to and from level 3.

	Financial liabilities at fair value through profit or loss held for trading	Hedging derivatives	Total
Opening balance at 1 Jan 2022	**252**	**–**	**252**
Revaluation gains and losses			
In the income statement	–	–	–
In other comprehensive income	–	–	–
Issue	144	–	144
Sales/maturity	(103)	–	(103)
Transfers from/to other levels	(135)	–	(135)
Other	(1)	–	(1)
Closing balance at 31 Dec 2022	**157**	**–**	**157**
Total revaluation gains and losses included in the income statement for the period:			–
Of which: Total revaluation gains and losses included in the income statement for the period arising from financial assets held at the period end			–

	Financial liabilities at fair value through profit or loss held for trading	Hedging derivatives	Total
Opening balance at 1 Jan 2023	**157**	**–**	**157**
Revaluation gains and losses			
In the income statement	–	–	–
In other comprehensive income	–	–	–
Issue	216	–	216
Sales/maturity	(17)	–	(17)
Transfers from/to other levels	15	–	15
Other	(11)	1	(10)
Closing balance at 31 Dec 2023	**360**	**1**	**361**
Total revaluation gains and losses included in the income statement for the period:			–
Of which: Total revaluation gains and losses included in the income statement for the period arising from financial assets held at the period end			–

38. Offseting of financial assets and financial liabilities

The Group does not offset financial assets and financial liabilities.

The below table shows assets which are subject to netting agreements according to Credit risk management arrangements included in the Derivative Framework agreements such as ISDA or similar. The assets are subject to netting on settlement (performance netting) and on position closeout.

	Gross reported financial assets	Gross offset financial liabilities	Net reported financial assets	Potential amounts available for offset		Net amount
				Financial instruments	Obtained cash collateral	
31 Dec 2023						
Derivatives	47 442	–	47 442	46 608	834	–
31 Dec 2022						
Derivatives	8 069	–	8 069	1 001	–	7 068

Financial liabilities that are subject to offset, recoverable framework contracts for offset and similar arrangements:

	Gross reported financial liabilities	Gross offset financial assets	Net reported financial liabilities	Potential amounts available for offset		Net amount
				Financial instruments	Provided cash collateral	
31 Dec 2023						
Derivatives	62 897	–	62 897	47 442	14 907	548
31 Dec 2022						
Derivatives	2 200	–	2 200	1 001	–	1 199

39. Subsequent Events

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

The financial statements were approved by the Board of Directors of the Bank and authorised for issue on 12 March 2024.

The financial statements were signed on behalf of the Board of Directors by:

Jakub Dusílek
Chairman of the Board of Directors

Georgia Salagean
Member of the Board of Directors

Individual in charge of the accounting records

Lea Branecká

Individual in charge of the financial statements

Alena Večerníková

For our communities

that want to be **drivers of change...**

Fostering a just and fair transition

We are focused on delivering a sustainable transition to green energy which does as little harm to the planet and its people as possible. We work consistently towards having a positive impact in line with our role and responsibilities as a social actor – knowing banks play an important role that goes far beyond lending.

Separate financial statements

Separate Statement of Comprehensive Income

Recast of comparative figures in the Separate Statement of Comprehensive Income, Separate Statement of Financial Position and in the Separate Statement of Cash Flow

The Bank recast the presentation of Other operating income and Other operating expenses in two separate lines in the Separate Statement of Comprehensive income (previously Other operating income and expenses were presented net and included in Operating expenses subtotal).

The Bank recast the presentation of the compulsory minimum reserve balance held in central bank from the line *"Financial assets at amortised cost: Loans and advances to banks"* to the line *"Cash and cash balances"* in the Separate Statement of Financial Position. The above change is also reflected in the Separate Statement of Cash Flow (lines *„Cash and cash balances"* and *"Net cash flows from operating activities"*).

The Bank recast the presentation of the lines Interest paid and Interest received to *"Net cash flows from operating activities"* in the Separate Statement of Cash Flow.

Further details are provided in the Section III. Material Accounting Policies (point 24).

	Note	2023 MCZK	2022 MCZK
Interest income, *of which:*		35 493	22 777
– interest income calculated using the effective interest method		43 379	29 642
Interest expense		(21 298)	(9 473)
Net interest income	(1)	**14 195**	**13 304**
Fee and commission income		5 209	4 919
Fee and commission expenses		(1 912)	(1 496)
Net fee and commission income	(2)	**3 297**	**3 423**
Dividend income	(3)	707	658
Net income/(loss) from trading	(4)	2 694	2 023
Net income/(loss) from hedging against risk of changes in fair value	(5)	2	(2)
Net income/(loss) from the sale or repurchase of:	(6)	200	347
Financial assets at amortised cost		160	112
Financial assets at fair value through other comprehensive income		39	46
Financial liabilities		1	189
Net income/(loss) from financial assets/liabilities at fair value through profit or loss, *of which:*	(7)	102	(4)
Mandatorily at fair value		102	(4)
Other operating income	(10)	105	483
Operating income		**21 302**	**20 232**
Impairment losses on:	(8)	(278)	(1 482)
Financial assets at amortised cost		(282)	(1 477)
Financial assets at fair value through other comprehensive income		4	(5)
Administrative expenses	(9)	(7 340)	(7 035)
Net provisions for risks and charges:	(27)	(161)	73
Loan commitments and financial guarantees given		(104)	65
Other net provisions		(57)	8
Depreciation and impairment of property, equipment and right of use assets	(18)	(442)	(452)
Amortisation and impairment of intangible assets	(19)	(850)	(624)
Other operating expenses	(10)	(145)	(27)
Operating expenses		**(8 938)**	**(8 065)**
Net income/(loss) on property measured at fair value	(18)	(8)	–
Profit/(loss) from the sale of non-financial assets		(1)	(2)
Profit before income tax		**12 077**	**10 683**
Income tax	(28)	(1 821)	(1 760)
Profit after tax		**10 256**	**8 923**

The notes on pages 134–213 form an integral part of these financial statements.

	2023 MCZK	2022 MCZK
Items that cannot be subsequently reclassified to profit or loss		
Reserve from revaluation of financial assets at fair value through other comprehensive income, *of which:*	**–**	**(6)**
Change in fair value	–	(7)
Deferred tax	–	1
Reserve from revaluation of property used in business measured at fair value, *of which:*	**(28)**	**4**
Change in fair value	(27)	15
Transfers to other net equity items	(7)	(10)
Deferred tax	6	(1)
Items that can be subsequently reclassified to profit or loss		
Reserve from revaluation of hedging instruments in cash flow hedges, *of which:*	**3 640**	**(2 177)**
Change in fair value	6 027	(1 422)
Revaluation reclassified to profit or loss	(1 643)	(1 299)
Deferred tax	(744)	544
Reserve from revaluation of financial assets at fair value through other comprehensive income, *of which:*	**(129)**	**(522)**
Change in fair value	(176)	(577)
Revaluation reclassified to profit or loss	8	(68)
Deferred tax	39	123
Foreign exchange rate differences from the consolidation of a foreign branch	**317**	**(332)**
Other comprehensive income, net of tax	**3 800**	**(3 033)**
Other comprehensive income, net of tax, attributable to the Group's shareholder	**3 800**	**(3 033)**
Total comprehensive income, net of tax	**14 056**	**5 890**

The notes on pages 134–213 form an integral part of these financial statements.

Statement of financial position as of 31 December 2023

	Note	2023 MCZK	2022 MCZK
Assets			
Cash and cash balances	(11)	8 814	7 734
Financial assets at fair value through profit or loss, *of which:*	(12)	34 170	53 235
Held for trading		33 999	52 695
Mandatorily at fair value		171	540
Financial assets at fair value through other comprehensive income, *of which:*	(13)	51 953	28 319
Provided as collateral		7 708	5 448
Financial assets at amortised cost, *of which:*		750 474	634 560
Loans and advances to banks	(14)	158 548	107 722
Loans and advances to customers	(15)	591 926	526 838
Positive fair value of hedging derivatives	(16)	14 480	21 692
Changes in fair value of the portfolio of hedged instruments		1 122	(3 164)
Equity investments	(17)	3 979	3 979
Property, equipment and right of use assets	(18)	3 467	3 281
Intangible assets	(19)	2 353	2 495
Tax receivables, *of which:*	(28)	2 077	2 919
Deferred tax		2 077	2 919
Other assets	(20)	1 190	1 040
Total assets		**874 079**	**756 090**
Liabilities			
Financial liabilities at fair value through profit or loss, *of which:*		33 373	52 725
Held for trading	(21)	33 373	52 725
Financial liabilities at amortised cost, *of which:*		724 554	589 313
Deposits from banks	(22)	28 972	51 932
Deposits from customers and Lease liabilities	(23)	617 058	502 969
Debt securities issued	(24)	78 524	34 412
Negative fair value of hedging derivatives	(25)	30 141	40 441
Changes in fair value of the portfolio of hedged instruments		(6 540)	(12 656)
Tax liabilities, *of which:*	(28)	199	692
Current income tax		199	692
Other liabilities	(26)	8 638	7 175
Provisions for risks and charges	(27)	1 404	1 229
Total liabilities		**791 769**	**678 919**
Equity			
Issued capital	(29)	8 755	8 755
Share premium	(29)	3 495	3 495
Reserve funds from revaluation		(5 284)	(9 104)
Retained earnings and reserve funds	(31)	65 088	65 102
Profit for the period		10 256	8 923
Total shareholder's equity		**82 310**	**77 171**
Total liabilities and shareholder's equity		**874 079**	**756 090**

The notes on pages 134–213 form an integral part of these financial statements.

Statement of cash flows for the year ended 31 December 2023

	Note	2023 MCZK	2022 MCZK
Profit after tax		**10 256**	**8 923**
Adjustments for non-monetary items:			
Impairment losses of:	(8)	278	1 482
Financial assets at amortised costs		282	1 477
Financial assets at fair value through other comprehensive income		(4)	5
Revaluation of financial instruments		(1 308)	(461)
Net provisions for risks and charges:	(27)	161	(66)
Loan commitments and financial guarantees given		104	(65)
Other net provisions		57	(1)
Depreciation and impairment of property, equipment and right of use assets	(18)	442	452
Amortisation and impairment of intangible assets	(19)	850	624
Net income/(loss) from the sale or repurchase of:	(6)	(39)	(46)
Financial assets at fair value through other comprehensive income		(39)	(46)
Profit/(loss) from the sale of non-financial assets		1	2
Taxes	(28)	1 821	1 760
Unrealised foreign currency gains/(losses)		337	(300)
Net interest income	(1)	(14 196)	(13 305)
Other non-monetary adjustments (FX revaluation, Accruals and Others)		(6 393)	387
Operating profit before changes in operating assets and liabilities		**(7 790)**	**(548)**
Financial assets at fair value through profit or loss, *of which:*		20 481	(17 682)
Held for trading		20 043	(17 516)
Mandatorily at fair value		438	(166)
Financial assets at amortised cost, *of which:*		(112 893)	(54 817)
Loans and advances to banks		(50 552)	1 013
Loans and advances to customers		(62 341)	(55 830)
Other financial instruments		3 123	2 001
Other assets		(857)	(785)
Financial liabilities at fair value through profit or loss, *of which:*		(19 847)	17 585
Held for Trading		(19 847)	17 585
Financial liabilities at amortised cost, *of which:*		89 961	34 647
Deposits from banks		(24 031)	2 253
Deposits from customers		113 992	32 394
Other liabilities		1 433	1 238
Interests received		34 091	21 908
Interests paid		(18 924)	(8 881)
Income tax paid		(2 160)	(981)
Net cash flows from operating activities		**(13 382)**	**(6 315)**
(Purchase) of financial assets at fair value through other comprehensive income		(27 751)	(11 892)
Sale and maturity of financial assets at fair value through other comprehensive income		8 469	3 640
Cash proceeds from the sale of property and equipment and intangible assets		2	14
(Acquisition) of property and equipment and intangible assets		(623)	(949)
Dividends received		707	658
Net cash flows from investment activities		**(19 196)**	**(8 529)**
Dividends paid		(8 923)	(6 662)
Financial liabilities at amortised cost – issue of debt securities		43 084	13 283
Financial liabilities at amortised cost – repayment of issued debt securities		(140)	(2 520)
(Payment) of Lease liabilities		(363)	(425)
Net cash flows from financial activities		**33 658**	**3 676**
Cash and cash balances at the beginning of the period		**7 734**	**18 902**
Cash and cash balances at the end of the period		**8 814**	**7 734**

The notes on pages 134–213 form an integral part of these financial statements.

Statement of changes in equity for the year ended 31 December 2023

MCZK	Issued capital	Share premium	Reserve from revaluation of hedging instruments	Reserve from revaluation of financial assets at fair value through other compr. income	Reserve from revaluation of property measured at fair value	Reserve from revaluation of exchange rate gains/ (losses) of a foreign branch	Retained earnings and reserve funds: Reserve fund and other capital funds	Retained earnings and reserve funds: Special purpose reserve fund	Retained earnings and reserve funds: Retained earnings	Profit for the period	Equity
Balance as of 1 January 2022	**8 755**	**3 495**	**(6 107)**	**382**	**197**	**(575)**	**3 372**	**12 402**	**49 926**	**6 114**	**77 961**
Transactions with owners, contributions from and distributions to owners											
Allocation of the prior year profit									6 114	(6 114)	–
Dividend payment								(793)	(5 869)		(6 662)
Consolidation impact						32			(50)		(18)
Total comprehensive income for the current period											
Net profit for the current period										8 923	8 923
Other comprehensive			(2 177)	(528)	4	(332)					(3 033)
Balance as of 31 December 2022	**8 755**	**3 495**	**(8 284)**	**(146)**	**201**	**(875)**	**3 372**	**11 609**	**50 121**	**8 923**	**77 171**
Balance as of 1 January 2023	**8 755**	**3 495**	**(8 284)**	**(146)**	**201**	**(875)**	**3 372**	**11 609**	**50 121**	**8 923**	**77 171**
Transactions with owners, contributions from and distributions to owners											
Allocation of the prior year profit									8 923	(8 923)	–
Dividend payment									(8 923)		(8 923)
Consolidation impact						20			(14)		6
Total comprehensive income for the current period											
Net profit for the current period										10 256	10 256
Other comprehensive			3 640	(129)	(28)	317					3 800
Balance as of 31 December 2023	**8 755**	**3 495**	**(4 644)**	**(275)**	**173**	**(538)**	**3 372**	**11 609**	**50 107**	**10 256**	**82 310**

The notes on pages 134–213 form an integral part of these financial statements.

Notes to the financial statements (separate)

Year ended 31 December 2023

I. Introduction

General Information
UniCredit Bank Czech Republic and Slovakia, a.s. (hereinafter the "Bank") was established through the cross-border merger of UniCredit Bank Czech Republic, a.s. and UniCredit Bank Slovakia a.s. with UniCredit Bank Czech Republic, a.s. being the successor company. The effective merger date was 1 July 2013. Changes in the business name and other facts related to the cross-border merger were recorded in the Commercial Register in Prague, Section B, Insert 3608 on 1 December 2013. The identification number of the Bank is 64948242.

As part of restructuring in UniCredit Group, the Bank's shareholder changed on 1 October 2016 from UniCredit Bank Austria AG to UniCredit S.p.A which is the ultimate parent company of the entire UniCredit Group holding 100% of the Bank's shares.

The Bank's registered office:
Želetavská 1525/1
140 92, Praha 4 – Michle

Following the completion of the cross-border merger, the Bank has been continuing to perform activities previously undertaken by UniCredit Bank Slovakia a.s. on the territory of the Slovak Republic through its organisational branch UniCredit Bank Czech Republic and Slovakia, a.s., pobočka zahraničnej banky (branch of a foreign bank).

Scope of Activities
The Bank is a universal bank providing services of retail, commercial and investment banking services in Czech crowns and foreign currencies for domestic and foreign clients, mainly in the Czech Republic and also in other states of the European Union.

The Bank's principal activities include:
- Receiving deposits from the public;
- Providing loans;
- Investing in securities on its own behalf;
- Operating a system of payments and clearing;
- Issuing and administration of payment products;
- Providing guarantees;
- Opening letters of credit;
- Administering cash collection;
- Trading on its own behalf or on behalf of clients:
  - In foreign-exchange currency products;
  - In forward and option contracts, including foreign currency and interest rate contracts; and
  - With transferable securities;
- Participating in share subscriptions and providing related services;
- Issuing mortgage bonds;
- Conducting financial brokerage;
- Managing securities, including portfolio management, on behalf of clients;
- Providing depository services and administration of securities;
- Providing depository services for investment funds;
- Conducting foreign currency exchange activities;
- Providing banking information;
- Renting safe-deposit boxes; and
- Conducting activities directly connected with the activities stated above.

II. Basis for the preparation of the separate financial statements

Statement of compliance
The Separate financial statements of the Bank (hereinafter also "Financial Statements") for 2023 and comparatives for 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") in Commission Regulation (EC) no. 1126/2008 as amended including valid interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), further "IFRS".

Purpose of preparation
The purpose of preparing these financial statements in the Czech Republic is to comply with Act on Accounting No. 563/1991 Coll. The Bank prepares its financial statements and annual report under special regulation 1606/2002 of the European Parliament and of the Council on the Application of International Accounting Standards (IFRS).

Basis of preparation
These financial statements were authorised for issue by the board of directors and are subject to approval at the General Meeting of Shareholders.

These financial statements were prepared based on the going concern assumption that the Bank will continue to operate in the foreseeable future.

The annual separate and consolidated financial statements for 2022 and the profit distribution for 2022 were approved by the Shareholder of the Bank on 28 March 2023.

The financial statements are prepared on the accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur and reported in the financial statements of the periods to which they relate and on the going concern assumption.

All presented amounts are in millions of Czech crowns (millions of CZK) unless stated otherwise.

The financial statements were prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income, derivative contracts, other financial assets and liabilities held for trading, financial assets and liabilities at fair value through profit or loss, and properties used in business, all of which have been measured at fair value. The methods for determining fair value are presented in section III. Material Accounting Policies, point 3. Fair Value Measurement Principles. Recognised assets and liabilities that are hedged against the risk of changes in fair value and would not otherwise be measured at fair value are remeasured at fair value to the extent of the hedged risk.

Regulatory requirements
The Bank is subject to the regulatory requirements of the Czech National Bank, which include limits and other restrictions pertaining to minimum capital adequacy requirements, provisioning to cover credit risk, liquidity, interest rates and foreign exchange position of the Bank.

Foreign Currency and Foreign Currency Translation
The Czech crown is the functional currency of the Bank. Euro is the functional currency of the Slovak branch. The presentation currency of these financial statements is the Czech crown. Assets and liabilities of the branch are translated into the presentation currency using the foreign exchange rate applicable as of the financial statements date. The income statement of the branch is translated using the average exchange rate. The resulting difference arising from the use of various foreign exchange rates is recognised in equity as "Foreign exchange rate gains or losses from the branch". Figures in brackets represent negative amounts.

Transactions in foreign currencies (ie other than the functional currency) are translated to the functional currency using the foreign exchange rate promulgated by the central bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the closing foreign exchange rate at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated to the functional currency using the exchange rates at the date when the fair value was measured. Foreign exchange differences arising on translation are recognised in the income statement as "Net income/(loss) from trading".

III. Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the item *"Cash and cash balances"*. For more details see point 8. and 24. in this section.

1. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity of another entity.

The Bank classifies financial instruments in the following categories:
- Financial assets measured at amortised cost ("AC"),
- Financial assets measured at fair value through other comprehensive income ("FVTOCI"),
- Financial assets mandatorily measured at fair value through profit or loss ("FVTPL"),
- Financial assets held for trading ("FVTPL"),
- Financial liabilities measured at amortised cost ("AC") and
- Financial liabilities measured at fair value through profit or loss ("FVTPL").

The Bank has applied IFRS 9 approach to the classification and measurement of financial assets that takes into account:
- The business model for managing financial assets; and
- Characteristics of contractual cash flows from a specific financial asset.

A financial asset is valued at *amortised cost* if both the following conditions are met:
- The asset is held as part of a business model whose aim is to hold financial assets in order to obtain contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A business model's objective may be to hold financial assets to collect contractual cash flows even when some sales of financial assets have occurred or are expected to occur.

A financial asset is measured at *fair value through other comprehensive income* if both the following conditions are met:
- The asset is held as part of a business model whose aim is achieved by collection of contractual cash flows as well as by sale of financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income can also include investments in equity instrument if they are not held for trading and are designated so on initial recognition.

A financial asset is measured at *fair value though profit or loss* if it is not measured at amortised cost or at fair value through other comprehensive income or if it is designated at FVTPL on initial recognition.

All financial liabilities of the Bank, except for financial liabilities held for trading, financial liabilities designated at FVTPL on initial recognition and hedging derivatives, are measured at amortised cost.

a) Business Model Assessment

Business model ("BM") refers to the way the Bank manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The following is considered as evidence when assessing which business model is relevant:
- How the performance of the business model (and the financial assets held within that business model) is evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and the way those risks are managed;
- How managers of the Bank are compensated (eg whether compensation is based on the fair value of the assets managed or the contractual cash flows collected);
- The frequency, value and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity; and
- Whether sales activity and the collection of contractual cash flows are integral or incidental to the business model

The business model is determined at a level that reflects the way groups of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument but is determined at a higher level of aggregation.

The business model assessment resulted in the following business models of the Bank:

Business model "Held to collect" comprises the banking book and was assigned mainly to the lending portfolio and the portfolio of debt securities that are held with the intention to collect contractual cash flows.

Although the objective of the business model is to hold financial assets in order to collect contractual cash flows, the entity need not hold all of those instruments until maturity. Thus this business model can be to hold loans and bonds to collect contractual cash flows even where limited sales of financial assets occur or are expected to occur in the future.

Sales are consistent with the held-to-collect business model in the following situations:
- The sales are due to an increase in the credit risk of a financial asset;
- The sales take place close to the maturity of the financial asset and the proceeds from the sales approximate the collection of the remaining contractual cash flows;
- The sales are infrequent (even if significant), or are insignificant individually and in aggregate (even if frequent).

The *business model "Held to collect and sell"* comprises the banking book and was assigned mainly to:
- The portfolio of debt securities whose objective is achieved by both collecting contractual cash flows and selling financial assets; these are used primarily for liquidity, interest and duration management, and
- Equity instruments irrevocably designated at FVTOCI on initial recognition.

The *"Other" business model* was assigned to financial instruments (debt securities, derivatives and equity instruments) that are not allocated to any of the above business models and the main strategy is:
- Trading:
  - To realise cash flows through sale of the assets or
  - To manage the instruments actively on fair value basis in order to realise fair value changes arising from market factor changes like yield curves, credit spreads etc.
- Managing Risk Weighted Assets, or
- Liquidity and interest rate management up to one year.

b) Analysis of Contractual Cash Flow Characteristics

For the classification of financial assets based on the new IFRS 9 categories, the analysis of the business model is complemented by the analysis of the contractual cash flows – assessment whether the contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest ("SPPI Test"). This analysis is only performed at initial recognition of the instrument.

For this purpose, interest is defined as a consideration for the time value of money, the credit risk associated with the principal during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

This analysis is performed for loan products either at "contract template" level for standardised products, or at contract by contract level for tailored corporate loan contracts. For securities, the analysis is performed at ISIN level using mainly an external data provider.

Modified Time Value of Money

The time value of money is the element of interest that provides consideration for the passage of time. It does not take into account other risks (credit, liquidity, etc.) or costs (administrative, etc.) associated with holding a financial asset.

In some cases, the time value of the money element may be modified (imperfect). This is the case, for example, if a financial asset's interest rate is periodically reset but the frequency of that reset does not match the tenor of the interest rate. In this case, the Bank must assess the modification to determine whether the contractual cash flows still represent solely payments of principal and interest, ie the modification term does not significantly alter the cash flows from a perfect benchmark instrument. For this assessment, the Bank uses a Benchmark tool developed at UniCredit Group level.

c) Recognition and Measurement of Financial Assets

Financial assets at amortised cost

"Financial assets at amortised cost" are recognised in the Bank's accounting books from the moment of settlement. Foreign exchange gains and losses and impairment losses are recognised in the Bank's income statement from the trade date.

Financial assets at amortised cost are measured initially at fair value, including transaction costs. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest rate method.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash receipts during the expected life of the financial asset or liability to the gross carrying amount of the financial asset or amortised cost of the liability. The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using an effective interest rate over the expected life of the financial asset at amortised cost. For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest alters the effective interest rate.

Financial assets at amortised cost represent cash and cash equivalents, loans and advances to banks, loans and advances to customers and debt securities.

"Purchased or originated credit-impaired financial assets" (POCI) are financial assets that are credit-impaired on initial recognition. The Bank recognises POCI when additional significant financing, net of additional collaterals, is granted to a credit-impaired borrower. The Bank identified no POCI assets during 2023, or in 2022.

POCI is measured at amortised cost using credit-adjusted EIR. On initial recognition, POCI assets do not carry an impairment allowance. Instead, lifetime expected credit losses are incorporated into the calculation of the credit-adjusted EIR. The credit-adjusted EIR is calculated using the expected cash flows inclusive of future lifetime expected credit losses – ie the estimated contractual cash flows are reduced by lifetime expected credit losses. For subsequent measurement, the expected credit losses for POCI assets are measured as lifetime expected credit losses. However, only the cumulative changes in lifetime expected credit losses since initial recognition are recognised as a loss allowance, and not the total amount of expected credit losses.

Interest income on POCI, is calculated using the credit adjusted EIR applied to the amortised cost of financial asset.

Gains and losses arising from financial assets carried at amortised cost are recognised in the income statement when the financial asset is derecognised (in the item *"Net income/(loss) from the sale or repurchase of: Financial assets at amortised cost")* or impaired (in the item *"Impairment losses on: Financial assets at amortised cost")*, and through the amortisation process in the item *"Interest income"* using the effective interest rate method.

Financial assets at fair value through other comprehensive income

"Financial assets at fair value through other comprehensive income" are recognised in the Bank's accounting books from the moment of settlement. Any gains or losses arising from changes in the fair value of the assets are recognised in the Bank's other comprehensive income since the trade date; impairment losses are recognised since the trade date.

Financial assets at FVTOCI are measured initially at fair value, including transaction costs. Subsequent to initial recognition, these financial assets are measured at fair value.

Gains and losses arising from a change in the fair value of debt instrument assets at fair value through other comprehensive income are recognised in other comprehensive income and become the equity item *"Reserve funds from revaluation"*, with the exception of expected credit losses that are reported in the income statement as *"Impairment losses on: Financial assets at fair value through other comprehensive income"*. When financial assets are sold, transferred or otherwise disposed of, the cumulative gain or loss recognised in equity is transferred to the income statement as *" Net income/(loss) from the sale or repurchase of: Financial assets at fair value through other comprehensive income"*. Interest income from fair value through OCI debt securities is recognised in the income statement as *"Interest income"* using the effective interest rate method.

Financial assets at FVTOCI include debt instruments and equity instruments (designated at FVTOCI on initial recognition).

"Equity instruments designated at FVTOCI on initial recognition" – on initial recognition of an equity instrument that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This decision is made on an investment–by–investment basis for each investment and covers strategic interests. Subsequent changes in fair value from revaluation are recognised during the life of the equity instrument in the item *"Reserve funds from revaluation"* and, on its derecognition, the subsequent changes are not recognised in the income statement. After derecognition of the investment, the final cumulative changes in fair value are transferred to retained earnings.

Dividend income from equity instruments is recognised in the income statement in *"Dividend income"* on the date the dividend is declared.

Financial assets at fair value through profit and loss
"Financial assets at fair value through profit or loss" are recognised in the Bank's accounting books from the moment of settlement. Any gains or losses arising from changes in the fair value of the assets are recognised in the Bank's the income statement since the trade date.

Initial and subsequent measurement of the financial assets at fair value through profit or loss is at fair value.

Financial assets at FVTPL include financial assets:
- *Held for trading* (debt instruments or derivatives)
- *Mandatorily at fair value*
- *Designated at FVTPL* on initial recognition.

"Financial assets at fair value through profit or loss: Held for trading" include instruments held by the Bank principally for the purpose of short-term profit taking. These instruments include investments in debt and equity instruments, certain purchased receivables and derivative contracts that are not designated as hedging instruments.

A gain or loss arising from sale or redemption, or a change in the fair value of a held for trading financial asset, is recognised in the income statement in the item *"Net income/(loss) from trading"*, including gains or losses related to derivative contracts that are linked to assets and/or liabilities designated at fair value. Interest income from financial assets held for trading is recognised in the income statement in the item *"Interest income"*. If the fair value of a financial instrument falls below zero, which may happen in the case of derivative contracts, it is recognised in the item *"Financial liabilities at fair value through profit or loss: Held for trading"*.

All purchases and sales that require delivery within the time frame established by regulation or market convention *("regular way")* are recognised as *spot transactions*. Regular way transactions / spot transactions are recognised at the settlement date, which is the date when a financial instrument is delivered. Transactions that do not meet the regular way settlement criteria are treated as derivatives.

A *derivative* is a financial instrument or other contract that has all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (usually called the "underlying"), provided for a non-financial variable that the variable is not specific to a party to the contract;
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- It is settled at a future date (except for regular way transactions).

Sometimes, a derivative may be a component of a combined financial instrument that includes a host contract and a derivative (the embedded derivative) effecting cash flows or otherwise modifying the characteristics of the host instrument. An embedded derivative must be separated from the host instrument and accounted for as a separate derivative if, and only if:
- The host instrument is not a financial asset pursuant to IFRS 9;
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- A separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative as a stand-alone instrument; and
- The host instrument is either not measured at fair value or it is measured at fair value but changes in fair value are recognised in other comprehensive income.

When an embedded derivative is separated, the host contract is accounted for according to its accounting classification.

Derivatives are recognised in the Bank's accounting books from the trade date. Derivatives are recorded at fair value and carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of the assets are recognised in the Bank's the income statement in the item *"Net income/(loss) from trading"* since the trade date.

Derivatives are classified as trading derivatives unless they qualify as hedging instruments in effective hedging. For hedging derivatives policy see section III. Material Accounting Policies, point 4. Hedging Derivatives.

Financial assets are classified as *"Financial assets at fair value through profit or loss: Mandatorily at fair value"* if they do not meet the conditions, in terms of business model or cash flow characteristics, for being measured at amortised cost or at fair value through other comprehensive income. The following assets are classified in this portfolio:

- Debt instruments, securities and loans for which the business model is neither held to collect nor held to collect and sell but which are not part of the trading book;
- Debt instruments, securities and loans with cash flows that are not solely payment of principal and interest;
- Units in investment funds;
- Equity instruments not held for trading for which the Bank does not apply the option granted by the standard of valuing these instruments at fair value through other comprehensive income.

Gains and losses from *"Financial assets at fair value through profit or loss: Mandatorily at fair value"*, whether realised or unrealised, are recognised in the item *"Net income/(loss) from financial assets/ liabilities at fair value through profit or loss: Mandatorily at fair value"*. Interest income from financial assets mandatorily at fair value is recognised in the income statement as *"Interest income"*.

"Financial assets at fair value through profit or loss: Designated at FVTPL"- the Bank has the option at initial recognition to irrevocably designate a non-derivative financial asset as at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency, ie an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognising the gains and losses on them on a different basis. In 2023 and in 2022 the Bank held no such assets.

These assets are accounted as for financial assets held for trading however gains and losses, whether realised or unrealised, are recognised in the item *"Net income/(loss) from financial assets/ liabilities at fair value through profit or loss"*.

Interest income from financial assets designated at FVTPL is recognised in the income statement as *"Interest income"*.

d) Modification and Derecognition of Financial Asset

A financial asset is derecognised when the rights to contractual cash flows from an asset expire or the Bank transfers the financial asset and the transfer qualifies for derecognition. This occurs when the rights are realised, expired or surrendered.

Assets measured at fair value through other comprehensive income and assets at fair value through profit or loss that are sold are generally derecognised and the corresponding receivables from the buyer are recognised at the settlement date.

The Bank also derecognises a financial asset (derecognition accounting) if its contractual conditions have been modified to such an extent that the related cash flows have been materially changed. The new financial asset is classified in stage 1 for the purposes of ECL calculation unless it is credit impaired, in which case it is classified as POCI.

When assessing whether the change is a material change in contractual cash flows, the Bank considers the following factors:

- Change in the currency of the loan;
- Change of the debtor;
- Change causing failure to meet the SPPI test; and
- Change for business reasons (e.g. maturity extension, change in interest rate).

If the change of contractual conditions does not materially affect the related cash flows, the financial asset is not derecognised. In such case, the Bank recognises gains or losses from modification (modification accounting), representing the difference between:

- The present value of modified expected cash flows (disregarding the credit losses) discounted using the original EIR; and
- The current gross carrying amount.

This difference is recognised in the income statement under the item *"Modification gains/ (losses)"*. In subsequent accounting periods, the modification gains/losses are amortized till the maturity date of the financial asset. This amortization is recognised in the income statement under the item *"Interest income"*.

Changes in contractual cash flows due to the forbearance measure (aside from a change of debtor, change of loan currency or change causing a failure to meet the SPPI test as if performed at the modification date) are considered to be changes that do not significantly affect the related cash flows.

e) Write-offs

The Bank writes off a financial asset or a part thereof when it has no reasonable expectations of recovering the respective cash flows (from the receivable itself or the collateral received). When performing a write-off, the gross carrying amount of the asset is reduced together with the related loss provision. Direct write-offs and recoveries on written-off loans are reported in the line *"Impairment losses on: Financial assets at amortised cost"*.

The receivable is written-off when:

- The expected costs of recovery of the receivable are higher than its expected recovery;
- All collaterals have been realized and no further performance can be expected;

- Defaulted unsecured receivable for which no performance has been accepted in the last 36 months and no legal action has been initiated during this period;
- Termination of bankruptcy against the debtor due to lack of assets or after meeting the schedule resolution;
- Dissolution of a legal entity without a legal successor (eg liquidation) or death of a natural person, when partial satisfaction has already occurred or cannot be satisfied at all.

Financial assets written off which are subject to further enforcement are recorded in the off-balance sheet. If the Bank, after writing off a financial asset, collects additional amounts from the client, the additional recovery is recognised in the income statement under the item *"Impairment losses on: Financial assets at amortised cost"*.

f) Recognition, Measurement and Derecognition of Financial Liabilities

"Financial liabilities at amortised cost" comprise financial instruments (other than liabilities held for trading or those designated at fair value) representing the various forms of third-party funding. Financial liabilities at amortised cost include deposits from banks, deposits from customers and debt securities issued.

These financial liabilities are recognised at the settlement date initially at fair value, which is normally the consideration received less transaction costs directly attributable to the financial liability. Subsequently these instruments are measured at amortised cost using the effective interest rate method. Such interest is recognised in the item *"Interest expense"*.

"Debt securities issued" are recognised net of repurchased amounts; the difference between the carrying value of a liability and the amount paid to buy it is recognised in the income statement in the line *"Net income/(loss) from the sale or repurchase of: Financial liabilities"*. Subsequent disposal by the issuer is considered as a new issue which does not produce gains or losses.

The item *"Financial liabilities at fair value through profit or loss"* includes financial liabilities held for trading and financial liabilities designated at FVTPL on initial recognition. Related interest is recognised in the item *"Interest expense"*.

"Financial liabilities at fair value through profit or loss: Held for trading" include financial instruments held by the Bank principally for the purpose of short-term profit taking. These instruments include short sales (obligations to deliver financial assets borrowed by a short seller (ie an entity that sells financial assets it does not yet own)) and derivatives that are not designated as hedging instruments.

"Financial liabilities at fair value through profit or loss: Held for trading", including derivatives contracts, are measured at fair value on initial recognition, as well as on each reporting date subsequent to the initial recognition of the transaction.

A gain or loss arising from sale or redemption or a change in the fair value of a held for trading financial liability is recognised in the income statement in the item *"Net income/(loss) from trading"*.

"Financial liabilities at fair value through profit or loss: Designated at FVTPL" – financial liabilities, like financial assets, may also be designated, according to IFRS 9, on initial recognition as measured at fair value, provided that:

- This decision provides more relevant information as:
  - It excludes or significantly reduces the measurement or accounting mismatch that could otherwise arise during the measurement of assets or liabilities or recognition of the respective profits or losses on a different basis; or
  - The group of financial liabilities or financial assets and financial liabilities is controlled and its performance assessed based on fair value and in line with a documented risk management strategy or investment strategy and information on this group is internally transferred to key managers of the Bank on this basis; or
- The contract contains one or more embedded derivatives and the host contract is not an asset subject to IFRS 9, the Bank can include the entire hybrid contract in this category, with the exception of cases where:
  - The embedded derivative does not significantly change the cash flows that would otherwise be required by the contract; or
  - It is clear from the first assessment of a similar hybrid instrument that the exclusion of the embedded derivative is not permitted;
- The financial liability that arises when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

This category may also include financial liabilities represented by hybrid (combined) instruments containing embedded derivatives that otherwise should have been separated from the host contract.

Financial liabilities presented in this category are measured at fair value at initial recognition as well as during the life of the transaction. The changes in fair value are recognised in the income statement in the item *"Net income/(loss) from financial assets/liabilities at fair value through profit or loss"*, except for those changes in fair value related to changes in credit risk of these financial liabilities (so-called own credit risk). In this scenario, the changes in fair value are recognised in the item *"Reserve funds from revaluation"* related to other comprehensive income. If such accounting treatment results in an inconsistency that arises from the application of different methods of measuring assets and liabilities, and related gains or losses, then the changes in fair value deriving from changes in credit risk are also recorded in the income statement in the item *"Net income/(loss) from financial assets/liabilities at fair value through profit or loss"*.

In 2023 and in 2022 the Bank held no such liabilities.

The Bank derecognizes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

g) Reclassification of Financial Instruments

Financial instruments are not reclassified subsequent to their initial recognition aside from reclassification in the reporting period after a change in the respective business model.

Reclassifications are expected to be very infrequent. Such changes must be determined by the Bank's key management personnel as a result of external or internal changes and must be significant to the Bank's operations and demonstrable to external parties.

The following external or internal changes may result in a business model change:

- Changes in laws and regulations concerning certain assets that obliges the entity to review its business model;
- Changes in strategy concerning certain asset's class, asset's geography, product type;
- Business combinations that induce the entity to review its business model concerning certain financial assets;
- The Bank begins or ceases to perform an activity that is significant to its operations.

The following are not considered to be changes to a business model:

- A change in intention related to specific financial assets (even in circumstances of significant changes in market conditions);
- A temporary disappearance of a particular market for financial assets; or
- A transfer of financial assets between parts of the entity with different business models.

Any reclassification is applied by the Bank prospectively, so the Bank does not adjust any previously recognised gains, losses (including impairment gains or losses) or interest.

Investments in equity instruments that are designated as at FVTOCI at initial recognition and financial assets at fair value through profit or loss that are designated as at FVTPL may not be reclassified, as a decision to designation is irrevocable.

h) Day 1 Profit/Loss

If the transaction price differs from the fair value of a financial asset or financial liability measured at fair value, the difference between these values (profit or loss) is reported in the income statement, except for Level 3 fair value measurement. The Bank typically does not conduct this type of transactions with Day 1 Profit/Loss.

2. Impairment of Financial Instruments

The Bank recognises impairment losses on its debt financial instruments, other than those measured at FVTPL, its lease receivables and its off-balance credit risk exposures arising from financial guarantees and loan commitments. The impairment is based on expected credit losses whose measurement reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supporting information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For reporting and provisioning purposes, the Bank uses a three-stage model in line with IFRS 9 that takes into account changes in credit risk since initial recognition ("staging"):

- Stage 1 includes financial assets with a credit risk which has not increased significantly since initial recognition, as well as assets with low credit risk at the balance sheet date. The 12-month expected credit losses (or shorter depending on the maturity of the instrument) are recognised for these assets. Interest income is calculated on the basis of the gross carrying amount of assets.
- Stage 2 includes credit exposures that, although performing, have seen their credit risk significantly deteriorating since initial recognition. Full lifetime expected credit losses are recognised for these assets. Interest income is calculated on the basis of the gross carrying amount of assets.
- Stage 3 includes impaired credit exposures. Full lifetime expected credit losses are recognised for these assets. Interest income is calculated on the basis of the net carrying amount of assets. This category includes non-performing receivables.

Impairment models are adapted to comply with the accounting requirements stated in IFRS 9, and also follow the "Guidelines on credit institutions' credit risk management practices and accounting for expected credit losses" issued by EBA.

Subject to expected losses calculation are financial assets at amortised cost and the applicable off balance sheet exposures (such as loan commitments and financial guarantee contracts), all credit exposures assets classified at Fair Value through Other Comprehensive Income and Lease receivables.

Furthermore, specific adjustments are developed to the Probability of Default (PD), Loss Given Default (LGD) and Exposure At Default (EAD) parameters used for regulatory reporting purposes (Basel) to compound the Expected Credit Loss (ECL), and a model is developed to assess the Stage Allocation on unimpaired assets, at transaction level, between Stage 1 and Stage 2.

The main difference between the two stages is the time horizon which the ECL is expected to be calculated on.

On LGD and EAD specific adjustments are applied to parameters already calculated for "regulatory" purposes, in order to ensure full consistency, net of different regulatory requirements, between regulatory and accounting treatment. The main adjustments are to:
- Remove the conservatism only required for regulatory purposes;
- Introduce a "point in time" adjustment, instead of the "through the cycle" adjustment embedded in the regulatory parameters;
- Include forward-looking information; and
- Extend the credit risk parameters in a multiyear perspective.

As for PDs, dedicated lifetime PD curves are developed for each main client segment based on cumulated default rates, and are calibrated to reflect a point in time and forward-looking expectation regarding portfolio default rates.

The Expected Credit Loss derived from such adjusted parameters is also compounded taking into consideration macroeconomic forecasts.

A key aspect deriving from the model when compounding the final Expected Credit Loss is the stage allocation model, which allocates credit transactions between Stage 1 and Stage 2 (Stage 3 being equivalent to Impaired assets). Stage 1 mainly includes (i) newly originated exposures, (ii) exposures with "no significant increase in credit risk since initial recognition" or (iii) "low credit risk" exposures at the reporting date.

Stage 2 allocation assessment includes a combination of relative and absolute triggers. Relative triggers are:
- The relative comparison, at transaction level, between the PD at origination and the PD at each reporting date, both calculated through internal models, with thresholds set to include all the key variables of each transaction that could affect the Bank's expectation about PD changes over time (eg age, maturity, level of PD at origination) – PD threshold is calculated specifically for each transaction using all the key variables. This procedure assesses whether there has been a material deterioration in credit quality since initial recognition with the life-time PD values (so called AP3 approach);
- additional relative trigger was introduced in May 2022 which assigns stage 2 to exposures having current PD higher than triple of the PD at origination.

Low credit risk exemption (LCRE) – specific condition allowing to keep stage 1 to exposures even if exceeding one of the two of relative triggers but only if the actual PD is lower than 0,306%.

Absolute triggers for stage 2 assignment are following:
- Exposures being overdue more than 30 days;
- new classifications to Forborne;
- transfer to Watchlist 2 process;
- having internal rating 8+ or 8.

Additionally, to the above mentioned stage 2 triggers, there is 3-months probation period in place for which the exposure is still categorized in stage 2 after above mentioned reasons for reclassification to stage 2 expired. Such rule is not valid for Forbearance trigger where the stage 2 assignment is fully symmetrical with the Forbearance classification.

The Bank uses the "client default" definition in line with Regulation No. 575/2013 of the European Parliament and of the Council and with Final Report Guidelines on the application of the definition of default (EBA/GL/2016/07); specifically, a debtor's default involves situations where:

a. The debtor is in default with at least one repayment of the principal or related interest on any of its payables to the bank for a period greater than 90 days; and/or
b. It is likely that the debtor will be unable to settle its payables on a timely basis and in full without the bank resorting to realising collateral.

Standard cases where the debtor will be unable to settle its payables:
- Changes in contractual cash flows due to granting relief to the debtor (the "forbearance measure" from which the bank takes a loss);
- The loan has been restructured or deferred for a long period;
- The debtor has committed credit fraud or has violated the financial commitments of the loan;
- The debtor is dead or insolvent;
- It is probable that the debtor will enter into bankruptcy or legal restructuring of its debts, etc.

In this evaluation, expected disposal scenarios are also considered as far as UniCredit Bank Non-Performing Assets Strategy foresees the recovery of defaulted assets via their transfer.

When defining the perimeter of impaired assets, the Definition of Default currently applied by UniCredit Group has been adopted, which incorporates some of the key principles embedded in the Definition of Default guidelines issued by EBA, such as the assessment of impairment or default by considering the overall exposure to a given debtor (so called "debtor approach").

Financial assets at amortised cost

Financial assets at amortised cost predominantly include loans and advances to banks, loans and advances to customers and trade receivables and are reported net, ie reflecting impairment losses.

Individual impairment losses adjust the carrying amount of individually assessed financial assets at amortised cost to their recoverable amount. The recoverable amount of financial assets at amortised cost is set as the present value of expected future cash flows discounted with the original effective interest rate of the financial instrument.

Expected cash flows from the individual asset portfolios with the same characteristics (based on the segment/rating model) are set based on historical losses while taking into account the anticipated macroeconomic development. Based on this information, the expected loss is calculated as of the balance sheet date.

Financial assets at fair value through other comprehensive income
Impairment of debt financial assets at fair value through other comprehensive income in the amount of the expected credit loss is reported in the income statement under *"Impairment losses on financial assets"*. Impairment losses on equity securities classified as financial assets at fair value through other comprehensive income are not reported.

Trade receivables
Trade receivables impairment is calculated using a simplified approach based on days past due.

For additional information on Credit Risk Management please refer to section V. Other Notes, point 35 b).

Loan commitments and financial guarantees
Under IFRS 9, the impairment requirements also apply to loan commitments and financial guarantees off the statement of financial position. The Bank assesses on a forward-looking basis the expected credit losses associated with exposures from loan commitments and financial guarantee contracts.

When estimating life-time Expected Credit Loss for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The Expected Credit Loss is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of scenarios.

For financial guarantees, the Bank estimates Expected Credit Losses based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs any amounts the Bank expects to recover. The calculation is made using a probability-weighting of scenarios.

The Expected Credit Losses related to loan commitments and financial guarantee contracts are recognised under the item *"Provisions for risks and charges"* in the statement of financial position and under the item *"Net provisions for risks and charges: Loan commitments and financial guarantees given"* in the income statement.

3. Fair Value Measurement Principles

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets and financial liabilities is based on their quoted market price on an active market at the balance sheet date without deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques that maximises market observable inputs and minimizing those unobservable.

Where discounted cash flow techniques are used, estimated future cash flows are based on Bank management's best estimates and the discount rate is based on the market rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market rates at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated as the amount that the Bank would receive or pay to terminate the contract at the balance sheet date, taking into account current market conditions and the current creditworthiness of the counterparties and of the Bank.

Bonds in the Bank's portfolio are valued on a daily basis using available market rates quoted by market participants using Bloomberg services. A group of contributors who provide reliable and regular bond valuations is selected for each of the bonds. The credit spread of the bond is calculated from particular contributions and discount curves.

If there are sufficient current market prices of contributions available, the valuation is calculated as an average value. To prevent possible errors of particular contributions, a comparison of daily changes is made at the same time.

If no market price is available as a source of valuation or the number of actual contributions is not sufficient, the Bank will carry out the valuation on the basis of a risk-free swap rate, to which the credit spread known as of reporting date is applied. The Bank continues to apply this method until:
- Market quotations are again available;
- The credit spread of a particular bond is adjusted based on a comparison of credit spreads of similar bonds;
- The Bank receives other information about a change of the spread applied;

- The issuer's credit rating changes (change of internal and/or external rating, evidence from the market that creditworthiness is worsening); and
- The liquidity of the specific securities has deteriorated significantly.

Subsequently, the Bank will carry out the valuation comprising new aspects of the market price, including an assessment of possible impairment losses (see section III. Material Accounting Policies, point 2. Impairment, namely impairment of financial assets at fair value through other comprehensive income).

Bank management believes that the fair value of the assets and liabilities presented in these financial statements can be measured reliably.

Financial assets and financial liabilities are classified into fair value levels depending on the quality of the input used in the valuation. Individual levels are defined as follows:
- Level 1 input – quoted (unadjusted) prices on active markets for identical assets or liabilities available to the Bank as of the date of valuation;
- Level 2 input – input data other than the quoted prices contained in level 1 that are observable for an asset or liability either directly or indirectly. This category includes the instruments valued at: quoted prices of similar assets or liabilities on active markets; quoted prices of identical or similar assets or liabilities on markets that are not active; valuation techniques for which a significant input is observable on the market directly or indirectly; and
- Level 3 input – unobservable input data for an asset or liability. This category includes instruments under which valuation techniques contain an input not based on observable data and the unobservable input may have a significant impact on the instrument's valuation.

The Bank evaluates the levels at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

Fair Value Adjustments (FVA)
Fair value adjustment is defined as the amount to be added to the market observed mid-price or to the theoretical price generated by a valuation model to obtain a fair value of the position. Therefore FVA are aimed at ensuring that the fair value reflects the exit price of a certain position.

Adjustments used are as follows:
- Credit/debit valuation adjustment (CVA/DVA);
- Funding Cost and Funding Benefit Adjustment (FCA/FBA)
- Model Risk;
- Close-out Costs;
- Other Adjustments.

Credit/Debit valuation adjustment (CVA/DVA)
Credit valuation adjustments (CVAs) and debit valuation adjustments (DVAs) are incorporated into derivative valuations to reflect the impact on fair value of counterparty credit risk and the Bank´s own credit quality respectively.

Bank CVA/DVA methodology is based on the following inputs/assumptions – simulation approach:
- New products that can be valuated are automatically included for CVA,
- Two sided bilateral CVA is used,
- EAD derived by simulation techniques – the whole portfolio of trades as well as risk mitigation techniques such as netting and margining with this counterpart is taken into account,
- PD – precise computation of counterparty exposure
  - Implied by current market default rates, obtained from Credit Default Swaps,
  - Use single name CDS where available, use sector curve approximations (based on internal rating and sector).

Funding Cost and Funding Benefit Adjustment (FCA/FBA)
Funding Valuation Adjustment (FundVA) is the sum of a Funding Cost Adjustment (FCA) and of a Funding Benefit Adjustment (FBA) that accounts for the expected future funding costs/benefits for derivatives that are not fully collateralised. Most material contributors are in-the-money trades with uncollateralised counterparties.

UniCredit FVA methodology is based on the following inputs:
- Positive and Negative exposure profiles derived from leveraging on a risk-neutral spin-off of the Counterparty Credit Risk internal model;
- PD term structure implied by current market default rates obtained from credit default swaps;
- A funding spread curve that is representative of the average funding spread of peer financial groups.

Model Risk
Financial models are used for the valuation of the financial instruments if direct market quotes are not readily available. In general, model risk is represented by the possibility that a financial instrument's evaluation is sensitive to the choice of model. It is possible to value the same financial instrument by using alternative models which could provide different results in term of pricing. The model risk adjustment refers to the risk that the actual fair value of the instrument differs from the value produced by the model.

Close-out Costs
This measures the implicit costs of closing an (aggregated) trading position. The short position could be closed by a long position and vice versa, or by entering into a new transaction (or several transactions) that offsets (hedges) the open position. Close-out

costs are typically derived from the bid/ask spreads observed on the market. It accounts for the fact that a position is valued at mid but can only be closed at bid or ask. This adjustment is not needed when the position is marked at bid or ask and already represents an exit price. In addition a close-out adjustment of the NAV is applied when there are penalties relating to a redemption of investment funds.

Other Adjustments
Other fair value adjustments not included in the previous categories may be taken into consideration to align the evaluation to the current exit price, according to the level of liquidity of the market and valuation parameters, e.g. adjustment of equity prices whose quotation on the market are not representative of the effective exit price.

For Fair Value disclosures see section V. Other Notes, point 37. Fair Value of Financial Assets and Financial Liabilities.

4. Hedging Derivatives

Hedging derivatives are carried at fair value. Positive fair value is presented in the item *"Positive fair value of hedging derivatives"*, negative fair value is presented in the item *"Negative fair value of hedging derivatives"*. The method of recognising fair value depends on the model of hedge accounting applied.

Hedge accounting can be applied if:
- The hedge is in line with the Bank's risk management strategy;
- The hedge relationship is formally documented at the inception of the hedge;
- It is expected that the hedge relationship will be highly effective throughout its life;
- The effectiveness of the hedge relationship can be objectively measured;
- The hedge relationship is highly effective throughout the accounting period; and
- For hedging future forecast transactions, it is highly probable that the transaction will occur.

As regards hedge accounting, the Bank additionally used the option under IFRS 9 to continue applying the existing requirements for hedge accounting pursuant to IAS 39.

If a derivative hedges an exposure to changes in the fair value of recorded assets and liabilities or of legally-enforceable firm commitments, the hedged item is revaluated to change in fair value due to the hedged risk. Gains (losses) on the re-measurement of an interest-bearing hedged item and hedging derivative are recognised in the income statement in *"Net income from hedging against risk of changes in fair value"*. Realised interest income and expenses are reported on a net basis in *"Interest income"* or *"Interest expense"*.

If a derivative hedges an exposure to the variability of cash flows related to recognised assets and liabilities or expected transactions, the effective part of the hedge (change in fair value of the hedging derivative) is recognised in other comprehensive income in equity item*" Reserve funds from revaluation"*. The ineffective part of the hedge is recognised in the income statement.

If the hedging of expected transactions results in the recording of an asset or liability, the cumulative gains or losses from the revaluation of the hedging derivative previously recognised in other comprehensive income are transferred to the income statement at the same time as the hedged item affects the net profit or loss.

When a hedging instrument or hedge relationship is terminated but the hedged transaction is still expected to occur, the cumulative gain or loss recognised in other comprehensive income remains in equity and is recognised in accordance with the above policy. If the hedged transaction is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is immediately recognised in the income statement.

"Macro hedging" – IAS 39 allows financial assets and liabilities hedge against interest rate fluctuations to be not only a single asset or liability but also a monetary position contained in a number of financial assets or liabilities (or parts of them). Accordingly, a group of derivatives can be used to offset fair-value fluctuations in hedged items due to changes in market rates.

The Bank applies macro hedging to some financial assets and some financial liabilities. Net changes, gains or losses, in the fair value of the macro-hedged assets or liabilities attributable to the hedged risk are recognised in the asset or liability item respectively *"Changes in fair value of the portfolio of hedged instruments"* and offset the income statement item *"Net income/(loss) from hedging against risk of changes in fair value"*.

5. Repo transactions and reverse repo transactions

Securities sold under an agreement to repurchase them at a specified future date are also known as *"repo transactions"* or *"sale and repurchase agreements"*. Securities sold in such transactions are not derecognised from the statement of financial position, as the Bank retains substantially all the risks and rewards of ownership, as the securities are repurchased at a fixed price when the repo transaction ends. Financial assets transferred to another counterparty under a repo transaction are measured in accordance with the appropriate accounting policy for such financial asset.

Securities sold under a repo transaction are recorded as assets in the line *"Financial assets at fair value through other comprehensive income"* or in the line *"Financial assets at fair value through profit* *or loss: Held for trading"*, and received loan, including accrued interest, is included in the line *"Financial liabilities at amortised cost: Deposits from banks"* or in the line *"Financial liabilities at amortised cost: Deposits from customers"*.

Debt securities purchased under agreements to purchase and resell at a specified future date, also known as *"reverse repos"* are not recorded in the Bank´s statement of financial position but are presented in the off-balance sheet. The consideration paid (provided loan), including accrued interest, is recorded in the line *"Financial assets at amortised cost: Loans and advances to banks"* or in the line *"Financial assets at amortised cost: Loans and advances to customers"*.

The difference between the sale and repurchase considerations for both repo and reverse repo transactions are recognised on an accrual basis over the period of the transaction using the EIR and are recognised in the income statement in *"Interest income"* or *"Interest expense"*.

For sale of a security acquired from a reverse repo, the Bank derecognises the securities acquired from off-balance sheet and records a payable from a *"short sale"*, which is revalued to fair value, in the statement of financial position. This payable is reported under *"Financial liabilities at fair value through profit or loss: Held for trading",* with any gains and losses recorded in the item *"Net income/(loss) from trading"*.

"Sell-buy" and "Buy-Sell" transactions are accounted for in the same way as *"repo transactions" and "reverse repos"*.

6. Borrowing and Lending of Securities

Financial assets lent under securities lending arrangements continue to be recognised in the statement of financial position if the risks and rewards of ownership are retained by the Bank and are measured in accordance with the appropriate accounting policy for such financial assets.

Financial assets borrowed under securities borrowing agreements are not recognised in the Bank's statement of financial position but are presented in off-balance sheet.

For sale of a security acquired on the basis of securities borrowing arrangements, the Bank derecognises the securities acquired from off-balance sheet and records a payable from a short-term sale, which is revalued to fair value, in the statement of financial position. This payable is reported under *"Financial liabilities at fair value through profit or loss: Held for trading",* with any gains and losses recorded in the item *"Net income/(loss) from trading"*.

Income and expenses arising from the borrowing and lending of securities are recognised on an accrual basis over the period of the transactions in the item *"Fee and commission income"* or *"Fee and commission expenses"*.

7. Offsetting

Financial assets and liabilities shall be offset against each other, and the net amount is reported in the statement of financial position when the Bank has a legally enforceable right to set off the recognised amounts and the transactions are intended to be settled on a net basis. In the current and comparative period the Bank does not offset any financial assets and financial liabilities.

8. Cash and cash balances

Cash comprises cash in hand and cash in transit. Cash equivalents are short-term (with maturity of three months or less), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes.

"Cash and cash balances" are carried at amortised cost in the statement of financial position.

"Cash and cash balances" includes cash balances, cash advances and other on-demand deposits and the compulsory minimum reserve with the Czech National Bank, National Bank of Slovakia and commercial banks.

The compulsory minimum reserve held at the Czech National Bank and at the National Bank of Slovakia is a required deposit which must be held by all commercial banks licensed in the Czech Republic and in Slovakia respectively This deposit can be disposed freely, provided that the average amount of reserves calculated by the CNB or the NBS in a given maintenance period is respected.

9. Equity Investments

Equity investments are equity instruments and consequently defined as financial instruments under IAS32. These are presented in the item "Equity investments" and are measured at cost.

If there is evidence that an equity investment may have become impaired, its carrying value is compared with its recoverable value. If the recoverable value is less than the carrying value, the difference is recognised in the income statement, item *"Profit/(Loss) from equity investments"*. If the reasons for impairment are removed following a subsequent event occurring after the recognition of impairment, write-backs are made through the same income statement item.

Equity investments considered strategic investments not covered by the above definitions and not recognised in the item *"Non-current assets held for sale"* are classified as assets at fair value through other comprehensive income or financial assets mandatorily at fair value and accordingly treated.

10. Property and Equipment

Property and equipment are assets which may be used for a period longer than one year. The Bank has property and equipment to conduct its activities.

Property and equipment are initially recognised at cost including all costs directly attributable to bringing an asset into use.

After being recognised as an asset:

- Buildings and land used in the business (ruled by IAS 16 "Property, plant and equipment") are measured according to the fair value model for the measurement subsequent to initial recognition;
- Tangible assets used in the business, other than buildings and land, are measured according to cost model.

Buildings and land used in the business

The fair value model allows the Bank to represent the changes in value of the properties at the moment they arise, in compliance with the objectives of the adopted active management of the real estate portfolio. In this way, the recognition of capital gains and losses is not deferred at the time of sale of the real estate assets and is not influenced by the difference between market value (embedded in the sale price) and cost which, as stated, may no longer be meaningful if the acquisition of real estate assets did not take place recently.

In addition, the adoption of a fair value model allows a more accurate representation of the financial position of the Bank, as it represents the value of the real estate properties at a single reference date – the date of preparation of the financial statements. This avoids heterogeneity in valuation inherent in the cost model which reflects market conditions at different times, i.e. the purchase dates.

The differences between current fair value and the previous fair value are recognised:

- If negative,
  - in the other comprehensive income statement, and accumulated in equity under the item *"Reserve funds from revaluation"* to the extent it reverses a previous positive revaluation, or otherwise
  - in the income statement in the item *"Net income/(loss) on property and investment property measured at fair value"*,
- If positive,
  - in the income statement in the item *"Net income/(loss) on property and investment property measured at fair value"* to the extent it reverses a previous negative revaluation, or otherwise
  - in the other comprehensive income statement, and accumulated in equity under the item *"Reserve funds from revaluation"*.

The *"Reserve funds from revaluation"* is linearly transferred to the item *"Retained earnings and reserve funds"* over the residual life of the particular property used in business. In the event of the sale of the asset, the reserve not yet reversed will be reclassified to the item *"Retained earnings and reserve funds"*.

The pay out of the revaluation surplus to shareholders is restricted and is eligible only in the event of the disposal of property.

The fair value was determined on the basis of independent external valuations on a half-yearly basis (as at 30 June and 31 December).

Properties used in business, measured according to the IAS 16 revaluation model, continue to be depreciated using the straight-line method over their useful life from the higher revalued amount.

The useful life of properties used in business is reviewed at least at each financial year-end (i.e. 31 December) on the basis of an external independent opinion.

Tangible assets used in the business

In the cost model, assets are stated at historical cost less accumulated depreciation and impairment.

Depreciation, Impairment and Gains and losses on disposal

Depreciation is calculated using the straight-line method over the assets' estimated useful lives. The depreciation periods (over the respective estimated useful lives) for individual categories of property and equipment are as follows:

• Buildings	20–50 years
• Technical improvement of buildings protected as cultural heritage	15 years
• Technical improvement of rented premises	10 years or in accordance with a contract
• Air-conditioning equipment	5 years
• Machinery and equipment	4–6 years
• Bank vaults	20 years
• Fixtures and fittings	5–6 years
• Motor vehicles	4 years
• IT equipment	4 years
• Low value tangible assets	2–3 years

Tangible assets (including right of use assets) are assessed for potential impairment or a reduction in useful life. If events or changes in the conditions occur that could result in the carrying amount not being recoverable, the carrying amount is written down to the recoverable amount if the carrying amount is higher than the estimated recoverable value. The recoverable amount is the higher of fair value less costs of disposal and the value in use.

The gains and losses on disposal are determined based on the net book value and are included in the item *„Profit/(loss) from the sale of non-financial assets"*. The insignificant costs of repair, maintenance and technical improvement are expensed as they are incurred. Vice versa, major repairs and technical improvements are capitalised.

Property and equipment which the Bank intends to sell within 12 months, is classified as *"Non-current assets held for sale"*. Such property and equipment is reclassified at the lower of its carrying amount or its sales value less disposal costs. Profit or loss from the sale is presented in the item *"Profit/(loss) from the sale of non-financial assets"*.

11. Intangible Assets

Intangible assets are assets which may be used for a period longer than one year.

Intangible assets are stated at historical cost less accumulated depreciation and impairment.

Depreciation is calculated using the straight-line method over the assets' estimated useful lives. The depreciation period (over respective estimated useful lives) for intangible assets is as follows:

• Software and intangible assets	2–7 years or in accordance with a contract

Intangible assets are assessed for potential impairment or a reduction in useful life. If events or changes in the conditions occur that could result in the carrying amount not being recoverable, the carrying amount is written down to the recoverable amount if the carrying amount is higher than the estimated recoverable value. The recoverable amount is the higher of fair value less costs f disposal and the value in use.

12. Leases

Leases accounting policies are based on the standard IFRS 16 "Leases".

a) Provided Finance Lease

A lease is classified as a finance lease if it transfers to the lessee substantially all the risks and rewards of ownership.

Receivables from finance leases are reported as equal to the net investment in the lease upon receipt of the leased asset by the customer. The sum of future minimum lease instalments and initial fees for the provision of the lease equal to the gross investment in the lease (as finance lease contracts include a clause on purchase at the end of the lease period, there is no unsecured net book value).

The difference between the gross and net investment in the lease represents deferred financial income reported as interest income over the lease period with the constant periodic profitability of the net investment in the finance lease. The amounts received from the lessee reduce the net investment.

Bank receivables from finance leases include the cost of assets leased under finance leases in contracts where the asset has been already acquired, but the finance lease contract was not capitalised at the balance sheet date.

Significant contractual conditions for finance leases are as follows:

- The subject of the lease is specified in the text of the lease contract or in the acceptance certificate (part of the lease contract);
- The duration of the lease begins on the day of the acceptance of the subject of the lease by the lessee and ends upon the expiration of the agreed lease term;
- The lessee is authorised to purchase the subject of the lease from the lessor;
- The subject of the lease remains in the exclusive ownership of the lessor throughout the duration of the lease. The ownership is transferred to the lessee/buyer on the day the purchase price as per the purchase agreement is credited to the lessor's account;
- The purchase price and all amounts in the lease contract are net of VAT. The VAT rate is set by law and is indicated separately in invoices;
- The consideration for the lease includes an extraordinary lease payment, contractual flat fee (e.g. the processing and administration of the lease contract) and the number of lease payments indicated by the contract and calculated from the acquisition cost (in CZK or a foreign currency);
- The subject of the lease must be insured throughout the lease term; and
- The lessor may prematurely terminate the lease contract at any time without a notice period by withdrawal or by a notice with immediate effect if the lessee significantly breaches or fails to meet the obligations and commitments arising from the lease contract. In such a case, the lessee is obliged to make all the remaining lease payments to the lessor in line with the payment calendar. Payments are due upon the premature termination of the lease contract.

The finance lease receivables are presented in the item *"Financial assets at amortised cost: Loans and advances to customers"*.

b) Provided Operating Leases

Other leases are classified as operating leases. The leased asset continues to be owned by the lease company after the termination of the lease contract.

Income from operating leases is reported in *"Other operating income"*.

c) **Received Leases**

IFRS 16 requires that a lessee recognises an asset, representing the right of use of the underlying asset, and at the same time, a liability reflecting future payments of the lease contract for all of the leasing types.

At initial recognition, such an asset is measured on the basis of the lease contract cash flows which include, in addition to the present value of lease payments, any initial direct cost attributable to the lease, lease payments paid before the commencement date and any other costs required to dismantle/remove the underlying asset at the end of the contract and is decreased by incentives received. Right of use assets are reported in the item *"Property, equipment and right of use assets"*.

After initial recognition, the right-of-use is measured on the basis of the provisions set for tangible assets applying the cost model less any accumulated depreciation and any accumulated impairment losses. The depreciation period is equal to the determined lease term.

Accumulated depreciation and any accumulated impairment losses are reported in the item *"Depreciation and impairment of property, equipment and right of use assets"*.

The Bank elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, the Bank applied the standard only to contracts previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

In line with the standard, the Bank decided not to apply IFRS 16 for leases of intangible assets, short-term leases shorter than 12 months and leases with low-value underlying assets. Related expenses are presented on an accrual basis in the item *"Administrative expenses"*.

To calculate the lease liability and related assets based on the right of use, the Bank discounts future lease payments using an appropriate discount rate. Lease payments are set for discounting in this respect based on contractual arrangements and net of VAT, as the obligation to pay this tax originates at the moment an invoice issued by the lessor and not as of the date of commencement of the lease contract.

To perform these calculations, payments must be discounted using the implicit interest rate based on the lease contract or, if this is not available, the incremental borrowing rate. This is determined based on the costs of financing a liability of similar duration and similar security to what is contained in the lease contract.

Details related to determining of lease term see part Determining lease term in the section IV. Critical Accounting Judgements, Estimates and Assumptions.

Lease liabilities are reported in the item *"Financial liabilities at amortised cost: Deposits from customers and lease liabilities"* based on the counterparty. After initial recognition, lease liabilities are increased by the interest expense calculated using the same interest rate used for the discounting of the relevant lease payments and decreased by the lease payments. The interest expense is reported in the item *"Interest expense"*.

The vast majority of right of use assets / lease liabilities is related to the Banks's headquarter and its branches.

A summary of amounts in relation to leases received under IFRS 16 as of 31 December 2023 and 31 December 2022 is presented in the following tables:

Statement of Comprehensive Income	Point in the section V. Other Notes	**2023**	**2022**
Depreciation of Right of use assets	18. Property, equipment and right of use assets	(333)	(335)
Interest expense	1. Net interest income	(57)	(26)

Statement of Financial Position	Point in the section V. Other Notes	**31 Dec 2023**	**31 Dec 2022**
Right of use assets	18. Property, equipment and right of use assets	2 027	1 914
Lease liabilities	23. Financial liabilities at amortised cost: Deposits from customers and lease liabilities	2 042	1 882

Lease modifications are changes in the term or condition of a lease contract that change the scope of the lease contract (e.g. by adding or decreasing assets under lease); the consideration to be paid; or the contractual lease term.

Lease modifications are accounted for as a separate lease contract which is additional to the original lease contract being modified if both of the following conditions are satisfied:
- the modification increase the scope of the lease by adding additional asset, and
- the lease payments are also increased so to reflect the market value of such increase in scope (possibly adjusted to take into account the specific feature of the specific lease contract).

On the contrary if the modification doesn't fulfill the condition above, modifications are accounted for by re-measuring the liability through discounting the revised lease payments for the revised lease term and applying the revised discount rate. The resulting adjustment to the lease liability is recognized by increasing/decreasing the right of use asset.

13. Provisions for Risks and Charges

Provisions for risks and charges relate to a probable outflow of an uncertain amount over an uncertain period of time. Provisions for risks and charges are recognised when:
- There is an obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources will be required to settle the obligation (probable means the probability exceeds 50%); and
- The amount of the obligation can be reliably estimated.

A restructuring provision is recognised when the following criteria are met:
- The Bank has prepared a detailed and formal restructuring plan;
- Those affected by the restructuring have a realistic expectation that the restructuring will take place as the implementation of the plan has commenced or its main features have been announced.

When creating provisions for off-balance sheet items, the Bank proceeds analogically as for the impairment losses on financial assets at amortised cost or financial assets at fair value through other comprehensive income, in line with IFRS 9 requirements.

The provisions for off-balance sheet items are recorded in the statement of financial position in the item *"Provisions for risks and charges"*.

14. Deferred Incentives

The Bank accounts for deferred incentives on an accrual basis. Related liability is recognised in the item *"Other liabilities"* against the income statement item *"Administrative expenses"*.

The Bank Incentive System and the Local Incentive System are applied to the identified positions. Payment of the bonus for the given period is spread out over a multiple-year period.

Based on the Bank Incentive System, the bonus payment is spread over 6 years (senior management) or 4 years (other identified staff). In each year, the bonus payment is conditional upon completion of the Compliance Assessment, Continuous Employment Condition and Clawback application, which confirm, reduce or entirely cancel the entitlement to a bonus payment. The incentives are paid partially in cash and partially in non-monetary instruments or shares.

Based on the Local Incentive System, the bonus payment is spread over 4 years. In each year, the bonus payment is conditional upon completion of the Compliance Assessment, Continuous Employment Condition and Clawback application, which confirm, reduce or entirely cancel the entitlement to bonus payment. The incentives are paid partially in cash and partially in non-monetary instruments.

15. Contingent Assets and Liabilities

A contingent liability is a possible obligation depending on whether some uncertain future event occurs, or a present obligation but payment is not probable or the amount cannot be measured reliably.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

The Bank does not recognise contingent assets/liabilities in the statement of financial position, but regularly reviews their development to specify whether an inflow/outflow of resources embodying economic benefits has become probable. Where the likelihood of an outflow of economic benefits is higher than 50% (more likely than not), the Bank recognises a provision. Where the likelihood of an inflow of economic benefits is almost 100% (virtually certain), the Bank recognises an asset and revenue.

16. Interest Income and Interest Expense

Interest income and interest expense are recognised in the income statement in the period to which they relate, using the effective interest rate method. Interest income is recognised using the effective interest rate on financial assets measured at amortised cost, financial assets measured at FVTOCI. Interest expense is also calculated using the effective interest rate method for all financial liabilities at amortised cost.

Interest from loans and deposits is accrued on daily basis. Interest income and expenses include relevant transaction costs and the amortisation of any discount or premium between the initial carrying amount of an instrument and its amount at maturity calculated on an effective interest rate basis.

Interest income on financial assets at amortised cost or at FVTOCI classified in stage 1 and 2 (ie performing assets) is calculated from the gross carrying amount (ie before allowances). Interest income on financial assets at amortised cost or at FVTOCI classified in stage 3 (ie credit impaired assets) is calculated from the net carrying amount (ie after allowances) using *"unwinding"*.

In the environment of negative interest rates, negative interest income is presented in interest expense and negative interest expense is presented in interest income.

Net interest income comprises interest income and interest expense calculated using the effective interest method and other methods. Interest income calculated using the effective interest method is disclosed separately in the income statement to provide symmetrical and comparable information.

17. Fee and Commission Income and Expenses

Fee and commission income and expenses consist of fees and commissions received/paid by the Bank for providing financial services, other than those related to the origination of a financial asset or liability, which form a part of the effective interest income/expenses.

Fees and commissions from financial services provided by the Bank, including payment services, brokerage services, investment advice and financial planning, investment banking services and asset management services.

Fees and commission income are accounted for in the income statement as the Bank satisfies the performance obligation embedded in the contract, according to "IFRS15 Revenue from Contracts with Customers" rules.

In particular:
- If the performance obligation is satisfied at a specific moment ("point in time"), the related revenue is recognised in the income statement when the service is provided;
- If the performance obligation is satisfied over-time, the related revenue is recognised in the income statement in order to reflect the progress of satisfaction of such obligation.

Transaction fees coming from securities transactions and payment services are typically booked at the point in time when the service is provided and immediately withdrawn from customer account.

Fees related to management, administration, deposit and custody services, account administration and payment cards are normally recognised over time during the term of the contract. The revenue is measured on straight-line basis and is evenly distributed during the term of the contract as this method best depicts the Bank's commitment to stand ready for fulfilment of customer requests. These services are mostly invoiced on regular basis (typically monthly), selected services are invoiced in advance.

Fees related to loans provided, other than those related to the origination, which form a part of the effective interest income, are either booked at the point in time when the service is provided or recognised over time during the term of the contract based on the type of services provided.

The amount of revenues linked to fee and commission income is determined based on contractual conditions. Variability that would have impact on amount that the Bank expects to receive is not usually foreseen for services provided by the Bank.

If a contract regards different goods/services which are not priced and charged on the stand-alone price level, the revenue is allocated among the different obligation proportionally to the stand-alone price of the single item delivered. These amounts will therefore be accounted for in the income statement on the basis of the timing of satisfaction of each obligation.

This circumstance, which is not significant, might happen in case of customer loyalty programs that require to provide goods or services for free, or by cashing-in a price not at market condition, if the client reaches a specific volume of fees, or in case of programs to acquire new customers that assign a bonus to the target (in the form of a product or a service) when it becomes a new client. The stand-alone selling prices for free-of-charge customer options are determined using the adjusted market assessment method. Contract liability given by the customer options is not material.

The Bank has decided, as practical expedient permitted under IFRS 15, not to disclose the amount of transaction price allocated to unsatisfied performance obligations related to fees and commissions from financial services. This is because the Bank does not typically contract respective services for period that would be enforceable longer than 12 months. The only significant contract with deferred revenue for longer period than 12 months (contract with non-refundable up-front fees not related to specific services transferred to customer and thus linearly amortised to the item *"Fee and Commission Income"* during live of the contract – 5 and 15 years respectively) is included in the item *"Other liabilities"* in amount of MCZK 410 as of 31 December 2023 (as of 31 December 2022 MCZK 449).

18. Dividend income

Dividend income is recognised in the income statement in *"Dividend income"* on the date the dividend is declared.

19. Taxation

Tax non-deductible expenses are added to and non-taxable income is deducted from the profit for the period pursuant to Czech Accounting Standards to arrive at the taxable income base in the Czech Republic, which is further adjusted by tax allowances and relevant credits. The tax payable (item *"Tax liabilities: Income tax")* or receivable (item *"Tax receivables: Income tax")* is calculated using the tax rate valid at the year-end and reported in the expected amount of the settlement with the tax authorities.

The income tax of entities based in Slovakia is calculated in line with the regulations applicable in the Slovak Republic.

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and the amounts used for taxation purposes multiplied by the expected income tax rate for the period of the asset recovery or liability settlement, based on tax rates that have been enacted or substantially enacted. A deferred tax asset (item *"Tax receivables: Deferred tax"*) is only recognised to the extent that there are no doubts that there will be future taxable profits available against which this asset can be utilised. A deferred tax liability (item *"Tax liabilities: Deferred tax"*) is recognised for all taxable temporary differences.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to the fair value remeasurement of debt instruments at fair value through OCI, foreign exchange differences and the net movement on cash flow hedges, which are charged or credited to OCI.

These exceptions are subsequently reclassified from OCI to the income statement, together with the respective deferred loss or gain. The Bank also recognises the tax consequences of payments and issuing costs, related to financial instruments that are classified as equity, directly in equity.

The Bank only offsets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the Bank's intention to settle on a net basis.

20. Segment Reporting

IFRS 8 Operating segments states that presentation and reporting of operating segments shall be in accordance with performance criteria monitored by the chief operating decision-maker who is responsible for operational decisions. At the Bank, that decision-maker is the Board of Directors of the Bank.

The Bank's primary segment reporting is broken down by types of customers, which correspond to the Bank's various operations: 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 Bank's management. The reporting segments generate income primarily from the provision of loans and other banking products.

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

Corporate and investment banking include especially the following products and services: providing banking services to companies and public institutions, including loans, leasing, 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 customers, investment advisory, and consulting on mergers and acquisitions.

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

21. Standards and Interpretations Effective in the Current Period

The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments** – The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies. (Effective for annual periods beginning on or after 1 January 2023.)
- **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** – The amendments introduced a definition of 'accounting estimates' and included other amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively while changes in estimates are accounted for in the period in which the change occurs. (Effective for annual periods beginning on or after 1 January 2023.)
- **Amendments to IAS 12 Income Taxes** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction: The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decomissioning liabilities. For leases and decomissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with

any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. (Effective for annual periods beginning on or after 1 January 2023.)

- **Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules** – 'Pillar Two taxes' are taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The Pillar Two model rules aim to ensure that large multinational groups pay taxes at least at the minimum rate of 15 percent on income arising in each jurisdiction in which they operate by applying a system of top-up taxes. There are three active mechanisms under Pillar Two model rules that countries can adopt: the income inclusion rule, the undertaxed payment rule and a qualified domestic minimum top-up tax. They are often referred to as 'global minimum top-up tax' or 'top-up tax'. The amendments address stakeholders' concerns about deferred tax accounting in relation to the new top-up tax under IFRSs by
  - providing entities with a temporary mandatory relief from deferred tax accounting for top-up tax; and
  - requiring entities to provide new disclosures in relation to the top-up tax and the relief.

(The relief is effective immediately upon issuance of the amendments on 23 May 2023 and applies retrospectively. Disclosure requirements, other than those about the relief, apply from 31 December 2023. No disclosures are required in interim periods ending on or before 31 December 2023.)

The Bank expects to become a top-up tax payer in the following accounting period in accordance with Act No. 416/2023 Coll., on top-up taxes for large multinational groups and large domestic groups. The Bank expects that the impact of this matter on the total tax liability will not be material.

The adoption of these amendments to the existing standards has not led to any material changes in the Bank's financial statements.

22. Standards and Interpretations Published by the IASB, but not yet Effective

At the date of authorisation of these financial statements, there are no amendments to the existing standards issued by IASB and adopted by the EU but not yet effective.

23. New and amended IFRS standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by IASB, except for the following new standards and amendments to the existing standards, which were not endorsed for use in the EU as at the date of publication of these financial statements (the effective dates stated below are for IFRS as issued by IASB):

- **Amendments to IAS 1 Presentation of Financial Statements –** Classification of Liabilities as Current or Non-current: Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments, as issued in 2020, has removed the requirement for a right to be unconditional and instead requires that a right to defer settlement must exist at the reporting date and have substance (the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early). (Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted.)
- **Amendments to IAS 1 Presentation of Financial Statements** – Non-Current Liabilities with Covenants: The amendments, as issued in 2022, further clarify that when the right to defer settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt). (Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted.)
- **Amendments to IFRS 16 Leases** – Lease Liability in a Sale and Leaseback: Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019. The amendments confirm the following:
  - on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;
  - after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. These amendments do not change the accounting for leases other than those arising in a sale and leaseback transaction. (Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted.)

- **Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely.)
- **Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements** – The amendments introduce additional disclosure requirements for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. The amendments apply to supplier finance arrangements (also referred to as supply chain finance, payables finance or reverse factoring arrangements) that have all of the following characteristics:
  - a finance provider (also referred to as the factor) pays amounts a company (the buyer) owes its suppliers;
  - a company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid;
  - the company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

However, the amendments do not apply to arrangements for financing receivables or inventory. (Effective for annual periods beginning on or after 1 January 2024. Disclosure of comparative information for any reporting periods presented before, and information as at the beginning of, the annual reporting period in which the entity first applies those amendments is not required. Also, an entity is not required to disclose the information otherwise required by the amendments for any interim period presented within the annual reporting period in which the entity first applies those amendments. Early application is permitted.)

- **Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of exchangeability** – Under IAS 21 The Effects of Changes in Foreign Exchange Rates, a company uses a spot exchange rate when translating a foreign currency transaction. In some jurisdictions, no spot rate is available because a currency cannot be exchanged into another currency. IAS 21 was amended to clarify:
  - when a currency is exchangeable into another currency; and
  - how a company estimates a spot rate when a currency lacks exchangeability.

The amendments also include additional disclosure requirements to help users to assess the impact of using an estimated exchange rate on the financial statements. (Effective for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.)

The Bank anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the Bank's financial statements in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated. According to the Bank's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements if applied as at the balance sheet date.

24. Recast of comparative figures in the Separate Statement of Comprehensive Income, Separate Statement of Financial Position and in the Separate Statement of Cash Flow

The following table summarises the impact on the Bank's comparative figures in separate financial statements.

Separate Statement of Comprehensive Income	2022	Recast	2022 Recasted
Other operating income	n/a	483	483
Operating income	**19 749**	**483**	**20 232**
Other operating income and expenses, *of which:*	456	(483)	n/a
Other operating income	483	(483)	n/a
Other operating expenses	(27)	–	(27)
Operating expenses	**(7 582)**	**(483)**	**(8 065)**
Profit after tax	**8 923**	**–**	**8 923**

Separate Statement of Financial Position	2022	Recast	2022 Recasted
Cash and cash balances	7 067	667	7 734
Financial assets at amortised costs, *of which:*	635 227	(667)	634 560
Loans and advances to banks	108 389	(667)	107 722
Total assets	**756 090**	**–**	**756 090**

Separate Statement of Cash Flow	2022	Recast	2022 Recasted
Profit after tax	**8 923**	**–**	**8 923**
Adjustments for non-monetary items:			
Net interest income	n/a	(13 305)	(13 305)
Other non-monetary adjustments (FX revaluation, Accruals and Others)	109	278	387
Operating profit before changes in operating assets and liabilities	**12 479**	**(13 027)**	**(548)**
Financial assets at amortised cost, *of which:*	(42 329)	(12 488)	(54 817)
Loans and advances to banks	13 501	(12 488)	1 013
Interest received	n/a	21 908	21 908
Interest paid	n/a	(8 881)	(8 881)
Net cash flows from operating activities	**6 179**	**(12 488)**	**(6 315)**
Net cash flows from investment activities	**(8 529)**	**–**	**(8 529)**
Net cash flows from financial activities	**3 676**	**–**	**3 676**
Cash and cash balances at the beginning of the period	**5 747**	**13 155**	**18 902**
Cash and cash balances at the end of the period	**7 067**	**667**	**7 734**

IV. Critical accounting judgments, estimates and assumptions

These disclosures supplement the commentary on financial risk management (see section V. Other Notes, point 35. Financial Risk Management).

The presentation of the financial statements in conformity with IFRS requires Bank management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. These estimates, which relate to the determination of fair values of financial instruments (where no public market exists), impairment of assets and provisions and other areas, are based on the information available at the balance sheet date.

Impact of the current geopolitical situation

The Bank is closely monitoring the ongoing evolvement of the current geopolitical situation and regularly assess its outlook and potential impacts on its loan portfolio. Although the Bank has not yet observed a deterioration in the quality of the loan portfolio due to global influences (war in Ukraine, conflict in the Middle East, high energy prices, high interest rates, disruption of supply-customer chains), it expects that the negative economic consequences of the current situation will affect both individual companies and entire industries. The Bank has taken steps that reflect these deteriorated expectations in the risk parameters affecting the financial result.

These circumstances have requested, as of 31 December 2023, 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 31 December 2023, 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 are provided in section V. Other Notes, point 15 k).

Impact of climate-related matters

Climate change is impacting both society and companies alike. The Bank is considering the impact of climate change on its business model, risk strategy, and also the effect on its financial statements.

Climate-related matters may affect the Bank´s exposure to credit losses due to environmental disasters, regulatory change or a borrower's ability to meet its obligations to the Bank. Subsequently, these may have impact on ECL and/or collateral valuation. Management carefully reviews these risks.

Climate-related matters may affect also the classification and measurement of loans as lenders may include terms linking contractual cash flows to an entity's achievement of climate-related targets. In this respect, the Bank assesses whether the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The classification of financial assets is driven by the business model. Management applies judgment when determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Bank considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity.

Assessment of whether cash flows are solely payments of principal and interest

Judgment is required to determine whether a financial asset's cash flows are solely payments of principal and interest and whether they are in line with the SPPI test. Judgment is required to assess whether risks and volatility of contractual cash flows are related to the basic lending arrangement. Features that require judgments include the modification of time value of money, assessment of whether prepayment fees applied to loans can be considered as a reasonable compensation for early terminations or prepayments.

Impairment of financial assets

Financial assets accounted for at amortised cost and at fair value recognised through other comprehensive income (except for the FVTOCI option), lease receivables, trade receivables and loan commitments and financial guarantees (not accounted at FVTPL) are subject to impairment under ECL model. Impairment is determined in the amount of 12-month (or shorter depending on the instrument's maturity) expected credit loss for assets that have not experienced a significant increase in credit risk since initial recognition, and in the amount of lifetime expected losses for assets which have experienced a significant increase in credit risk since initial recognition or which are impaired. When assessing impairment, the return on financial assets is evaluated separately using the best possible estimate of the present value of future cash flows that are expected to be received. When estimating these cash flows, the Bank management makes judgments about the debtor's financial situation and the net realisable value of any underlying collateral.

The creation of impairment allowances for expected credit losses and identified financial guarantee contracts and loan commitments involves many uncertainties concerning the outcomes of the risks stated above and requires Bank management to make many subjective assessments when estimating the amount of losses. Measurement of impairment allowances for expected credit losses for financial assets of amortised cost and at fair value through other comprehensive income requires the application of models and significant judgments regarding future economic conditions and credit behaviour. Given current economic conditions, the result of estimates may differ from the impairment provisions recognised as at 31 December 2022 that are reported in *items "Impairment losses on: Financial assets at amortised cost", "Impairment losses on: Financial assets at fair value through other comprehensive income"* and *"Net provisions for risks and charges: Loan commitments and financial guarantees given"*.

<u>Inclusion of Forward Looking Information (hereinafter "FLI")</u>

1. Macroeconomic Multiscenario Overlay Factor

The IFRS 9 impairment requirements set out that expected credit loss must be assessed based on past, current and forward-looking information. In this regard, the Bank usually updates macroeconomic scenarios on a half year basis and account for the related effects in half year and year-end financial reports. In line with this usual practice, an update has been made also before year-end 2023.

The Bank creates various favourable scenarios of future development and assigns probability weights to individual scenarios and result of this activity is the so-called multiscenario overlay factor which includes in the calculation the sensitivity of the Expected Credit Loss ("ECL") development in different scenarios. Specifically, the Bank has selected two macroeconomic scenarios to determine the forward-looking component: a baseline scenario and one adverse scenario, the positive scenario used in previous years is deemed unnecessary in the current economic situation. The baseline scenario is the reference scenario and therefore is the most probable realization. Adverse scenario represents possible alternative realization, worse one compared to the baseline in terms of evolution of the economy. Considering the persisting uncertainty, the baseline scenario weight is set to 60%, while the negative scenario stays at 40%.

Scenarios are created by an independent department in accordance with UniCredit group forecasting rules.

a) IFRS9 Baseline Scenario –"Weak Growth"

The Baseline scenario reflects weak growth expected for next quarters as tighter financing conditions dampen activity. Disinflation is expected to be on track, with headline inflation on a declining path. No material gas rationing in most of countries is anticipated. Country's counter actions (high storage level, LNG and gas savings) in total are assumed to be able to compensate a very low (also a shutdown at a certain moment) gas supply from Russia.
The scenario is characterized by still high energy prices and weak global trade. A still restrictive ECB policy is considered. ECB rates remained at 400 bps in 4Q23, expected to be stable up to mid-2024 and reducing subsequently.

This scenario considers a deteriorating growth outlook with subdue global growth in 2023 and a still lower growth in 2024. The deceleration largely reflects the lagged effects of tighter monetary policy amid depleted household savings buffers and reduced support from fiscal policy. Headline inflation has declined considerably from its peak, mainly due to energy prices, but core inflation is also falling thanks to lower input price pressure.

The recent rise in oil prices is unlikely to prevent further disinflation as aggregate demand softens. Policy rates in most advanced economies have likely reached their peak, but rate cuts will probably have to wait until data-dependent central banks see clear evidence that core inflation is moving sustainably down towards their targets.

GDP growth was generally expected weak in 2023, esp. for the Czech Republic. But in 2024 growth improvements are expected for both countries. Future economic growth also determined by how quickly foreign demand rebounds (spill over effect of global trade).

Disinflation trend is expected to be ongoing. Inflation will remain well above target in most of the countries up to 2026. High prices generally eroded real income. Exchange rates are stable in case of Baseline scenario. In terms of policy rates, the tightening cycle seems at the end with some cuts expected from 2024 impacting on interbank rates.

b) IFRS9 Negative Scenario – "Recession"

In this scenario, we assume that an escalation of the conflict in Ukraine leads to a complete stop of Russia's gas supply, which compounds adverse shocks in the LNG market and other supply sources. Pressure spills over to the oil market. The price of energy soars while that of food and other commodities rise strongly, fuelling inflation. High uncertainty, supply-chain disruption and erosion of real incomes push the European economy in a recession. Inflation expectations at short maturities rise, but, crucially, it is assumed that expectations at intermediate-to-longer maturities remain well anchored and even decline as economic slack works its way through the economy, affecting wage setting and price formation more broadly. The ECB responds to the shock cutting rates meaningfully in 2024 (higher decline vs. base case).

Eurozone GDP would contract in 2024, with countries of United Kingdom of presence in recession. A tentative recovery is expected in 2025 as the commodity-price shock fades and supply chains start to normalize.

Eurozone inflation would be higher than in Base case in 2024, back to Base level in subsequent years as demand weakness and a widening of the output gap mitigate the effects of supply-side disruption. Inflation expectations remaining well anchored at longer maturities help avoid second-round effects. In this scenario, inflation remains above the ECB's 2% target in 2024 and eases to 2% from 2025.

ECB policy rate expected more dovish than in Base Case as central banks look through the near-term inflation spike and focus more on growth damage and its implications for price stability at the policy-relevant horizon.

Given the negative shock to growth, which leads the ECB to ease more than in the baseline, we expect yields on core curves to be lower compared to the baseline. The deviation relative to the baseline is expected to be somewhat higher in the first year.

The increase in uncertainty surrounding the economic outlook, coupled with significant deterioration in risk appetite, is expected to keep demand for safe assets strong, driving higher spreads (widening pressure).

Equity markets are expected to post significant losses in 2024 reflecting the recessionary environment.

In FX, we expect the EUR to come under pressure given the growth shock is more severe for the eurozone and amid a generalized increase in risk aversion. Currencies with flexible exchange rates are generally at more depreciated level compared to the baseline in all years.

In this scenario, oil price is expected to rise by ca. 25% on average in 2024–2026.

From the macroeconomic point of view, the growth shock will also hit countries of Central and Eastern Europe. Roughly half of cumulative shocks, on average, will come from the spill overs from the eurozone while the rest is caused by country-specific factors. Similarly, to the euro area and due to the currency depreciation, it is assumed the shock to be inflationary, with higher average inflation compared to the baseline in 2024 and 2025. Inflation is expected to be in the target range in most countries by the end of forecast horizon.

From the interest rates point of view, short-term rates lower compared to the baseline in 2024-2025 as central banks reduce interest rates to counter the impact of the shock on the economy. Lower rates vs. baseline result from the fact that the reduction of interest rates is accelerated in 2024 in the risk scenario.

In case of Stage 1, Stage 2 and Stage 3 – collective final expected credit loss is calculated using weighted average of ECLs under above mentioned scenarios.

See below overview of mentioned scenarios and its cumulative impact.

For "FLI deltas", which are used to include future projection within PD and LGD parameters, are used models based on macroeconomic factors from the table below. Real GDP, Monthly wage, Unemployment rate, average short term rate (3M Euribor for Slovakia), exchange rates to EUR and USD) and yearly change of House Price Index are used within the model.

			Baseline scenario (60 %)	
Country	**Macroeconomic scenario**	**2024**	**2025**	**2026**
Czech Rep.	Real GDP, year to year change in %	2,1	2,5	2,7
Czech Rep.	Inflation (CPI), at the end of period	3,7	2,8	2,8
Czech Rep.	Inflation (CPI), on average	3,7	3,0	2,8
Czech Rep.	Monthly wage, nominal in EUR	1 914,7	2 005,0	2 087,9
Czech Rep.	Unemployment rate in %	3,6	3,5	3,4
Czech Rep.	Reference rate, at the end of period	5,3	3,5	3,5
Czech Rep.	FX rate to EUR, at the end of period	24,6	25,0	25,0
Czech Rep.	FX rate to EUR, on average	24,4	24,7	25,0
Czech Rep.	FX rate to USD, at the end of period	21,4	21,6	21,6
Czech Rep.	FX rate to USD, on average	21,6	21,3	21,6
Czech Rep.	Short term interest rate, at the end of period	5,35	3,65	3,65
Czech Rep.	Short term interest rate, on average	6,40	4,50	3,65
Czech Rep.	Long term interest rate (10 years)	4,2	4,1	4,0
Czech Rep.	House Price index, year to year change in %	3,5	3,0	4,0
Slovakia	Real GDP, year to year change in %	1,6	2,6	2,5
Slovakia	Inflation (CPI), at the end of period	4,5	2,8	2,2
Slovakia	Inflation (CPI), on average	4,8	3,3	2,5
Slovakia	Monthly wage, nominal in EUR	1 543,6	1 635,7	1 729,1
Slovakia	Unemployment rate in %	5,8	5,4	5,0
Slovakia	FX rate EUR to USD, at the end of period	1,15	1,16	1,16
Slovakia	FX rate EUR to USD, on average	1,13	1,16	1,16
Slovakia	Short term interest rate, Euribor 3m, at the end of period	3,3	2,6	2,6
Slovakia	Short term interest rate, Euribor 3m, on average	3,8	3,0	2,6
Slovakia	Long term interest rate (10 years)	3,0	2,8	2,8
Slovakia	Long term interest rate (10 years) in Eurozone	2,3	2,3	2,3
Slovakia	House Price index, year to year change in %	0,2	2,6	3,0
			Negative scenario (40 %)	
Country	**Macroeconomic scenario**	**2024**	**2025**	**2026**
Czech Rep.	Real GDP, year to year change in %	(2,2)	1,1	3,4
Czech Rep.	Inflation (CPI), at the end of period	5,5	2,1	2,8
Czech Rep.	Inflation (CPI), on average	6,9	3,8	2,5
Czech Rep.	Monthly wage, nominal in EUR	1 680,9	1 777,8	1 993,3
Czech Rep.	Unemployment rate in %	4,3	4,2	4,1
Czech Rep.	Reference rate, at the end of period	3,8	3,3	3,3
Czech Rep.	FX rate to EUR, at the end of period	26,1	25,5	25,0
Czech Rep.	FX rate to EUR, on average	25,2	25,8	25,3
Czech Rep.	FX rate to USD, at the end of period	27,1	26,4	25,8
Czech Rep.	FX rate to USD, on average	26,4	26,7	26,1
Czech Rep.	Short term interest rate, at the end of period	3,8	3,3	3,3
Czech Rep.	Short term interest rate, on average	5,5	3,6	3,3
Czech Rep.	Long term interest rate (10 years)	4,5	4,2	4,2
Czech Rep.	House Price index, year to year change in %	(1,9)	0,2	1,0
Slovakia	Real GDP, year to year change in %	(2,4)	1,1	3,0
Slovakia	Inflation (CPI), at the end of period	5,6	2,4	2,2
Slovakia	Inflation (CPI), on average	6,0	4,0	2,3
Slovakia	Monthly wage, nominal in EUR	1 425,1	1 494,7	1 638,4
Slovakia	Unemployment rate in %	7,3	7,0	6,6
Slovakia	FX rate EUR to USD, at the end of period	0,96	0,97	0,97
Slovakia	FX rate EUR to USD, on average	0,95	0,96	0,97
Slovakia	Short term interest rate, Euribor 3m, at the end of period	2,0	2,0	2,0
Slovakia	Short term interest rate, Euribor 3m, on average	3,4	2,0	2,0
Slovakia	Long term interest rate (10 years)	3,2	2,9	2,8
Slovakia	Long term interest rate (10 years) in Eurozone	1,9	1,9	1,9
Slovakia	House Price index, year to year change in %	(1,1)	2,1	2,9

c) Sensitivity analysis
Since there are only two scenarios used currently, the sensitivity analysis will show only impact of decrease of GDP between baseline and downside scenario on increase of ECL (before overlays).

The sensitivity is calculated as ratio between:
- the difference between the ECL estimated under the negative scenario and the one under the baseline;
- the GDP deviations (on 3 years cumulative basis) between alternative and baseline scenarios (in % points).

The 3years cumulated GDP growth (country specific) is calculated similarly as compound interest:
$((1 + \%GDP_{2024})(1 + \%GDP_{2025})(1 + \%GDP_{2026}) – 1)$.

The Implied assumptions are:
- GDP forecast (over 3 years) is assumed to be the most relevant economic factor as indicator of scenario severity;
- for each Legal Entity the GDP of the reference country is considered for the calculation of the respective sensitivity.

	Cumulated 3-year GDP			ECL Amount in MCZK			% ECL Sensitivity vs 3-year cum. GDP
Country	Baseline	Negative	GDP Diff Negative – Baseline	Baseline	Negative	% ECL Diff (Negative – Baseline) / Baseline	Increase of ECL for each 1 GDP point drop
Czech Rep.	7,48	2,19	(5,29)	1 941	2 159	11,2%	2,1%
Slovakia	6,86	1,63	(5,23)	1 102	1 312	19,1%	3,6%

Results show that each 1 GDP point drop in 3-year cumulative GDP would cause increase of ECL by 2,1% on Czech Republic, resp. 3,6% increase on Slovak, portfolio.

2. Inclusion of Specific Factors
Considering actual and expected factors with realization date shortly after the beginning of 2024 financial year, the Group decided already for 2023 to reassess its models for impairment losses on receivables and recognize this impact in the income statement of 2023, specifically:

a) Expected **material changes of IRB models**, which serve as an input for loan loss provision ("LLP") calculation. All IRB models were redeveloped from scratch during 2018 – 2020 to comply with the new definition of default and valid regulation. Except for LGD & EAD model approval of all other models was granted before year end of 2023. Approval of remaining models is expected to be granted in 2024. In case of PD model for SME and retail the model was approved and implemented in November 2023 and gradual re-rating of the SME portfolio using the new model is ongoing. The Bank assumes that the revised models provide higher accuracy of expected credit losses estimation, and therefore the estimated impact was recognized already in the income statement for 2023. The total increase of provision amounts to MCZK 196 (split on MCZK 109 on SME and MCZK 87 on Retail).

b) In order to factor in the LLP the effect of the sharp rise in energy costs for corporate segments and the rise in inflation and interest rates for private individuals, thus complementing the inclusion of the current and forward-looking macroeconomic conditions as per ordinary framework, **specific factor of geo-political uncertainties** is used. All other specific factors related to macro-economic contingency (Supply Chain Risk, Interest Rate Risk) applied were reconvened into this unique specific factor, to quantify LLP by transiting from the previous context, more connected to past COVID-19 and supply chain bottleneck crises, to the new one based on energy crises and growing inflation/interest rates spilled over from Russia-Ukraine crises outbreak. The provisions increase amounts to MCZK 2 202 (split on MCZK 1 910 on Corporate and MCZK 292 on Retail).

c) **Dedicated approach for the Bullet/Balloon products** is used by the Bank. To cope with the characteristics of the mentioned products, a correction to the IFRS 9 PD Lifetime is applied by keeping fixed the full maturity at inception (thus sterilizing the time effect if the lifetime riskiness does not reduce as time passes, as per amortizing loan). To anticipate the impact overlay factor was implemented as a temporary solution. The actual provisions resulting from this methodological change amounts to MCZK 205.

Determining Fair Values
Determining fair value of financial assets and liabilities for which there are no observable market prices requires the use of valuation techniques as described in accounting policy, section III. Material Accounting Policies, point 3. Fair Value Measurement Principles. For financial instruments that trade infrequently and have low price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Determining lease term
To determine the duration of a lease, it is necessary to take into account the non-cancellable period set in the contract when the lessee is entitled to use the underlying asset, while taking into account the possibility of an extension if the lessee is reasonably certain to use the possibility of extension.

Especially for contracts that allow the extension of the lease contract after the end of the first period without the need to explicitly express the intention to use this extension, the period is determined with respect to factors such as the length of the first period, existence of plans to change the use of/abandon the asset and any other circumstances with an impact on the reasonable certainty of the extension of the lease contract.

After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is under its control and affects its ability to exercise or not exercise the option to renew or to terminate.

Hedge Accounting
When designating financial instruments as qualifying hedge relationships, the Bank has determined that it expects a hedge to be highly effective over the life of the hedging instrument.

When accounting for derivatives as cash flow hedges, the Bank has determined that the hedged cash flow exposure relates to highly probable future cash flows.

Provisions for liabilities
The amounts recognised as provisions are based on management's judgment and represent the best estimate of expenses needed to settle a liability of uncertain timing or uncertain amount.

V. Other notes

1. Net interest income

	2023	2022
Interest income		
Financial assets at amortised cost:	41 817	29 004
Loans and advances to central banks	14 740	11 866
Loans and advances to banks	1 503	935
Loans and advances to customers	25 574	16 203
Financial assets at fair value through other comprehensive income	1 562	638
Interest income calculated using the effective interest method	**43 379**	**29 642**
Hedging derivatives	(8 420)	(7 383)
Effect of hedging derivatives	**(8 420)**	**(7 383)**
Financial assets at fair value through profit or loss:	–	9
Held for trading	–	9
Other assets	534	509
Other interest income	**534**	**518**
Interest income	**35 493**	**22 777**
Interest expense		
Financial liabilities at amortised cost:	(27 281)	(14 369)
Deposits from central banks	(583)	(69)
Deposits from banks	(1 733)	(527)
Deposits from customers	(22 753)	(13 360)
Debt securities issued	(2 212)	(413)
Financial liabilities at fair value through profit or loss:	–	(17)
Held for trading	–	(17)
Hedging derivatives	(57)	(26)
Lease liabilities	6 040	4 939
Interest expense	**(21 298)**	**(9 473)**
Net interest income	**14 195**	**13 304**

Negative interest expense from liabilities is reported in interest income in the following lines:
- Loans and advances to central banks – as of 31 December 2023 MCZK 0 (as of 31 December 2022 MCZK 166).
- Loans and advances to banks – as of 31 December 2023 MCZK 0 (as of 31 December 2022 MCZK 86).
- Loans and advances to customers– as of 31 December 2023 MCZK 0 (as of 31 December 2022 MCZK 205).

Negative interest income from assets is reported in interest expense in the following lines:
- Deposits from the central banks – as of 31 December 2023 MCZK 0 (as of 31 December 2022 MCZK (22)).
- Deposits from banks – as of 31 December 2023 MCZK 0 (as of 31 December 2022 MCZK (15)).
- Deposits from customers – as of 31 December 2023 MCZK (1) (as of 31 December 2022 MCZK (9)).

2. Net fee and commission income

	2023	2022
Fee and commission income from		
Securities transactions	13	21
Management, administration, deposit and custody services	900	816
Loans	993	822
Payment services	614	729
Account administration	465	488
Payment cards	1 380	1 205
Other	230	276
Total fee and commission income from contracts with customers	**4 595**	**4 357**
Loan commitments and financial guarantees	614	562
Fee and commission income	**5 209**	**4 919**
Fee and commission expenses from		
Securities transactions	(15)	(14)
Management, administration, deposit and custody services	(110)	(111)
Loans	(562)	(394)
Payment services	(43)	(41)
Payment cards	(1 111)	(872)
Other	(71)	(64)
Fee and commission expenses	**(1 912)**	**(1 496)**
Net fee and commission income	**3 297**	**3 423**

3. Dividend income

	2023	2022
Dividend income		
Ownership interests	700	651
Financial assets at fair value through profit or loss not held for trading mandatorily at fair value	4	4
Financial assets at fair value through other comprehensive income	3	3
Total	**707**	**658**

Dividend income – ownership interests is represented by a dividend from the subsidiary company UniCredit Leasing CZ, a.s., which is fully owned by the bank.

4. Net income/(loss) from trading

	2023	2022
Net realised and unrealised gain/(loss) from debt instruments held for trading	1	128
Net realised and unrealised gain/(loss) from derivatives held for trading	209	348
Net realised and unrealised gain/(loss) from FX spot transactions and from revaluation of receivables and payables denominated in FX	2 484	1 547
Net income/(loss) from trading	**2 694**	**2 023**

5. Net income/(loss) from hedging against risk of changes in fair value

	2023	2022
Hedging instruments	(1 439)	(2 100)
Hedged instruments	1 441	2 098
Net income/(loss) from hedging against risk of changes in fair value	**2**	**(2)**

More details on hedging are included in section V. Other Notes, point 35. Financial Risk management.

6. Net income/(loss) from the sale or repurchase

	2023	2022
Financial assets at amortised cost: Loans and advances to customers	160	112
Financial assets at fair value through other comprehensive income	39	46
Financial liabilities: Debt securities issued	1	189
Net income/(loss) from the sale or repurchase	**200**	**347**

7. Net income/(loss) from financial assets/liabilities at fair value through profit or loss

	2023	2022
Shares	102	(4)
Net income/(loss) from financial assets and liabilities at fair value through profit or loss	**102**	**(4)**

8. Impairment losses

	2023	2022
Cash and cash balances	**96**	**(93)**
Stage 1	96	(93)
Financial assets at amortised cost, of which:	**(378)**	**(1 384)**
Loans and advances to banks	**9**	**(12)**
Stage 1	9	(8)
Stage 2	–	–
Stage 3	–	(4)
Loans and advances to customers	**(387)**	**(1 372)**
Corporate Customers	(165)	(1 403)
Stage 1	(781)	(1 372)
Stage 2	(629)	(863)
Stage 3	1 245	832
Retail Customers	(222)	31
Stage 1	(215)	(169)
Stage 2	11	160
Stage 3	(18)	40
Financial assets at fair value through other comprehensive income	**4**	**(5)**
Stage 1	4	(5)
Total	**(278)**	**(1 482)**

Impairment Losses to Cash and cash balances are represented by impairment losses to current accounts and sight deposits toward banks that are included in the item *"Other on-demand deposits"* in section V. Other Notes, point 11. "Cash and cash balances".

9. Administrative expenses

	2023	2022
Personnel expenses		
Wages and salaries paid to employees	(2 679)	(2 382)
Social costs	(1 017)	(919)
Other	(241)	(272)
	(3 937)	**(3 573)**
Other administrative expenses		
Rent and building maintenance	(327)	(323)
Information technologies	(1 475)	(1 468)
Promotion and marketing	(203)	(221)
Consumables used	(65)	(66)
Audit, legal and advisory services	(144)	(131)
Administrative and logistic services	(202)	(179)
Deposits and transactions insurance	(714)	(835)
Other services	(252)	(225)
Other	(21)	(14)
	(3 403)	**(3 462)**
Total	**(7 340)**	**(7 035)**

A summary of remuneration to key managers is presented in the following table:

	2023	2022
Short-term employee benefits	182	179
Other long-term employee benefits	43	42
Total	**225**	**221**

Key managers are persons with authority and direct or indirect responsibilities as regards planning, managing and supervising the Bank's activities, including all (executive and other) managers. Information on equity-based bonuses is included in section V. Other Notes, point 30. Equity-based bonuses.

The Bank's average number of employees was as follows:

	2023		2022	
	Czech Republic	**Slovakia**	**Czech Republic**	**Slovakia**
Employees	2 004	844	2 005	860
Members of the Board of Directors	8	1	8	1
Members of the Supervisory Board	2	1	2	1
Other executives directly reporting to the Board of Directors	38	2	36	2

Employees include all the employees of the Bank. Members of the Board of Directors, Members of the Supervisory Board and Other executives directly reporting to the Board of Directors include persons representing the Bank.

10. Other operating income and expenses

	2023	2022
Income from rent	45	49
Other income	60	434
Total other operating income	**105**	**483**
Other taxes	(10)	(6)
Fines and penalties	(13)	(5)
Other	(122)	(16)
Total other operating expenses	**(145)**	**(27)**
Total	**(40)**	**456**

11. Cash and cash balances

	31.12.2023	31.12.2022
Cash in hand	3 712	3 758
Balances with central banks	–	318
Other on-demand deposits	2 296	2 991
Obligatory min. reserves	2 806	667
Total	**8 814**	**7 734**

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 of which the vast majority (99.9%) as of 31 December 2023 are classified by credit quality at stage 1 with the total allowance of MCZK 2 (as of 31 December 2022: MCZK 98).

12. Financial assets at fair value through profit or loss

(a) Held for Trading

(i) Based on the Type of Financial Instrument

	31.12.2023	31.12.2022
Debt securities	3	11
Derivatives	33 996	52 684
Total	**33 999**	**52 695**

From debt securities, no securities are provided as collateral as of 31 December 2023 and 31 December 2022.

(ii) Based *on the Type of Issuer*

	31.12.2023	31.12.2022
Debt securities		
Public administration	3	11
Total	**3**	**11**

(b) Mandatorily at fair value

	31.12.2023	31.12.2022
Shares and Other debt securities	171	540
Total	**171**	**540**

(ii) Based on the Type of Issuer

	31.12.2023	31.12.2022
Shares and Other debt securities		
Other financial institutions	171	540
Total	**171**	**540**

13. Financial assets at fair value through other comprehensive income

(a) Based on the Type of Financial Instrument

	31.12.2023	31.12.2022
Debt securities	51 933	28 301
Shares	20	18
Total	**51 953**	**28 319**

From debt securities, MCZK 7 708 are provided as collateral (as of 31 December 2022: MCZK 5 448).

Debt securities are included in financial assets at fair value through other comprehensive income pursuant to paragraph 4.1.2.a) of IFRS 9 – classified based on the business model and meeting the SPPI test. Shares are included in financial assets at fair value through other comprehensive income pursuant to paragraph 5.7.5. of IFRS 9 – FVTOCI option.

(b) Based on the Type of Issuer

	31.12.2023	31.12.2022
Debt securities		
Financial institutions	–	2 381
Government institutions	49 360	22 563
Other	2 573	3 357
Shares		
Other	20	18
Total	**51 953**	**28 319**

All debt securities included in financial assets at fair value through other comprehensive income as of 31 December 2023 are classified by credit quality in stage 1 with the total allowance of MCZK 2 (as of 31 December 2022: MCZK 7).

Out of total amount of debt securities 98 % were included within Internal Rating 1 and 2% within Internal Rating 2 or 3 as of 31 December 2023 (as of 31 December 2022 94% within Internal Rating 1 and 6% within Internal Rating 2 or 3).

(c) Participation Interests

Name	Registered office	Date of acquisition	Acquisition price	Net book value 2023	Net book value 2022	Share of the Bank at 31 Dec 2023	Share of the Bank at 31 Dec 2022
CBCB – Czech Banking Credit Bureau, a.s. (bank register)	Prague	10 October 2001	0.24	0.24	0.24	20%	20%
Total			**0.24**	**0.24**	**0.24**		

14. Financial assets at amortised cost – loans and advances to banks

(a) Analysis of Receivables from Banks, by Type

	31.12.2023	31.12.2022
Term deposits	23 952	35 620
Reverse repurchase commitments (see section V, point 32)	134 596	72 102
Total	**158 548**	**107 722**

The vast majority (99.9%) of financial assets at amortised cost – loans and advances to banks as of 31 December 2023 are classified by credit quality at stage 1 with the total allowance of MCZK 3 (as of 31 December 2022: MCZK 11).

Out of total amount financial assets at amortised cost – loans and advances to banks 83% were included within Internal Rating 1, 17 % within Internal Rating 2 and none within Internal Rating 3 as of 31 December 2023 (as of 31 December 2022 87% within Internal Rating 1, 2% within Internal Rating 2 and 11% within Internal Rating 3).

(b) Analysis of Receivables from Banks, by Geographical Sector (based on Client´s domicile)

	31.12.2023	31.12.2022
Czech Republic	128 841	84 607
Slovakia	2 226	10 491
Other EU countries	27 145	12 249
Other	336	375
Total	**158 548**	**107 722**

15. 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
31 Dec 2023												
Current accounts (overdrafts)	29 899	(179)	29 720	6 431	(541)	5 890	1 781	(1 514)	267	38 111	(2 234)	35 877
Mortgage loans	130 808	(355)	130 453	18 049	(1 118)	16 931	1 390	(913)	477	150 247	(2 386)	147 861
Credit cards	10	–	10	4	–	4	1	(1)	–	15	(1)	14
Factoring	1 250	(1)	1 249	568	(5)	563	3	(3)	–	1 821	(9)	1 812
Other loans	160 375	(311)	160 064	11 374	(793)	10 581	3 280	(2 212)	1 068	175 029	(3 316)	171 713
Debt securities	51 326	(9)	51 317	–	–	–	–	–	–	51 326	(9)	51 317
Total	**373 668***	**(855)**	**372 813**	**36 426**	**(2 457)**	**33 969**	**6 455**	**(4 643)**	**1 812**	**416 549**	**(7 955)**	**408 594**

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

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
31 Dec 2022												
Current accounts (overdrafts)	30 931	(447)	30 484	7 993	(216)	7 777	1 929	(1 655)	274	40 853	(2 318)	38 535
Mortgage loans	103 705	(509)	103 196	17 926	(634)	17 292	2 930	(1 742)	1 188	124 561	(2 885)	121 676
Credit cards	9	–	9	4	–	4	1	–	1	14	–	14
Factoring	2 830	(25)	2 805	446	(2)	444	3	(3)	–	3 279	(30)	3 249
Other loans	146 478	(657)	145 821	15 906	(351)	15 555	2 838	(1 801)	1 037	165 222	(2 809)	162 413
Debt securities	35 182	(5)	35 177	–	–	–	–	–	–	35 182	(5)	35 177
Total	**319 135***	**(1 643)**	**317 492**	**42 275**	**(1 203)**	**41 072**	**7 701**	**(5 201)**	**2 500**	**369 111**	**(8 047)**	**361 064**

* The balance also includes unamortized modification loss of MCZK 6.

Retail 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
31 Dec 2023												
Current accounts (overdrafts)	539	(6)	533	685	(57)	628	38	(29)	9	1 262	(92)	1 170
Mortgage loans	130 328*	(191)	130 137	37 392	(539)	36 853	434	(161)	273	168 154	(891)	167 263
Credit cards and consumer loans	8 271**	(99)	8 172	4 502	(315)	4 187	286	(191)	95	13 059	(605)	12 454
Other loans	2 123	(5)	2 118	343	(21)	322	13	(8)	5	2 479	(34)	2 445
Total	**141 261**	**(301)**	**140 960**	**42 922**	**(932)**	**41 990**	**771**	**(389)**	**382**	**184 954**	**(1 622)**	**183 332**

* The balance also includes unamortized modification loss of MCZK 21.

** The balance also includes unamortized modification loss of MCZK 1.

Retail 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
31 Dec 2022												
Current accounts (overdrafts)	845	(9)	836	631	(23)	608	66	(51)	15	1 542	(83)	1 459
Mortgage loans	122 686*	(119)	122 567	29 743	(420)	29 323	498	(140)	358	152 927	(679)	152 248
Credit cards and consumer loans	5 743**	(94)	5 649	4 590	(419)	4 171	210	(151)	59	10 543	(664)	9 879
Other loans	1 866	(6)	1 860	337	(15)	322	20	(14)	6	2 223	(35)	2 188
Total	**131 140**	**(228)**	**130 912**	**35 301**	**(877)**	**34 424**	**794**	**(356)**	**438**	**167 235**	**(1 461)**	**165 774**

* The balance also includes unamortized modification loss of MCZK 24.

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

From financial assets at amortised cost – Loans and advances to customers MCZK 45 718 are provided as collateral (as of 31 December 2022: MCZK 141 912).

(b) Classification of Gross Receivables from Customers according to Internal Rating incl. Probability of Default ("PD") for Internal Ratings

	Gross Receivables 31 Dec 2023	Gross Receivables 31 Dec 2022	PD – mid values 31 Dec 2023 and 31 Dec 2022
Corporate Customers			
Performing receivables – stage 1 and 2			
Internal rating 1	33 674	31 198	0.02% – 0.04%
Internal rating 2	43 670	23 455	0.06% – 0.10%
Internal rating 3	60 926	49 958	0.14% – 0.26%
Internal rating 4	129 837	123 832	0.36% – 0.66%
Internal rating 5	80 769	62 155	0.90% – 1.68%
Internal rating 6	39 405	52 188	2.29% – 4.25%
Other internal rating	21 783	18 581	5.80% – 20.00%
Receivables without internal rating	30	43	37.15%
Total	**410 094**	**361 410**	
Non-performing receivables – stage 3	6 455	7 701	100%
Total	**416 549**	**369 111**	

	Gross Receivables 31 Dec 2023	31 Dec 2022	PD – mid values 31 Dec 2023 and 31 Dec 2022
Retail Customers			
Performing receivables – stage 1 and 2			
Internal rating 1	2 670	6 447	0.02% – 0.04%
Internal rating 2	6 071	13 717	0.06% – 0.10%
Internal rating 3	45 157	25 683	0.14% – 0.26%
Internal rating 4	88 489	68 065	0.36% – 0.66%
Internal rating 5	30 432	36 745	0.90% – 1.68%
Internal rating 6	7 547	9 605	2.29% – 4.25%
Other internal rating	3 645	6 119	5.80% – 20.00%
Receivables without internal rating	172	60	37.15%
Total	**184 183**	**166 441**	
Non-performing receivables – stage 3	771	794	100%
Total	**184 954**	**167 235**	

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

	31.12.2023	31.12.2022
Financial institutions	103 048	88 741
Non-financial institutions	263 576	242 117
Government sector	41 970	30 206
Individuals and others	183 332	165 774
Total	**591 926**	**526 838**

(d) Analysis of Net Receivables from Customers, by Type of Collateral Provided and Classification

	Carrying amount	Bank and similar guarantee	Mortgage	Corporate guarantee	Other security	Total collateral	Net exposure
31.12.2023							
Stage 1	513 773	2 466	153 674	17 231	3 399	176 770	337 003
Stage 2	75 959	226	31 216	3 857	2 522	37 821	38 138
Stage 3	2 194	75	927	935	100	2 037	157
Total	**591 926**	**2 767**	**185 817**	**22 023**	**6 021**	**216 628**	**375 298**
31.12.2022							
Stage 1	448 404	3 158	133 598	10 663	3 295	150 714	297 690
Stage 2	75 496	468	28 945	3 564	2 569	35 546	39 950
Stage 3	2 938	53	1 907	853	125	2 938	–
Total	**526 838**	**3 679**	**164 450**	**15 080**	**5 989**	**189 198**	**337 640**

The collateral amount stated fulfilling relevant internal conditions for collateral is capped by the maximum exposure of particular exposures.

The item "Net exposure" includes, inter alia, receivables from project funding that are secured by real estate collateral in the nominal value of MCZK 30 212 (as of 31 December 2022: MCZK 41 288). For the project funding of commercial real estate (IPRE), the collateral quality is taken into account when determining the transaction rating; in these cases, the collateral value is strongly correlated with the solvency of the debtor.

In specific segments like Corporate and Micro Business the loss allowance is set to very low level (<=1%) thanks to application of LGD secured concept for materially collateralized part of exposure. For other segments the collateral value is embedded in the calculation of LGD parameter.

(e) Analysis of Net Receivables from Customers, by Geographical Sector (based on Client´s domicile)

	31.12.2023	31.12.2022
Czech Republic	373 488	359 063
Slovakia	193 950	145 520
Other EU countries	20 411	17 481
Other	4 077	4 774
Total	**591 926**	**526 838**

(f) Analysis of Net Receivables from Customers, by Industry Sector

	31.12.2023	31.12.2022
Real estate services	92 194	80 861
Financial services	82 602	72 393
Wholesale	25 704	24 638
Households (individuals)	179 189	161 756
Retail (entrepreneurs)	9 871	11 273
Leasing and rental	24 072	19 446
Automotive industry	5 917	6 329
Power industry	28 246	25 187
Other, *of which:*	144 131	124 955
Government bonds	30 871	18 823
Total receivables from customers	**591 926**	**526 838**

The division of net Receivables from Customers by Industry Sector does not have to be the same as used for division between Corporate and Retail Clients used in tables a) and b) in this point.

(g) Analysis of Forborne receivables

The Bank's approach to forbearance reporting is disclosed in section V. Other Notes, point 35. Financial Risk Management.

Analysis of forborne receivables by sectors:

	Gross performing receivables	Gross non-performing receivables	Total gross forborne receivables	Impairment of performing receivables	Impairment of non-performing receivables	Total impairment of forborne receivables	Net balance of forborne receivables
31.12.2023							
Non-financial institutions	6 629	1 863	8 492	(706)	(1 557)	(2 263)	6 229
Individuals and others	348	68	416	(10)	(23)	(33)	383
Total	**6 977**	**1 931**	**8 908**	**(716)**	**(1 580)**	**(2 296)**	**6 612**
31.12.2022							
Non-financial institutions	15 792	2 599	18 391	(305)	(1 951)	(2 256)	16 135
Individuals and others	529	61	590	(18)	(38)	(56)	534
Total	**16 321**	**2 660**	**18 981**	**(323)**	**(1 989)**	**(2 312)**	**16 669**

All forborne performing receivables are classified as stage 2 receivables, while all forborne non-performing receivables are classified as stage 3 receivables.

Net balance of forborne receivables represented 1.12% of the total net receivables from customers as of 31 December 2023 (as of 31 December 2022: 3.16%).

The table below provides an analysis of forborne receivables balance based on past due days:

	Gross balance of forborne receivables	Impairment of forborne receivables	Net balance of forborne receivables
31.12.2023			
Performing receivables			
Before due	6 324	(676)	5 648
Past due	653	(40)	613
Total forborne performing receivables	**6 977**	**(716)**	**6 261**
Non-performing receivables			
Up to 90 days past due	1 096	(837)	259
91 to 180 days past due	151	(128)	23
181 days to 1 year past due	288	(238)	50
Over 1 year past due	396	(377)	19
Total forborne non-performing receivables	**1 931**	**(1 580)**	**351**
Total	**8 908**	**(2 296)**	**6 612**
31.12.2022			
Performing receivables			
Before due	15 221	(266)	14 955
Past due	1 100	(57)	1 043
Total forborne performing receivables	**16 321**	**(323)**	**15 998**
Non-performing receivables			
Up to 90 days past due	1 830	(1 192)	638
91 to 180 days past due	379	(373)	6
181 days to 1 year past due	106	(94)	12
Over 1 year past due	345	(330)	15
Total forborne non-performing receivables	**2 660**	**(1 989)**	**671**
Total	**18 981**	**(2 312)**	**16 669**

The table below shows movements in gross balance of forborne receivables:

Balance as of 1 January 2022	22 749
Transfer to forborne receivables balance	4 738
Additions	614
Settled	(3 183)
Transfer from forborne receivables balance	(5 936)
Other	(1)
Total gross balance of forborne receivables as of 31 December 2022	**18 981**
Balance as of 1 January 2023	18 981
Transfer to forborne receivables balance	2 295
Additions	347
Settled	(1 475)
Transfer from forborne receivables balance	(11 241)
Other	1
Total gross balance of forborne receivables as of 31 December 2023	**8 908**

The table below shows movements in the impairment of forborne receivables:

Balance as of 1 January 2022	(2 542)
Transfer to forborne receivables balance	(256)
Charge during the current year	(536)
Release during the current year	518
Receivables written off – use	–
Transfer from forborne receivables balance	503
Other decreases	1
Total impairment of forborne receivables as of 31 December 2022	**(2 312)**
Balance as of 1 January 2023	(2 312)
Transfer to forborne receivables balance	(776)
Charge during the current year	(306)
Release during the current year	141
Receivables written off – use	–
Transfer from forborne receivables balance	957
Other decreases	–
Total impairment of forborne receivables as of 31 December 2023	**(2 296)**

(h) Analysis of Receivables from Customers

Movement in Gross Amount of Receivables from Customers

	Stage 1	Stage 2	Stage 3	Total
Corporate Customers				
Balance as of 1 January 2022	283 007	30 922	9 109	323 038
Provided during the current year	139 432	7 732	1 504	148 668
Repaid during the current year	(85 029)	(13 419)	(3 491)	(101 939)
Receivables written off	–	(4)	(655)	(659)
Transfer between stages	(18 273)	17 043	1 230	–
FX differences	(2)	1	4	3
Total gross value of receivables from customers as of 31 December 2022	**319 135**	**42 275**	**7 701**	**369 111**
Balance as of 1 January 2023	319 135	42 275	7 701	369 111
Provided during the current year	127 130	9 218	1 296	137 644
Repaid during the current year	(71 825)	(14 677)	(3 465)	(89 967)
Receivables written off	–	(3)	(237)	(240)
Transfer between stages	(774)	(386)	1 160	–
FX differences	2	(1)	–	1
Total gross value of receivables from customers as of 31 December 2023	**373 668**	**36 426**	**6 455**	**416 549**
Retail Customers				
Balance as of 1 January 2022	145 738	9 726	1 030	156 494
Provided during the current year	22 789	11 901	115	34 805
Repaid during the current year	(20 782)	(2 858)	(266)	(23 906)
Receivables written off	–	(8)	(152)	(160)
Transfer between stages	(16 608)	16 540	68	–
FX differences	3	–	(1)	2
Total gross value of receivables from customers as of 31 December 2022	**131 140**	**35 301**	**794**	**167 235**
Balance as of 1 January 2023	131 140	35 301	794	167 235
Provided during the current year	21 329	11 642	106	33 077
Repaid during the current year	(11 691)	(3 352)	(196)	(15 239)
Receivables written off	–	(11)	(108)	(119)
Transfer between stages	485	(660)	175	–
FX differences	(2)	2	–	–
Total gross value of receivables from customers as of 31 December 2023	**141 261**	**42 922**	**771**	**184 954**

Change in transfer between stages (both Corporate and retail clients) in year-to-year comparison was caused by implementation of so called AP3 approach (assessment of credit quality deterioration since initial recognition which was measured on the life-time PD values) causing higher transfer in 2022.

Movement in Impairment of Receivables from Customers

	Stage 1	Stage 2	Stage 3	Total
Corporate Customers				
Balance as of 1 January 2022	(839)	(556)	(6 082)	(7 477)
Charge during the current year	(1 312)	(917)	(1 785)	(4 014)
Of which provided in the respective year	*(562)*	*(377)*	*(670)*	*(1 609)*
Release during the current year	418	458	1 910	2 786
Of which repaid in the respective year	*154*	*84*	*971*	*1 209*
Receivables written off – use	–	4	655	659
Transfer between stages	90	(193)	103	–
FX differences	–	1	(2)	(1)
Total impairment of receivables from customers as of 31 December 2022	**(1 643)**	**(1 203)**	**(5 201)**	**(8 047)**
Balance as of 1 January 2023	(1 643)	(1 203)	(5 201)	(8 043)
Charge during the current year	(1 449)	(2 675)	(2 043)	(6 167)
Of which provided in the respective year	*(220)*	*(604)*	*(664)*	*(1 488)*
Release during the current year	1 992	1 393	2 635	6 020
Of which repaid in the respective year	*134*	*117*	*937*	*1 188*
Receivables written off – use	–	3	237	240
Transfer between stages	245	24	(270)	(1)
FX differences	–	1	(5)	(4)
Total impairment of receivables from customers as of 31 December 2023	**(855)**	**(2 457)**	**(4 647)**	**(7 955)**
Retail Customers				
Balance as of 1 January 2022	(424)	(794)	(523)	(1 741)
Charge during the current year	(89)	(614)	(122)	(825)
Of which provided in the respective year	*(78)*	*(275)*	*(46)*	*(399)*
Release during the current year	401	460	85	946
Of which repaid in the respective year	*21*	*61*	*66*	*148*
Receivables written off – use	–	8	151	159
Transfer between stages	(116)	63	53	–
FX differences	–	–	–	–
Total impairment of receivables from customers as of 31 December 2022	**(228)**	**(877)**	**(356)**	**(1 461)**
Balance as of 1 January 2023	(228)	(877)	(356)	(1 461)
Charge during the current year	(821)	(791)	(273)	(1 885)
Of which provided in the respective year	*(77)*	*(229)*	*(56)*	*(362)*
Release during the current year	441	1 031	131	1 603
Of which repaid in the respective year	*47*	*44*	*78*	*169*
Receivables written off – use	–	11	108	119
Transfer between stages	306	(305)	(1)	–
FX differences	1	(1)	2	2
Total impairment of receivables from customers as of 31 December 2023	**(301)**	**(932)**	**(389)**	**(1 622)**

i) Receivables Written-Off and Being Subject to Enforcement

The amount of written-off receivables due from customers still subject to enforcement as of 31 December 2023 was MCZK 1 908 (as of 31 December 2022: MCZK 2 945).

k) Impact of Receivables from Customers in terms of the current geopolitical situation impact

The Bank reviewed its portfolios to identify specific assets with direct exposure to Ukraine and/or the Russian Federation (incl. Belarus) (i.e. assets owned by residents of the respective countries) and concluded that direct exposure is limited (from a credit risk management point of view approximately MCZK 945 which represents approx. 0.17% of Bank's total customers on-balance exposure (as of 31 December 2022: MCZK 1 377 representing approx. 0.26% of Bank's total customers on-balance exposure)).

In addition to direct exposures, the Bank 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 or stage 3. These exposures in amount of MCZK 896 from a credit risk management point of view represent approximately 0.16% of the Bank's total customers on-balance exposure (as of 31 December 2022: MCZK 507 representing approx. 0.1% of Bank's total customers on-balance exposure). The cumulated loan loss provision allocated to such direct and high-risk indirect exposures represents an amount of MCZK 249 (stock of provisions/reserves as of 31 December 2023 (as of 31 December 2022: MCZK 302)).

16. Positive fair value of hedging derivatives

Based on the Hedging Purpose

	31.12.2023	31.12.2022
Fair value hedging	5 344	6 628
Cash flow hedging	9 136	15 064
Total	**14 480**	**21 692**

More details on hedging are included in section V. Other Notes, point 35. Financial Risk management.

17. Equity investments

Name	Registered office	Date of acquisition	Acquisition price	Net book value 2023	Net book value 2022	Share of the Bank at 31 Dec 2023	Share of the Bank at 31 Dec 2022
UniCredit Leasing CZ, a.s.	Prague	14 Feb 2014	3 211	3 781	3 781	100%	100%
UniCredit Factoring Czech Republic and Slovakia, a.s.	Prague	20 Jan 2015	198	198	198	100%	100%
Total			**3 409**	**3 979**	**3 979**		

Equity investments are reported at cost in line with IAS 27, par. 10a.

18. Property, equipment and right of use assets

	31.12.2023	31.12.2022
Property and equipment for operations		
Buildings and land	941	868
Leasehold improvements of rent buildings	238	234
Fixtures and fittings	36	32
IT equipment	52	50
Other	173	183
Right of use assets		
Buildings and land	1 962	1 872
Other	65	42
Total	**3 467**	**3 281**

(a) Movements in Property and Equipment Held for Operations

	Buildings and land	Leasehold improvements of rent buildings	Fixtures and fittings	IT equipment	Other	Total
Fair Value (Buildings and land) / Cost at 1 January 2022	2 542	1 049	132	532	297	**4 552**
Accumulated depreciation and impairment at 1 January 2022	(1 716)	(833)	(105)	(474)	(174)	**(3 302)**
Net Book Value at 1 January 2022	**826**	**216**	**27**	**58**	**123**	**1 250**
Increases in fair value	23	–	–	–	–	**23**
Reductions in fair value	(3)	–	–	–	–	**(3)**
Additions	73	64	12	16	77	**242**
Depreciation charges	(34)	(38)	(5)	(24)	(16)	**(117)**
Other and FX rate gains or losses	(17)	(8)	(2)	–	(1)	**(28)**
Net Book Value at 31 December 2022	**868**	**234**	**32**	**50**	**183**	**1 367**
Fair Value (Buildings and land) / Cost at 31 December 2022	2 617	1 078	129	524	346	**4 694**
Accumulated depreciation and impairment at 31 December 2022	(1 749)	(844)	(97)	(474)	(163)	**(3 327)**

The carrying amount of Buildings and land that would have been recognised had the assets been carried under the cost model (i.e. not revalued) would be MCZK 721 (as of 31 December 2022: MCZK 614).

	Buildings and land	Leasehold improvements of rent buildings	Fixtures and fittings	IT equipment	Other	Total
Fair Value (Buildings and land) / Cost at 1 January 2023	2 617	1 078	129	524	346	**4 694**
Accumulated depreciation and impairment at 1 January 2023	(1 749)	(844)	(97)	(474)	(163)	**(3 327)**
Net Book Value at 1 January 2023	**868**	**234**	**32**	**50**	**183**	**1 367**
Increases in fair value	5	–	–	–	–	**5**
Reductions in fair value	(44)	–	–	–	–	**(44)**
Additions	118	44	15	22	5	**204**
Depreciation charges	(24)	(38)	(6)	(24)	(17)	**(109)**
Other and FX rate gains or losses	18	(2)	(5)	4	2	**17**
Net Book Value at 31 December 2023	**941**	**238**	**36**	**52**	**173**	**1 440**
Fair Value (Buildings and land) / Cost at 31 December 2023	2 678	1 118	127	518	346	**4 787**
Accumulated depreciation and impairment at 31 December 2023	(1 737)	(880)	(91)	(466)	(173)	**(3 347)**

(b) Movements in Right of Use Assets

	Buildings and land	Other – vehicles, machines	Total
Net Book Value at 1 January 2022	**2 139**	**48**	**2 187**
Additions	167	19	**186**
Disposals	(124)	–	**(124)**
Depreciation	(310)	(25)	**(335)**
Other and FX rate gains or losses	–	–	**–**
Net Book Value at 31 December 2022	**1 872**	**42**	**1 914**
Cost at 31 December 2022	3 172	104	**3 276**
Accumulated depreciation and impairment at 31 December 2022	(1 300)	(62)	**(1 362)**
Net Book Value at 1 January 2023	**1 872**	**42**	**1 914**
Additions	408	47	**455**
Disposals	(9)	–	**(9)**
Depreciation	(309)	(24)	**(333)**
Other and FX rate gains or losses	–	–	**–**
Net Book Value at 31 December 2023	**1 962**	**65**	**2 027**
Cost at 31 December 2023	3 566	128	**3 694**
Accumulated depreciation and impairment at 31 December 2023	(1 604)	(63)	**(1 667)**

19. Intangible assets

Movements in Intangible Assets

	Software	Total
Cost at 1 January 2022	4 895	4 895
Accumulated amortisation and impairment at 1 January 2022	(2 266)	(2 266)
Net Book Value at 1 January 2022	**2 629**	**2 629**
Additions	427	427
Amortisation charges	(624)	(624)
Other	63	63
Net Book Value at 31 December 2022	**2 495**	**2 495**
Cost at 31 December 2022	5 347	5 347
Accumulated amortisation and impairment at 31 December 2022	(2 852)	**(2 852)**
Cost at 1 January 2023	5 347	5 347
Accumulated amortisation and impairment at 1 January 2023	(2 852)	(2 852)
Net Book Value at 1 January 2023	**2 495**	**2 495**
Additions	588	588
Amortisation charges	(850)	(850)
Other	120	120
Net Book Value at 31 December 2023	**2 353**	**2 353**
Cost at 31 December 2023	5 205	5 205
Accumulated amortisation and impairment at 31 December 2023	2 353	2 353

20. Other assets

	31.12.2023	31.12.2022
Deferred expenses and accrued income	270	355
Trade receivables	239	219
Receivables from securities	13	4
Clearing and settlement accounts	680	466
Other	2	3
Total	**1 204**	**1 047**
Impairment losses on other assets	(14)	(7)
Net other assets	**1 190**	**1 040**

21. Financial liabilities held for trading

Based on the Type of Financial Instrument

	31.12.2023	31.12.2022
Derivatives	33 373	52 725
Total	**33 373**	**52 725**

22. Financial liabilities at amortised cost – deposits from banks

Analysis of Deposits from Banks by Type

	31.12.2023	31.12.2022
Deposits from central banks	3 667	37 776
Current accounts	5 002	8 086
Loans	562	681
Term deposits	4 491	538
Sale and repurchase agreements (see section V, point 32)	15 209	4 851
Others	41	–
Total	**28 972**	**51 932**

Item "Deposits from central banks" includes as of 31 December 2023 MCZK 3 667 of funding from Targeted Longer-Term Refinancing Operations (hereinafter "TLTRO"), namely TLTRO III.7 drawn in March 2021 (as of 31 December 2022: MCZK 37 776 when the amount included also TLTRO III.4 drawn in June 2020 and repaid in June 2023).

The TLTRO liabilities are banking book funding instruments to be subsequently measured at amortised cost according to IFRS 9, 4.2.1. Financial conditions incorporated into TLTROs are reflecting The European Central Bank (hereinafter "ECB") monetary policy initiatives to prospectively reduce market cost of funding for banking institutions by using non-conventional tools and reflected in money market operations. In addition to the more favourable conditions already introduced in March 2020 (to be applied in the period from 24 June 2020 to 23 June 2021), the Governing Council of ECB on 10 December 2020 decided to extend similar favourable conditions for the period from 24 June 2021 to 23 June 2022.

For banks that reach the lending performance threshold during the predefined reference periods ending 31 December 2021 the borrowing rates can be as low as 50 basis points below the average interest rate on the Deposit Facility Rate (hereinafter "DFR") during the periods from 24 June 2020 to 23 June 2021 and from 24 June 2021 to 23 June 2022, and as low as DFR during the rest of the life of the respective TLTRO III transaction.

Referencing EIR rules for markets-driven remunerations, changes in market index (e.g. base rate and spread) will be reflected by adjusting instruments' carrying amount calculated by referencing the evolution of the "TLTRO index" and limited to the accrued (to-date) portion. As a result, TLTRO III EIR for a 3year funding drawn in June 2020 and March 2021 ranges between –0.33% and –0.83% in 2021 and as well in 2022 until 23 November 2022, coherently with (i) benchmark achievements for Cumulative Net Lending (hereinafter "CNL") as at March 2021 and December 2021 and (ii) current Main Refinancing Operation and DFR levels.

On 27 October 2022 the Governing Council of ECB decided to recalibrate the conditions of TLTRO III as part of the monetary policy measures adopted to restore price stability over the medium term with effective date as of 23 November 2022. From 23 November 2022 until the maturity date or early repayment date of each respective outstanding TLTRO III operation, the interest rate will be indexed to the average DFR (average calculated since 23 November 2022). It was assessed that the change in the TLTRO conditions constitutes a substantial modification of the terms of the financial liability, which was accounted for as a derecognition of the original financial liability and the recognition of a new one. The contractual conditions of the liability were changed mainly by transforming its nature in a "plain-vanilla" floating rate instrument at market conditions for periods and the previous accounting approach, i.e. catch-up recalculation of the EIR, is no more possible to apply.

Thus, the full amount of the liability was derecognized as of 23 November 2022 with positive one-off PL impact recognized in the line item *"Net income/(loss) from the sale or repurchase of financial liabilities"* equal to MCZK 181.

In 2023 Bank recognized, a Net Interest Income contribution from TLTRO equal to MCZK 583 as expense (2022: income of MCZK 97).

23. Financial liabilities at amortised cost – deposits from customers and Lease liabilities

Analysis of Deposits from Customers by Type

	31.12.2023	31.12.2022
Current accounts	432 488	394 064
Term deposits	130 902	99 875
Sale and repurchase agreements	50 060	–
Lease Liabilities	2 042	1 882
Other	1 566	7 148
Total	**617 058**	**502 969**

Movements in Lease Liabilities

	2023	2022
As at 1 January	**1 882**	**2 254**
Additions	446	62
Accretion of interest	57	26
Lease payments	(363)	(425)
Other and FX rate gains or losses	20	(35)
Total at 31 December	**2 042**	**1 882**

The Bank had total cash outflows for leases of MCZK 391 in 2023 incl. those leases that are not in-scope of IFRS 16 (in 2022: MCZK 452).

24. Financial liabilities at amortised cost – issued debt securities

Analysis of Issued Debt Securities

	31.12.2023	31.12.2022
Mortgage bonds	47 916	16 793
Structured bonds	1 753	1 372
Other issued debt securities	28 855	16 247
Total	**78 524**	**34 412**

Movements in Issued Debt Securities

	2023	2022
As at 1 January	**34 412**	**23 538**
Issue	43 084	13 283
Repayment of principal	(140)	(2 520)
Accretion of interest	2 212	413
Repayment of interest	(1 044)	(302)
Total at 31 December	**78 524**	**34 412**

Structured bonds (included in the line “Structured bonds” and partly in the line “Mortgage bonds”) include embedded options – currency, equity, commodity and interest rate options – in the total nominal value of MCZK 1 857 (at 31 December 2022: MCZK 1 291). The positive fair value of these derivatives of MCZK 4 is reported under “Financial assets held for trading” (at 31 December 2022: MCZK 384); the negative fair value of these derivatives of MCZK (238) is recognised under “Financial liabilities held for trading” (at 31 December 2022: MCZK (128)).

Other issued debt securities includes also MREL instrument (MREL = The Minimum Requirement for Own Funds and Eligible Liabilities) in the form of EUR Senior Non-Preferred Bond issued for purpose of fulfilment of the capital requirements under the EU law (BRRD2 Directive and Czech Recovery and Resolution Crisis Act) as a part of the Single Point of Entry model (“SPE”) applied within UC Group. The MREL instruments was issued as of 23 November 2021 with total nominal value of MCZK 16 408 and maturity date as of 23 November 2027 and as of 27 September 2023 with total nominal value of MCZK 10 632 and maturity date as of 23 September 2029. In both cases with option to call the bond after 5 years. The only investor is UniCredit S.p.A. The total value as of 31 December 2023 is MCZK 27 045 (at 31 December 2022: MCZK 15 967).

25. Negative fair value of hedging derivatives

Based on the Hedging Purpose

	31.12.2023	31.12.2022
Fair value hedging	14 887	14 576
Cash flow hedging	15 254	25 865
Total	**30 141**	**40 441**

More details on hedging are included in section V. Other Notes, point 35. Financial Risk management.

26. Other liabilities

	31.12.2023	31.12.2022
Deferred income and accrued expenses	1 111	1 158
Trade payables	373	340
Payables to employees	705	582
Unsettled security transactions	396	373
Clearing and settlement accounts	5 690	4 481
Other	363	241
Total	**8 638**	**7 175**

27. Provisions for risks and charges

Provisions for risks and charges include the following items:

	31.12.2023	31.12.2022
Provisions for off-balance sheet credit exposures	1 261	1 142
– Stage 1	207	317
– Stage 2	322	243
– Stage 3	732	582
Legal disputes	37	64
Other	106	23
Total	**1 404**	**1 229**

(a) Provisions for Off-Balance Sheet Credit Exposures

	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	201	135	892	**1 228**
Charge during the year	292	254	215	**761**
Release during the year	(170)	(142)	(514)	**(826)**
Other – FX rate gains or losses	(6)	(4)	(11)	**(21)**
Total provisions for off-balance sheet credit items at 31 December 2022	**317**	**243**	**582**	**1 142**
Balance at 1 January 2023	317	243	582	**1 142**
Charge during the year	220	306	560	**1 086**
Release during the year	(333)	(231)	(418)	**(982)**
Other – FX rate gains or losses	3	4	8	**15**
Total provisions for off-balance sheet credit items at 31 December 2023	**207**	**322**	**732**	**1 261**

(b) Other Provisions

	Legal disputes	Restructuring provision	Other	Total
Balance at 1 January 2022	64	9	31	**104**
Charge during the year	–	–	1	**1**
Usage during the year	–	–	(9)	**(9)**
Release of redundant provisions and other	–	(9)	–	**(9)**
Total other provisions at 31 December 2022	**64**	**–**	**23**	**87**
Balance at 1 January 2023	64	–	23	**87**
Charge during the year	10	–	113	**123**
Usage during the year	1	–	(2)	**(1)**
Release of redundant provisions and other	(38)	–	(28)	**(66)**
Total other provisions at 31 December 2023	**37**	**–**	**106**	**143**

28. Income tax

(a) Tax in the Income Statement

	2023	2022
Current year tax expense	(1 811)	(1 990)
Changes on prior year tax expense estimate	143	16
Deferred tax	(153)	214
Total income tax expense	**(1 821)**	**(1 760)**

The income tax of the Bank differs from the theoretical tax which would arise if the tax rate effective in the Czech Republic were applied as follows:

	2023	2022
Profit for the year before income tax	12 077	10 683
Tax calculated using the tax rate of 19%	(2 295)	(2 030)
Changes in estimates relating to prior years	143	16
Non-taxable income	634	399
Tax non-deductible expenses	(108)	(94)
Impact of prior years on the deferred tax	(175)	(11)
Impact of a higher Slovak tax rate	(24)	(26)
Other	4	(14)
Total income tax	**(1 821)**	**(1 760)**

The effective tax rate of the Bank is 15.08 % (2022: 16.5%).

The item “Other” also includes the adjustment of deferred tax due to the change in the statutory nominal income tax rate from 19% do 21% in the amount of MCZK 24.

(b) Tax in the Statement of Financial Position
The Bank made income tax prepayments in the amount of MCZK 1 605 (2022: MCZK 1 282), received an tax overpayment of MCZK 432 (at 31 December 2022: the Bank received an tax overpayment of MCZK 301) and reports an income tax payable of MCZK 68 to the tax authority in the Czech Republic (at 31 December 2022: a receivable of MCZK 425) and a liability of MCZK 130 to the tax authority in the Slovak Republic (at 31 December 2022: a liability of MCZK 268).

(c) Deferred Tax Asset/Liability
Deferred income tax is calculated on all temporary differences using the balance sheet liability method under the application of the appropriate tax rate.

When calculating net tax assets and liabilities, the Bank offsets deferred tax assets against deferred tax liabilities arising from income tax paid to the same tax institution in the same tax category.

Bank Management believes that the Bank will be able to fully recover deferred tax assets reported as of 31 December 2023 based on the current and anticipated future level of taxable profits.

Net Deferred Tax Asset

	31 Dec 2023		31 Dec 2022	
	Deferred tax asset	**Deferred tax liability**	**Deferred tax asset**	**Deferred tax liability**
Tax non-deductible provisions	150	–	119	–
Impairment of loans and off-balance sheet items	648	–	810	–
Differences arising from the net book values of tangible assets	493	(440)	27	–
Differences arising from the net book values of intangible assets	–	(175)	–	(162)
Reserve from revaluation of hedging instruments *	1 235	–	1 979	–
Reserve from revaluation of financial assets at fair value through other comprehensive income *	86	(13)	54	(20)
Reserve from revaluation of property measured at fair value *	–	(46)	–	(63)
Other	185	(46)	175	–
Deferred tax liability/asset	**2 797**	**(720)**	**3 164**	**(245)**
Net deferred tax asset	**2 077**		**2 919**	

* Change in deferred tax from these items is posted via Other Comprehensive Income.

The Bank additionally carries the following deferred tax assets which are not recognised: arising from non-tax deductible provisions of MCZK 11 (2022: MCZK 11).

Change in Differences arising from the net book values of tangible assets (both Deferred tax asset and Deferred tax liability) in year-to-year comparison was caused by implementation of the Amendment to IAS 12 Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, effective for annual periods beginning on or after 1 January 2023.

29. Issued capital and share premium

The recorded, issued and fully paid capital of the Bank amounted to MCZK 8 755 as of 31 December 2022 and 2023.

(a) Shareholder Structure

Entity	Registered office	Nominal value of shares in MCZK	Share premium in MCZK	Ownership percentage
At 31 Dec 2023				
UniCredit S.p.A	Italy	8 755	3 495	100.00
Total		**8 755**	**3 495**	**100.00**
At 31 Dec 2022				
UniCredit S.p.A	Italy	8 755	3 495	100.00
Total		**8 755**	**3 495**	**100.00**

(b) Capital Breakdown

	31 Dec 2023 Number of shares	31 Dec 2023 MCZK	31 Dec 2022 Number of shares	31 Dec 2022 MCZK
Ordinary shares of CZK 16,320,000	100	1 632	100	1 632
Ordinary shares of CZK 13,375,000	200	2 675	200	2 675
Ordinary shares of CZK 10,000	436 500	4 365	436 500	4 365
Ordinary shares of CZK 7,771,600	10	78	10	78
Ordinary shares of CZK 46	106 563	5	106 563	5
Total issued capital		**8 755**		**8 755**

The shares are freely transferrable. Ordinary shares include the entitlement to participate in the Bank's governance and the entitlement to a share on profit.

Both at 31 December 2023 and 31 December 2022, the Bank held no treasury shares.

30. Equity-based bonuses

The Bank has not implemented any employee motivation or stabilisation programme for the purchase of treasury shares or remuneration in the form of treasury share options.

31. Retained earnings and reserve funds

The following table shows the breakdown of the reserve funds:

	31.12.2023	31.12.2022
Reserve funds	3 372	3 372
Special-purpose reserve fund	11 609	11 609
Retained earnings	50 107	50 121
Total	**65 088**	**65 102**

As part of the cross-border merger, the share capital of UniCredit Bank Slovakia a.s. of MCZK 6 058, the reserve fund of UniCredit Bank Slovakia a.s. of MCZK 1 166 and retained earnings of UniCredit Bank Slovakia a.s. of MCZK 4 385 were transferred into a Special-purpose reserve fund denominated in EUR. This part of the Special-purpose reserve fund in total amount of MCZK 11 609 from cross-border merger can only be used to settle the loss of the Bank.

32. Repurchase and reverse repurchase transactions

(a) Reverse Repurchase Transactions

	31.12.2023	31.12.2022
Loans and advances to banks	134 596	72 101
Fair value of securities received	132 295	70 740

No securities received as collateral as part of reverse repurchase transactions are further provided as collateral under repurchase transactions as of 31 December 2023 and as of 31 December 2022.

(b) Repurchase Transactions

	31.12.2023	31.12.2022
Deposits from banks	15 209	4 851
Deposits form clients	50 060	–
Fair value of securities provided	66 893	5 694

33. Contingent liabilities, contingent assets and financial derivatives

In the ordinary course of business, the Bank conducts various financial transactions that are not reported in the Bank'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.

(a) Contingent Liabilities

Legal Disputes

As of 31 December 2023, the Bank assessed the legal disputes in which it acted as a defendant. The Bank recorded provisions for these legal disputes (see section V, point 27). In addition to these disputes, legal actions arising from ordinary business activities were taken against the Bank. The management does not anticipate the result of these legal disputes to have a material impact on the Bank's financial position.

Taxation

Czech and Slovak tax legislation has significantly changed in recent years. Many complicated legislation areas remained unresolved, and it may not be possible to determine the interpretation of taxation authorities in specific cases in advance. It is not possible to quantify the consequences of this uncertainty; they may be resolved solely under the condition that the relevant legal regulations are adopted in practice or in the event that official interpretations are available.

Loan Commitments, financial guarantees and other commitments given

Loan commitments issued by the Bank 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 Bank at any time without stating the reason. On the contrary, irrevocable commitments represent the Bank'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 Bank's will.

Financial guarantees include irrevocable commitments made by the Bank 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 Bank creates the relevant provisions using a similar algorithm as for provisions (see section V. Other Notes, point 35. Financial Risk Management).

Documentary letters of credit represent a written irrevocable commitment of the Bank 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 Bank creates provisions using a similar algorithm as applied for credits (see section V. Other Notes, point 35. Financial Risk Management).

The Bank 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 31 December 2023, the aggregate provisions amounted to MCZK 1 261 (as of 31 December 2022: MCZK 1 142), see section V. Other Notes, point 27. Provisions (a).

	Gross amount	Provisions for risks and charges	Net amount
31.12.2023			
Letters of credit and financial guarantees	**49 947**	**(571)**	**49 376**
– Stage 1	46 136	(127)	46 009
– Stage 2	3 424	(141)	3 283
– Stage 3	387	(303)	84
Other contingent liabilities (undrawn credit facilities)	**170 079**	**(690)**	**169 389**
– Stage 1	157 633	(80)	157 553
– Stage 2	11 708	(181)	11 527
– Stage 3	738	(429)	309
Total	**220 026**	**(1 261)**	**218 765**
31 Dec 2022			
Letters of credit and financial guarantees	**52 406**	**(594)**	**51 812**
– Stage 1	48 832	(202)	48 630
– Stage 2	3 204	(73)	3 131
– Stage 3	370	(319)	51
Other contingent liabilities (undrawn credit facilities)	**158 539**	**(548)**	**157 991**
– Stage 1	141 867	(115)	141 752
– Stage 2	16 032	(170)	15 862
– Stage 3	640	(263)	377
Total	**210 945**	**(1 142)**	**209 803**

Classification of Off-balance sheet items gross amount according to Internal Rating incl. Probability of Default ("PD") for Internal Ratings

	Gross Off-balance sheet items 31 Dec 2023	31 Dec 2022	PD – mid values 31 Dec 2023 and 31 Dec 2022
Performing receivables – stage 1 and 2			
Internal rating 1	24 032	18 071	0.02% – 0.04%
Internal rating 2	45 433	34 713	0.06% – 0.10%
Internal rating 3	33 594	55 757	0.14% – 0.26%
Internal rating 4	62 442	51 443	0.36% – 0.66%
Internal rating 5	30 839	28 736	0.90% – 1.68%
Internal rating 6	18 518	17 216	2.29% – 4.25%
Other internal rating	4 040	3 855	5.80% – 20.00%
Receivables without internal rating	3	144	37.15%
Total	**218 901**	**209 935**	
Non-performing receivables – stage 3	1 125	1 010	100%
Total	**220 026**	**210 945**	

(b) Contingent Assets

The Bank has an option to draw a credit line from The Export-Import Bank of The Republic of China of MCZK 224 (MUSD 10) with the maximum maturity of five years from the time of drawing.

(c) Financial Derivatives

(i) Nominal and Fair Values of Financial Derivatives

	Nominal value	Positive fair value	Negative fair value
31.12.2023			
Trading instruments – interbank market (OTC)			
Options (majority for FX)	145 229	1 817	1 810
Interest rate swap contracts	863 650	28 082	26 982
Forward rate agreements (FRA)	8 220	8	1
Cross currency swap contracts	177 469	3 252	2 615
Foreign exchange forwards and swaps	35 829	444	1 588
Other instruments	3 298	393	377
Total trading instruments	**1 233 695**	**33 996**	**33 373**
Hedging instruments			
Interest rate swap contracts	777 578	14 089	29 596
Cross currency swap contracts	83 274	391	545
Total hedging instruments	**860 852**	**14 480**	**30 141**

	Nominal value	Positive fair value	Negative fair value
31.12.2022			
Trading instruments – interbank market (OTC)			
Options (majority for FX)	126 391	2 001	2 000
Interest rate swap contracts	922 527	44 066	43 693
Forward rate agreements (FRA)	1 206	–	4
Cross currency swap contracts	154 852	5 749	3 706
Foreign exchange forwards and swaps	44 302	174	2 646
Other instruments	4 186	694	676
Total trading instruments	**1 253 464**	**52 684**	**52 725**
Hedging instruments			
Interest rate swap contracts	664 014	20 036	40 020
Cross currency swap contracts	98 480	1 656	421
Total hedging instruments	**762 494**	**21 692**	**40 441**

(ii) Residual Maturity of Financial Derivatives Concluded on the Interbank Market

	Up to 1 year	1 – 5 years	Over 5 years	Total
31.12.2023				
Trading instruments				
Interest rate instruments	170 261	476 446	262 430	909 137
Equity instruments	825	3 195	–	4 020
Currency instruments	218 387	90 928	7 925	317 240
Other	2 497	801	–	3 298
Total	**391 970**	**571 370**	**270 355**	**1 233 695**
Hedging instruments				
Interest rate instruments	102 157	446 686	228 735	777 578
Currency instruments	16 118	16 852	50 304	83 274
Total	**118 275**	**463 538**	**279 039**	**860 852**
31.12.2022				
Trading instruments				
Interest rate instruments	174 225	477 212	299 419	950 856
Equity instruments	373	2 914	116	3 403
Currency instruments	188 581	98 609	7 829	295 019
Other	2 992	1 194	–	4 186
Total	**366 171**	**579 929**	**307 364**	**1 253 464**
Hedging instruments				
Interest rate instruments	107 676	365 042	191 296	664 014
Currency instruments	14 745	35 228	48 507	98 480
Total	**122 421**	**400 270**	**239 803**	**762 494**

34. Segment reporting

The Bank presents the segment information based on performance criteria as disclosed in section III. Material Accounting Policies, point 20. Segment reporting.

(a) Segment Information by Client Category

	Retail and private banking	Corporate and investment banking, leases	Other	Total
31.12.2023				
Net interest and dividend income	5 288	11 563	(1 949)	**14 902**
Net fee and commission income	821	2 535	(59)	**3 297**
Management services	366	3	–	**369**
Deposit and custody services and Securities transactions	149	302	(60)	**391**
Financial services (loans, guarantees, factoring etc.)	158	1 195	3	**1 356**
Transactional and Banking Services (current accounts, payments etc.)	148	1 035	(2)	**1 181**
Other net income	429	2 211	310	**2 950**
Depreciation/impairment of property and equipment and intangible assets	–	–	(1 292)	**(1 292)**
Impairment loss	(460)	83	99	**(278)**
Segment expenses	(3 892)	(4 246)	636	**(7 502)**
Profit before tax	2 186	12 146	(2 255)	**12 077**
Income tax	–	–	(1 821)	**(1 821)**
Result of segment	**2 186**	**12 146**	**(4 076)**	**10 256**
Segment assets	204 813	649 698	19 568	**874 079**
Segment liabilities	272 903	436 621	82 245	**791 769**
31.12.2022				
Net interest and dividend income	5 025	9 920	(983)	**13 962**
Net fee and commission income, *of which:*	1 134	2 345	(56)	**3 423**
Management services	368	4	–	**372**
Deposit and custody services and Securities transactions	109	301	(47)	**363**
Financial services (loans, guarantees, factoring etc.)	157	985	6	**1 148**
Transactional and Banking Services (current accounts, payments etc.)	500	1 055	(15)	**1 540**
Other net income	522	2 469	(171)	**2 820**
Depreciation/impairment of property and equipment and intangible assets	–	–	(1 076)	**(1 076)**
Impairment loss	(39)	(1 435)	(8)	**(1 482)**
Segment expenses	(3 726)	(3 983)	745	**(6 964)**
Profit before tax	2 916	9 316	(1 549)	**10 683**
Income tax	–	–	(1 760)	**(1 760)**
Result of segment	**2 916**	**9 316**	**(3 309)**	**8 923**
Segment assets	182 146	555 351	18 593	**756 090**
Segment liabilities	221 681	419 035	38 203	**678 919**

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

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

(b) Information on Geographical Areas

	Czech Republic	Slovakia	Total
31.12.2023			
Net interest and dividend income	10 376	4 526	**14 902**
Net fee and commission income	2 291	1 006	**3 297**
Other net income	1 831	1 119	**2 950**
Depreciation/impairment of property and equipment and intangible assets	(1 016)	(276)	**(1 292)**
Impairment loss	(58)	(220)	**(278)**
Segment expenses	(5 656)	(1 846)	**(7 502)**
Profit before tax	7 769	4 308	**12 077**
Income tax	(1 271)	(550)	**(1 821)**
Result of segment	**6 498**	**3 758**	**10 256**
Segment assets	718 615	155 464	**874 079**
Segment liabilities	677 034	114 735	**791 769**
31.12.2022			
Net interest and dividend income	11 450	2 512	**13 962**
Net fee and commission income	2 324	1 099	**3 423**
Other net income	2 325	495	**2 820**
Depreciation/impairment of property and equipment and intangible assets	(822)	(254)	**(1 076)**
Impairment loss	(776)	(706)	**(1 482)**
Segment expenses	(5 050)	(1 914)	**(6 964)**
Profit before tax	9 451	1 232	**10 683**
Income tax	(1 416)	(344)	**(1 760)**
Result of segment	**8 035**	**888**	**8 923**
Segment assets	599 772	156 318	**756 090**
Segment liabilities	535 004	143 915	**678 919**

35. Financial risk management

(a) Introduction

The Bank is exposed to the following types of risk:

- Credit risk;
- Market risk; and
- Operational risk.

The Board of Directors is responsible for the overall risk management strategy which it approves and assesses on a regular basis. The Board of Directors has established the Assets and Liabilities Committee (ALCO), the Credit Committee and the Committee for Operational Risk Management. These committees are in charge of monitoring and managing individual risks with regard to individual specific fields. The committees report to the Board of Directors on a regular basis.

(b) Credit Risk

The Bank is exposed to credit risk as a result of its trading, lending, hedging investment and brokerage activities.

Credit risk is managed at the level of individual customers (transactions) and at the portfolio level.

The Credit Underwriting, Credit Operations and Strategic Credit Risk Management departments are directly responsible for credit risk management. These departments are organisationally independent of the business divisions and report directly to a member of the Board of Directors in charge of the Risk management division (Chief Risk Officer).

Under its credit risk management policy, the Bank defines the general principles, methods and tools applied when identifying, measuring and managing credit risk. The Bank's credit risk management policy is set by the Strategic Credit Risk Management department. This policy is reviewed on a regular basis at least once a year.

In its internal guidelines, the Bank defines the underwriting approval competencies, including the definition of responsibilities and competencies of the Credit Committee.

The table below presents the maximum credit risk exposure related to balance sheet assets. Maximum credit risk exposure excludes impact of received collateral:

	2023	2022
Cash and cash balances	8 814	7 734
Financial assets at fair value through profit or loss, *of which:*	34 170	53 235
Held for trading	33 999	52 695
Mandatorily at fair value	171	540
Financial assets at fair value through other comprehensive income	51 953	28 319
Financial assets at amortised cost, *of which:*	750 474	634 560
Loans and advances to banks	158 548	107 722
Loans and advances to customers	591 926	526 838
Positive fair value of hedging derivatives	14 480	21 692
Changes in fair value of the portfolio of hedged instruments	1 122	(3 164)
Other assets	1 190	1 040
Total	**862 203**	**743 416**

The table below presents the maximum credit risk exposure related to off-balance sheet items. Maximum credit risk exposure excludes impact received collateral:

	2023	2022
Letters of credit and financial guarantees	49 376	51 812
Other contingent liabilities (undrawn credit facilities)	169 389	157 991
Total	**218 765**	**209 803**

(i) Credit Risk Management at the Level of Individual Customers

The internal rating system comprises 26 rating levels (1 to 10 adding "+" and "–" to certain rating classes, such as: 1+; 1; 1–; 2+; etc). When classifying customers, the Bank assesses (in addition to the number of days past due with regard to overdue receivables, if any) financial indicators related to the client (such as the structure of and proportion between the statement of financial position, the income statement, and the cash flow statement), management quality, ownership structure, individual customers' market position, reporting quality, production equipment, account-use history, etc. Customers in default are assigned internal ratings of 8–, 9 or 10.

Corporate customers

Credit risk at the level of individual customers is managed by analysing customers' financial health and determining maximum credit risk exposure (credit limit). Analysis is focused on the customers' competitive position in the relevant market, a rating of their financial statements, prediction of future liquidity, etc. The result of this analysis is, inter alia, a rating that reflects the probability of client default and takes into account quantitative, qualitative and behavioral factors. Analysing the financial position and setting the limits for credit exposure and rating is undertaken prior to the granting of a loan. Subsequently the rating is reviewed and creditworthiness is reassessed at least annually.

Retail customers

For receivables from individuals, the ability of the client to fulfil their obligations is determined using a standardised system of credit scoring based on risk-relevant features (credit application scoring). The Bank sets and regularly updates the probability of client default, using the behavioral scoring method. A client's final rating combines both application and behavioral components.

Credit registries

The Bank uses information provided by credit registries as an additional source of information for assessing a client's financial standing for both Corporate and Retail Client.

Collateral

In accordance with its credit risk management strategy, prior to granting the loans, the Bank may require that the customers post collateral for the loans. The amount and type of collateral depends on the client's financial health and the type of the loan. The Bank considers the following to be acceptable types of collateral: cash, investment grade securities, guarantees issued by other reputable entities (including bank guarantees), and pledges in form of mortgage over real estate property. When determining the realisable value of collateral, the Bank principally takes into consideration the financial health of the party providing the collateral for personal collateral (eg guarantees) and the nominal value of the collateral for non-personal collaterals such as pledge of property. The collateral is valued based on expert appraisals made by a special department of the Bank or external valuations. The realisable value of collateral is determined based on this appraised value by applying an adjusting co-efficient that reflects the Bank's ability to realise the given collateral, as and when needed.

(ii) Credit Risk Management at the Portfolio Level

The Bank regularly analyses and monitors trends in individual credit sub-portfolios.

The Bank monitors its overall credit risk exposure, ie it takes into account all on-balance and off-balance sheet exposures and quantifies the expected losses from its credit exposure on regular basis. The expected loss is determined based on internal estimates of risk parameters, ie the probability of default (PD), exposure at default (EaD) and loss given default (LGD).

The Bank regularly monitors its credit exposure to individual industries, countries, or economically-connected groups of debtors.

The Bank assesses the concentration risk of the loan portfolio on a regular basis and establishes concentration limits as appropriate in relation to specific industries, countries, or economically-connected groups of debtors.

(iii) Classification of Receivables, Impairment Losses and Provisions

The Bank categorises its receivables arising from financial activities on a regular basis, in accordance with IFRS 9 Financial instruments; in particular, it divides its receivables into non-performing receivables = receivables in default (stage 3) and performing receivables = receivables without default (stages 1 and 2).

Stage 2 receivables are receivables which have experienced significant increase in credit risk between the initial recognition and balance sheet date. All receivables are regularly monitored for default and significant increase in credit risk.

Impairment Losses on Non-Performing Receivables

Impairment losses related to individual non-performing receivables (ie stage 3 under IFRS 9 Financial Instruments) are recognised if carrying amount of individual receivables is less than recoverable amount and the Bank does not write off such receivables (fully or partially). The Bank assesses recoverable of the amount of all receivables in respect of which the debtors are in default: (i) individually if the amount of the receivable exceeds an equivalent of MEUR 1, (ii) collectively using recovery rate derived from the relevant model which reflects historic recovery experience. The Bank writes off receivables if no income is anticipated on it or on the collateral received with regard to the given receivable.

The impairment loss is (i) for individually assessed receivables equal to the difference between the receivable's gross carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate; (ii) for collectively assessed receivables equal to the lifetime expected credit loss determined on portfolio basis.

Impairment Losses on Performing Receivables

For performing receivables that have experienced no significant increase in credit risk since origination (ie stage 1), the Bank determines the impairment loss as the portion of lifetime expected credit losses (ECL) that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date (1-year expected credit loss). For Performing receivables that have experienced a significant increase in credit risk since origination, but are still performing receivables (ie stage 2), the Bank determines the impairment loss as the expected loss until the final maturity of the receivable (lifetime expected credit loss).

Credit exposures included in stage 1 due to "low credit risk exemption" amounts to MCZK 1 293 as of 31 December 2023 (31 December 2022: MCZK 13) represented by retail exposures.

Provisions for Off-Balance Sheet Items

The Bank recognises such provisions using the same methods as are used in determining impairment losses on receivable portfolios while taking into account conversion factors related to the specific type of the off-balance exposure.

Impact of ESG Topics on Impairment Losses

In relation of the ESG topics currently no impact to provisions was identified. In coordination with the UniCredit Group´s activities data collection and delivery for stress testing and regulatory reporting (e.g. regarding physical risks, transitional risks and energy performance certificate) were carried out. No result or impact is known yet as of 31 December 2023. The Bank is aware of the importance of ESG topic for the future and makes steps to be prepared to cover the upcoming requirements. Accordingly, UniCredit Group signed up to the Net-Zero Banking Alliance. Additionally, a methodology to estimate the potential actual annual deterioration of the fair value (FV) of the collaterals behind the mortgage portfolio has been developed. The Bank is active to promote the ESG topic in communication with clients and to support them to provide necessary information using implemented questionnaires. Data collection and assessment from ESG questionnaire process is mandatory part of approval process for high-end exposure part of portfolio with further future extension of the process to different client groups. The Bank is a member of the regular ESG committee of the Czech Banking Association, supporting and cooperating on activities targeting future smooth data collection and processing helping clients to reduce data collection burden. A part of this activity is the creation and the implementation of harmonized questionnaire, which will be used by all larger banks on the Czech and Slovak markets to collect data related to ESG. Internal implementation project regarding data storage and processing is in progress.

(iv) Forbearance
The Bank classifies loan receivables as forborne if the originally agreed payment conditions were changed since the loan provision due to customers' financial difficulties (changes predominantly include payment deferral, temporary payment reduction, postponement of the ultimate due date, etc). These items are recognised in the statement of financial position either as non-performing loan receivables or performing loan receivables.

Loan receivables with a change in the originally-agreed payment conditions are generally classified as non-performing loan receivables. Following a robust assessment, the Bank may categorise individual receivables as performing receivables, despite a change in the conditions. This approach is applied if the reasons for the change of the payment conditions are not serious and the Bank does not anticipate incurring a loss from the future collection of such loan receivables.

Performing receivables also include receivables originally classified as non-performing receivables upon the change of payment conditions and which were subsequently transferred into the category of Performing loan receivables because the debtor complied with newly-agreed conditions in line with the Bank's internal rules. This group accounts for the majority of loan receivables reported as forborne – performing receivables.

Loan receivables with changed payment conditions are managed by Credit Restructuring & Workout Department and are subject to standard restructuring and workout procedures and monitoring. The exception is receivables that are not assessed as non-performing receivables upon a change of the payment conditions. These loans are only managed by Credit Restructuring & Workout Department after a thorough assessment of the need to use the know-how of this specialised unit. When releasing receivables from the management of this unit, the statues of individual cases and the need to use the know-how of the Credit Restructuring & Workout staff is also carefully reviewed.

The period for which the client is designated as forborne is referred to as the probation period and lasts a minimum of two years from the client default /forbearance if the forbearance was without client default. In addition, this period can only be terminated if the client fulfils the agreed conditions duly and timely, is not in delay in excess of 30 days. For amortizing loans, the debt must be reduced by at least 10% during probation period.

Due to the size of the forborne portfolio and the above procedures and practices, we have not identified any serious threats for the Bank resulting from this portfolio. This is supported by the fact that a portion of receivables with changed payment conditions in order to overcome the debtor's deteriorated financial position is reclassified once more as non-performing (recognised in the Bank's statement of financial position as non-performing forborne receivable – see above).

(v) Recovery of Receivables
The Bank has established the Credit Workout & Restructuring Department which manages the receivables whose recoverability is at risk (both Non-performing and Performing). The purpose of this unit involves achieving one or a number of the following goals in respect of risk-bearing credit receivables:

a. "Revitalisation" of the credit arrangement, restructuring and subsequent reclassification into standard receivables;
b. Full repayment of the credit;
c. Minimisation of the loss from the credit (realisation of collateral, sale of the receivable with a discount, etc); and/or
d. Prevention of additional losses from the loan (comparison of future expenses versus income).

(c) Market *Risk*
(i) Trading
The Bank holds trading positions in various financial instruments, including financial derivatives. The majority of the Bank's business activities are driven by the requirements of the Bank's customers. Depending on the predicted demand of its customers, the Bank holds a supply of financial instruments and maintains access to the financial markets through quoting of the bid and offer prices and by trading with other market makers. These positions are also held for the purpose of short term profit taking on the expected future development of financial markets and the instruments are classified in line with IFRS 9 Financial instruments as held for trading. The Bank's business strategy is thus affected by short term profit taking and market-making and its goal is to maximise net income from trading.

The Bank manages risks associated with its trading activities at the level of individual types of risk and types of financial instruments. The basic tools used for market risk management are limits on the volumes applicable to individual transactions, limits for portfolio sensitivity (basis point value, or BPV), stop loss limits, and value at risk (VaR) limits. The description quantitative methods applied in risk management are included in the following section "Market risk management".

The majority of derivatives are negotiated on the OTC market due to the non-existence of a public market for financial derivatives in the Czech Republic.

(ii) Market Risk Management
Below are described selected types of risk to which the Bank is exposed through its trading activities as well as managing the positions resulting from these activities and managing these risks.

There is also market risk exposure in the Bank's banking book which corresponds to portfolios of financial instruments not held for trading. Market Risk is measured for the Trading and Banking book separately and also collectively. The procedures applied by the Bank to measure and manage these risks are described in detail in the following paragraphs.

The Bank is exposed to market risk arising from its open positions in interest rate, equity and foreign currency instrument transactions that are sensitive to changes in the situation on the financial market.

The Bank's risk management focuses on managing the total net exposure to interest rate risk resulting from the Bank's structure of assets and liabilities. The Bank monitors interest rate risk by measuring the sensitivity of particular assets and liabilities which mature/reprice in specific time interval. This sensitivity is expressed by the change in the values of assets and liabilities if interest rates increase by one basis point (BPV). For hedge accounting purposes, the Bank identifies specific assets/liabilities causing this mismatch so that the accounting criteria for the application of hedge accounting are met.

Value at Risk

Value at Risk represents the main method for managing market risks arising from the Bank's open positions. Value at Risk represents the potential loss from an unfavourable movement on the market within a certain time period at a certain confidence level. Value at Risk is measured based on a 1-day holding period and a confidence level of 99%. The Bank's Value at Risk ("VaR") model calculations have the following limitations:

- The one-day holding period assumes that all positions can be closed during a single day. This assumption does not necessarily apply to markets with lower liquidity.
- The 99% confidence level does not reflect all possible losses that can occur at this confidence level.
- VaR is calculated from the positions at the end of the trading day and does not consider the positions which can be opened on an "intra-day" basis.
- Using historical data as a basis for determining possible future developments does not necessarily cover all possible future scenarios, especially crisis scenarios.

The Bank uses VaR to measure interest rate risk, foreign currency risk, equity risk and other types of risk connected with the negative movements in the prices of market factors (spread risk, option risk, etc). The aggregate structure of VaR limits is approved by the Assets and Liabilities Committee (ALCO). At least once a year, the structure and amount of limits are revised in accordance with the Bank's needs and developments on the financial markets. The results of the VaR calculation are published daily for selected users (Board of Directors, selected employees of the Financial Markets Department, the Market Risk Department, the Assets & Liabilities Management Unit, and the MARS department of the parent bank/sub-holding).

The VaR calculation divides the calculated risk into interest rate and credit portions. The credit portion of VaR is calculated based on the volatility of the credit spread between securities and the risk free interest rate. For this purpose, the yield curves of particular issuers, industries, or groups of issuers with identical rating are downloaded into the system for market risk management. Specific securities are mapped to these yield curves and the volatility of the credit spread is calculated. The Bank regularly reassesses the mapping of debt securities with the relevant yield curves and, if necessary, the debt securities are re-mapped to curves that reliably reflect the credit risk of the specific debt securities

The outputs of the VaR calculation model are back-tested and compared with the results of the changes to interest rates on the financial markets on a daily basis. If the Bank identifies any inaccuracies, the model is adjusted to correspond with the current development on the financial markets.

The table below shows the Values at Risk:

	At 31 Dec 2023	Average for 2023	At 31 Dec 2022	Average for 2022
	Czech Republic		Czech Republic	
VaR of Financial assets at fair value through profit or loss Held for trading	14,08	13,09	10,54	26,54
VaR of Financial assets at fair value through other comprehensive income	177,67	240,60	168,57	140,11
	Slovakia		Slovakia	
VaR of Financial assets at fair value through profit or loss Held for trading	2,09	2,39	2,36	1,64
VaR of Financial assets at fair value through other comprehensive income	–	–	–	–

Value at Risk
The year 2023 was mainly affected by the global increase in prices, which we observed every month in the form of high inflation. We could observe, both at the level of the Czech Republic and at the level of the EU, the very strict monetary policy of the central banks in the form of high interest rates, which contributed to a slowdown in the growth of inflation, but also to a slowdown in the growth of the economy.

The VaR of financial assets at fair value through profit or loss Held for trading intended for trading was without major fluctuations in 2023, the position was reduced in 2022 as part of the centralization of the trading book to UniCredit Group in accordance with the Bank's strategy. From the point of view of financial assets at fair value through other comprehensive income, there was an increase in the position of government bonds in 2023 in accordance with the Bank's strategy.

Interest Rate Risk
The Bank is exposed to interest rate risk because of mismatch in interest-bearing assets and liabilities maturities, re-pricing periods and notionals in defined time buckets (gap or mismatch risk). In the event of a change in interest rates, the Bank is also exposed to interest rate risk as a result of the different mechanism or timing of adjustments to particular types of interest rates (such as PRIBOR), declared interest rates on deposits (basis risk and yield curve risk). Interest risk management is focused on optimising the Bank's net interest income in accordance with the strategies approved by the Board of Directors.

The overall interest rate position of the Bank is measured primarily by calculating the sensitivity of the change in the fair value of the portfolio to a shift in interest rates by one basis point (BP01). Interest rate sensitivity is measured with a breakdown by time period and individually by currency. Different interest rate risks related to individual currencies are offset within individual time buckets and aggregate short and long positions. The main positions are represented by CZK and EUR.

The utilization of the base point value (BP01) remained generally stable during the period considered.

Interest rate derivatives are generally used to manage the mismatch between the interest sensitivity of assets and liabilities. These transactions are carried out in accordance with the internal Liquidity Management Policy and the internal Funds Transfer Pricing Policy and by the Strategy of Interest Rate Risk Management in the Banking Book approved by the Board of Directors. Part of the Bank's income is generated by the intentional mismatch between the assets and liabilities that are interest rate-sensitive.

The Bank applies a "Basis Point Value (BPV)" approach for measuring interest sensitivity of assets and liabilities. BPV represents the change in the present value of cash flows derived from individual instruments if interest rates increase by one basis point (0.01%), ie it represents the sensitivity of instruments to interest rate risks.

The Bank has set up interest rate risk limits to restrict oscillation of net interest income resulting from changes of interest rates by 0.01% (the "BPV limit").

Stress Testing of Interest Rate Risk
The Bank carries out monthly following stress scenarios:
- Bank calculates simulated impact to Economic Value of Equity ("EVE") under stress scenarios of significant movements in financial markets, internally defined low probability scenarios and UniCredit Group macro scenarios.
- Bank calculates the impact to Net Interest Income ("NII") under stress scenarios of significant movements in financial markets.

Both stress tests are on a monthly basis compared to set of Risk Appetite Framework ("RAF") Triggers.

EVE stress test
EVE, ie the economic value of equity, is calculated as the present value of all cash flows of assets decreased by the present value of all cash flows of liabilities. In other words, it is the net present value ("NPV") of all the Bank's future cash flows.

The stress test aims to express the increase / decrease of this net NPV depending on the shock change of market factors and to compare the decrease of NPV with the set limits (internal and regulatory).

The standard stress scenario corresponds to a various shifts in the interest yield curve required by regulators including:
- EBA +200/-200 basis points shift,
- Supervisory outlier test ("SOT"): Parallel Up, Parallel Down, Flattening, Steepening, Rates Up or Down

The following table shows the impact of the stress scenarios on the Bank's EVE results. The Bank uses the euro as the base currency for stress testing results.

Economic Value of Equity 2023								
	Stress test based on EBA (% impact on Equity) 2023				SOT test (% impact on Tier 1) 2023			
	EV+200	EV–200	Parallel up	Parallel down	Flattening	Steepening	Rates up	Rates down
Maximal impact of the stress test	–7,95%	5,91%	–8,00%	5,96%	–5,78%	3,92%	–7,40%	2,89%
Minimal impact of the stress test	–10,91%	2,68%	–10,94%	2,69%	–6,71%	3,04%	–8,33%	2,12%
Average impact of the stress test	–9,20%	3,84%	–9,24%	3,86%	–6,25%	3,45%	–8,01%	2,42%
RAF Trigger (31.12.2023)	–13,70%	–13,70%	–13,70%	–13,70%	–13,70%	–13,70%	–13,70%	–13,70%

Economic Value of Equity 2022								
	Stress test based on EBA (% impact on Equity) 2022				SOT test (% impact on Tier 1) 2022			
	EV+200	EV–200	Parallel up	Parallel down	Flattening	Steepening	Rates up	Rates down
Maximal impact of the stress test	–9,22%	9,04%	–9,32%	9,14%	–1,95%	4,19%	–6,01%	2,64%
Minimal impact of the stress test	–13,04%	4,44%	–13,20%	4,49%	–6,35%	2,67%	–8,80%	1,18%
Average impact of the stress test	–11,47%	5,79%	–11,58%	5,86%	–4,37%	3,49%	–7,04%	1,83%
RAF Trigger (31.12.2022)	–13,70%	–13,70%	–13,70%	–13,70%	–13,70%	–13,70%	–13,70%	–13,70%

NII stress test

The two main stress scenarios correspond to a parallel shift in the yield curve UP by 100 basis points and DOWN by –100 (or –30 for currencies with already negative rates) basis points for all currencies (CZK, EUR, USD).

Additional stress scenarios represent various market changes, for example parallel shifts +200/–200 basis points.

The following table shows the impact of these two main scenarios on the bank NII as a percentage portion against the Budgeted NII.

	RAF Parallel Up	RAF Parallel Down	NII +200bps	NII –200bps
Net interest income (% impact on NII budget) 2023				
Maximal impact of the stress test	3,75%	0,70%	1,35%	0,55%
Minimal impact of the stress test	–0,70%	–3,77%	–2,41%	–2,84%
Average impact of the stress test	1,94%	–1,96%	0,49%	–1,44%
RAF Trigger	–13,00%	–13,00%	–5,00%	–5,00%
Net interest income (% impact on NII budget) 2022				
Maximal impact of the stress test	11,57%	–1,81%	4,08%	–0,96%
Minimal impact of the stress test	4,37%	–8,27%	1,44%	–3,19%
Average impact of the stress test	8,91%	–4,72%	2,92%	–2,42%
RAF Trigger	–11,50%	–11,50%	–	–

Hedge Accounting

As part of its market risk management strategy, the Bank hedges against interest rate risk. The Bank's hedge strategy uses both fair value hedges and cash flow hedges.

Fair value hedges are used for reducing the price interest rate risk of issued bonds, purchased securities, loans or deposits. Cash flow hedges are used to eliminate uncertainty in future cash flows in order to stabilise Net interest income; in other words to manage reinvestment risk.

Fair Value Hedging
Hedged instruments include separately financial assets and liabilities recognised at amortised cost and debt financial assets at fair value through other comprehensive income. Hedging instruments are derivatives (most commonly interest rate swaps and cross currency swaps).

At the inception of the hedge relationship, the Bank performs a prospective fair value hedge effectiveness test on the basis of future changes in fair values of hedged and hedging instruments and of expected interest rates movements (the "prospective test"). On the basis of actual interest rate developments, a test of effectiveness is carried out monthly. The Bank undertakes monthly effectiveness testing to be able to detect possible non-effectiveness of the hedge relationships.

For particular hedged items and hedging transactions (loans, deposits, securities, interest rate swaps, etc), specific dates and amounts of cash flows are determined from the inception of a hedge relationship until the maturity of the hedged instrument. The present values of particular cash flows for the relevant date (date of effectiveness measurement) are determined on the basis of the discount factors for specific currencies. The fair value of a transaction is the sum of discounted cash flows from the relevant trade at the given time. The cumulative change of the fair value is determined by comparing the fair value in the given time with the initial valuation. These cumulative changes are further netted for realised cash flows by adding them back or subtracting. The hedge effectiveness is measured using the comparison of the cumulative change in the fair value of the hedged and hedging instrument. The hedge is considered effective if the proportion of cumulative fair value changes of hedged and hedging instruments is between 80–125%.

In the table below, the Bank sets out the accumulated fair value adjustments arising from the corresponding continuing hedge relationships, irrespective of whether or not there has been a change in hedge designation during the year.

	Carrying amount of hedged items (excluding the accumulated fair value hedge adjustment)		Accumulated amount of fair value adjustments on the hedged items	
	Assets	Liabilities	Assets	Liabilities
31 Dec 2023				
Fair Value Hedge				
Micro fair value hedges				
Interest rate risk – see "A" below	80 013	44 635	591	416
Portfolio fair value hedges				
Interest rate risk – see "B" below	168 448	131 483	1 122	(6 540)
31 Dec 2022				
Fair Value Hedge				
Micro fair value hedges				
Interest rate risk – see "A" below	48 328	18 954	3 561	(457)
Portfolio fair value hedges				
Interest rate risk – see "B" below	86 770	101 590	(3 164)	(12 656)

The corresponding Statement of Financial Position line items, where the hedged item and the cumulative fair value changes are recorded, include:
"A" represents hedging of
- Loans presented in the line *"Financial assets at amortised cost, of which: Loans and advances to customers"*,
- Purchased bonds presented in the line *"Financial assets at fair value through other comprehensive income"*,
- Money-markets trades presented in the line *"Financial liabilities at amortised cost, of which: Deposits from banks"* and
- Issued bonds presented in the line *"Financial liabilities at amortised cost, of which: Debt securities issued"*.

"B" represents hedging of
- Loans presented in the line *"Financial assets at amortised cost, of which: Loans and advances to customers"* and
- Currents accounts presented in the line *"Financial liabilities at amortised cost, of which: Deposits from customers"*.

Hedging instruments are represented by hedging derivatives presented in the item *"Positive fair value of hedging derivatives" or "Negative fair value of hedging derivatives"*.

The table below sets out the outcome of the Bank's hedging strategy, in particular, to changes in the fair value of the hedged items and hedging instruments in the current year and the comparative year, used as the basis for recognising ineffectiveness:

	Gains/(losses) attributable to the hedged risk		**Hedge ineffectiveness**
	Hedged items	Hedging instruments	
31 Dec 2023			
Fair Value Hedge			
Micro fair value hedges			
Interest rate risk	3 333	(3 332)	1
Portfolio fair value hedges			
Interest rate risk	(1 869)	1 870	1
31 Dec 2022			
Fair Value Hedge			
Micro fair value hedges			
Interest rate risk	(2 390)	2 388	(2)
Portfolio fair value hedges			
Interest rate risk	4 455	(4 455)	–

Cash Flow Hedging
In compliance with IAS 39, Cash Flow Hedging is used to hedge an uncertain (variable) future cash flow (interest payments) which may affect the future P/L in a negative manner. To this end, the interest flows of hedged instruments and related derivatives designated as hedging instruments are projected for the future (forecast transactions). Hedging shall apply to the risk of variability of interest flows arising from the determined assets, liabilities, planned or forecast transactions (or portions thereof), depending on the change of interest rates. Hedging shall be considered correct, provided the netted cash flow relating to the hedging instrument in each time bucket is lower than, or equal to, the cash flow from hedged instruments. Projected Cash flow from Derivative Gap is compared to the Projected Cash flow of underlying balance sheet item – there has to be an excess of underlying (so called Cashflow test).

In the case of Cash Flow Hedge accounting, a hedging instrument is recognised at fair value. To prove the effectiveness of hedge relations, the prospective and retrospective tests are performed:

Prospective test:
- Cashflow test
- Fair value test – Sensitivity to future interest rates movements is calculated for both underlying and Hedging instrument and compared to prove the hedge relationship to be effective, i.e. total delta is in the range 80–125%.

Retrospective test:
- Historical changes in Fair Value of both underlying and Hedging instrument are compared to prove the hedge relationship to be effective, i.e. in the range mentioned above, and
- Historical monthly changes in Fair Value of both underlying and Hedging instrument are compared to prove the hedge relationship to be effective.

The table below sets out the Bank's financial assets and financial liabilities designated as hedged items in continuing cash flow hedge relationships and the outcome of the Bank's hedging strategy:

	Cash flow hedge reserve		Net changes in fair value of hedging instruments used for measuring hedge ineffectiveness		
			in total	Effective portion	Hedge ineffectiveness
	Continuing hedges	Discontinued hedges		recognised in OCI	recognised in the income statement in net trading income
31 Dec 2023					
Cash Flow Hedge					
Portfolio cash flow hedges					
Interest rate risk – see "A" below	(5 899)	17	4 384	4 384	–
31 Dec 2022					
Cash Flow Hedge					
Portfolio cash flow hedges					
Interest rate risk – see "A" below	(10 276)	10	(2 721)	(2 721)	–

The corresponding Statement of Financial Position line items, where the hedged item and the cumulative fair value changes are recorded, include:
"A" comprises hedging of:

- Loans presented in the line *"Financial assets at amortised cost, of which: Loans and advances to customers"* and line *"Financial assets at amortised cost, of which: Loans and advances to banks"*,
- Purchased float bonds presented in the line *"Financial assets at fair value through other comprehensive income"*,
- Deposits presented in the line *"Financial liabilities at amortised cost, of which: Deposits from customers"* and line *"Financial liabilities at amortised cost, of which: Deposits from banks"* and
- Issued bonds presented in the line *"Financial liabilities at amortised cost, of which: Debt securities issued"*.

Hedging instruments are represented by hedging derivatives presented in the item *"Positive fair value of hedging derivatives" or "Negative fair value of hedging derivatives".*

The maturity profile of hedging instruments is included in section V. Other Notes, point 33. Contingent liabilities, contingent assets and financial derivatives.

The following table provides a reconciliation by risk category of components of equity and analysis of the other comprehensive income statement items from hedge accounting:

	2023	2022
Cash Flow Hedging Reserve		
Interest rate risk		
As at 1 January	(8 284)	(6 107)
Change in fair value	6 027	(1 422)
Revaluation reclassified to profit or loss	(1 643)	(1 299)
Deferred tax	(744)	544
Total at 31 December	**(4 644)**	**(8 284)**

Interest Rate Benchmark Reform

A comprehensive reference rates reform ("IBOR reform") has taken place following the concerns raised in recent years about the integrity and reliability of major financial market benchmarks. In order to assess the relevant risks associated with the global benchmark reforms mandated by the Financial Stability Board, and taking appropriate actions to ensure an adequate transition to alternative or reformed benchmark rates ahead of the deadline of the end of 2021 specified in the revised EU Benchmark Regulation ("BMR"), UniCredit Group launched in October 2018 UniCredit Group wide project in order to manage the IBORs discontinuation.

The implications of IBOR reform on Bank's financial statements were insignificant as most of the Bank's contract with variable interest rates are based on interest rate benchmarks that already fulfil the conditions set by BMR, ie based on PRIBOR or EURIBOR.

The Bank's main contract with variable interest rates based on interest rate benchmarks other than PRIBOR or EURIBOR were indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (SOFR). Although US dollar LIBOR was planned to be discontinued by the end of 2021, in March 2021 the ICE Benchmark Administration (IBA), the FCA-regulated and authorised administrator of LIBOR, announced that certain USD LIBOR settings (i.e., the overnight and the one-, three-, six- and 12-month settings) will cease to be published after 30 June 2023. Other LIBOR settings (i.e. all GBP, EUR, CHF and JPY LIBOR settings and the one-week and two-month USD LIBOR settings) ceased to be published after 31 December 2021.

Nevertheless, the Bank had finished the process of implementing appropriate fallback provisions (i.e. definition of the steps that should be taken to agree a new reference rate if the reference rate in the transaction is no longer available) for all LIBOR indexed exposures by the end of 2021.

<u>Impact of the Interest Rate Benchmark Reform on the Bank's hedge relationships</u>

The Bank updated its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Bank to discontinue its hedge relationships.

The Bank replaced in the reporting period certain USD LIBOR settings (i.e., the overnight and the one-, three-, six- and 12-month settings) that ceased to be published after 30 June 2023 with alternative benchmark rate SOFR without any other impacts on Bank's hedge relationships.

The Bank's hedge relationships with interest rate benchmark affected by IBOR reform (i.e. USD LIBOR settings as mentioned above) whose

- notional value represented 2.1% of total notional value and
- fair value represented 1.3% of total positive and negative fair value of all hedging instruments as of 31 December 2022 and thus insignificant.

Details of the Bank's hedge accounting relationships are disclosed in section V. Other Notes, Note 33. Contingent liabilities, contingent assets and financial derivatives and Note 35 Financial risk management, part (c) Market risk.

<u>Impact of the Interest Rate Benchmark Reform on the Bank's Financial instruments measured at amortised cost and lease liabilities</u>

The Bank's contract with interest rate benchmark affected by IBOR reform (i.e. USD LIBOR settings as mentioned above) are in following accountings portfolio with stated carrying amount as of 31 December 2022:

- Financial assets at amortised cost – loans and advances to customers and banks of MCZK 100.
- Financial liabilities at amortised cost – deposits from customers and banks of MCZK 1.

As of 31 December 2023, there is no contract with interest rate benchmark affected by IBOR reform as all the relevant interest rate has been replaced with an alternative benchmark rate.

Currency Risk

Assets and liabilities denominated in foreign currencies, including off-balance sheet exposures, comprise the Bank's exposure to currency risks. Both realised and unrealised foreign exchange gains and losses are reported directly in the income statement.

The Bank has established a system of currency risk limits based on its net currency exposure in individual currencies.

The following table shows the structure of assets and liabilities by currency (not including potential impact of off-balance sheet exposures):

	CZK	EUR	USD	CHF	Other	Total
At 31 Dec 2023						
Cash and cash balances	4 026	4 064	460	26	238	**8 814**
Financial assets at fair value through profit or loss, *of which:*	33 996	3	171	–	–	**34 170**
Held for trading	33 996	3	–	–	–	**33 999**
Mandatorily at fair value	–	–	171	–	–	**171**
Financial assets at fair value through other comprehensive income	41 025	10 928	–	–	–	**51 953**
Financial assets at amortised cost	387 434	359 044	3 372	181	443	**750 474**
of which:						
Loans and advances to banks	133 655	22 637	2 256	–	–	**158 548**
Loans and advances to customers	253 779	336 407	1 116	181	443	**591 926**
Positive fair value of hedging derivatives	14 480	–	–	–	–	**14 480**
Changes in fair value of the portfolio of hedged instruments	610	512	–	–	–	**1 122**
Equity-accounted investees	3 979	–	–	–	–	**3 979**
Other assets	626	545	13	–	6	**1 190**
Total exposure – assets	**486 176**	**375 096**	**4 016**	**207**	**687**	**866 182**
Financial liabilities at fair value through profit or loss, *of which:*	33 373	–	–	–	–	**33 373**
Held for trading	33 373	–	–	–	–	**33 373**
Financial liabilities at amortised cost	439 891	269 139	11 492	939	3 093	**724 554**
of which:						
Deposits from banks	2 780	26 187	4	–	1	**28 972**
Deposits from customers	429 250	172 289	11 488	939	3 092	**617 058**
Debt securities issued	7 861	70 663	–	–	–	**78 524**
Negative fair value of hedging derivatives	30 141	–	–	–	–	**30 141**
Changes in fair value of the portfolio of hedged instruments	(5 759)	(781)	–	–	–	**(6 540)**
Other liabilities	2 916	5 257	395	5	65	**8 638**
Provisions for risks and charges	717	595	71	11	10	**1 404**
Total exposure – liabilities	**501 279**	**274 210**	**11 958**	**955**	**3 168**	**791 570**
Gap	(15 103)	100 886	(7 942)	(748)	(2 481)	**74 612**

	CZK	EUR	USD	CHF	Other	Total
At 31 Dec 2022						
Cash and cash balances	3 202	3 613	465	40	414	**7 734**
Financial assets at fair value through profit or loss, *of which:*	52 693	2	540	–	–	**53 235**
Held for trading	52 693	2	–	–	–	**52 695**
Mandatorily at fair value	–	–	540	–	–	**540**
Financial assets at fair value through other comprehensive income	18 599	9 720	–	–	–	**28 319**
Financial assets at amortised cost	329 516	303 388	1 104	25	527	**635 227**
of which:						
Loans and advances to banks	91 434	16 277	11	–	–	**107 722**
Loans and advances to customers	238 082	287 111	1 093	25	527	**526 838**
Positive fair value of hedging derivatives	21 692	–	–	–	–	**21 692**
Changes in fair value of the portfolio of hedged instruments	(3 164)	–	–	–	–	**(3 164)**
Equity-accounted investees	3 979	–	–	–	–	**3 979**
Other assets	600	412	16	1	11	**1 040**
Total exposure – assets	**427 117**	**317 135**	**2 125**	**66**	**952**	**747 395**
Financial liabilities at fair value through profit or loss, *of which:*	52 725	–	–	–	–	**52 725**
Held for trading	52 725	–	–	–	–	**52 725**
Financial liabilities at amortised cost	327 446	244 668	13 231	891	3 077	**589 313**
of which:						
Deposits from banks	2 118	49 805	9	–	–	**51 932**
Deposits from customers	319 622	166 157	13 222	891	3 077	**502 969**
Debt securities issued	5 706	28 706	–	–	–	**34 412**
Negative fair value of hedging derivatives	40 441	–	–	–	–	**40 441**
Changes in fair value of the portfolio of hedged instruments	(11 108)	(1 548)	–	–	–	**(12 656)**
Other liabilities	2 767	3 765	308	8	327	**7 175**
Provisions for risks and charges	588	586	29	9	17	**1 229**
Total exposure – liabilities	**412 859**	**247 471**	**13 568**	**908**	**3 421**	**678 227**
Gap	14 258	69 664	(11 443)	(842)	(2 469)	**69 168**

The table below shows the marginal Values at Risk for currency risk representing contribution of currency risk to total VaR of Financial assets at fair value through profit or loss Held for trading and all currency risk as all open FX positions are closed within Financial assets at fair value through profit or loss Held for trading:

	At 31 Dec 2023	Average for 2023	At 31 Dec 2022	Average for 2022
	Czech Republic		Czech Republic	
VaR of Financial assets at fair value through profit or loss Held for trading	10,60	7,18	8,55	16,49
	Slovakia		Slovakia	
VaR of Financial assets at fair value through profit or loss Held for trading	0,11	0,31	0,09	1,71

Equity Risk

Equity risk is the risk of movement in the prices of equity instruments held in the Bank's portfolio and of financial derivatives derived from these instruments. The main source of this risk is trading in equity instruments, although equity risk also arises as a result of the Bank's non-trading activities. The risks associated with equity instruments are managed using trading limits. The methods used to manage these risks are described above.

Liquidity Risk

Liquidity risk arises due to the way the Bank's finances its activities and manages its positions. It includes the risk the Bank would be unable to finance its assets using instruments with appropriate maturity and the risk that the Bank would be unable to dispose of its assets for an appropriate price within the necessary time period.

The Bank has access to diversified sources of funds, which comprise deposits and other savings, securities issued, loans taken (including subordinated loans) and its own equity capital. This diversification makes the Bank flexible and limits its dependency on a single funding source. The Bank regularly evaluates the liquidity risk, in particular by monitoring changes in the structure of funding and comparing these changes with the Bank's liquidity risk management strategy, which is approved by the Board of Directors. As part of its liquidity risk management strategy, the Bank holds a proportion of its assets in highly liquid funds, such as state treasury bills and similar bonds.

Liquidity risk is evaluated regularly by the Bank by analysing of differences between the residual maturity of assets and liabilities across time buckets. Two approaches are used: short-term and long-term (structural). In the short-term approach, the Bank daily monitors in detail the difference between liquidity inflows and outflows. Limits are set for cumulative inflows and outflows with an outlook of several weeks. If limits are breached, the Bank takes action to reduce the liquidity risk. In the long-term (structural) perspective, the Bank monitors the difference between the maturity of assets and liabilities for periods longer than one year. The Bank sets limits and appropriate action is taken if they are breached (eg by acquiring long-term sources of refinancing).

The Bank has a contingency plan in the event of a liquidity crisis. This plan defines the roles, responsibilities and process of crisis management. It also defines the possible measures which should be considered in the event of an emergency situation.

Stress tests of short-term liquidity are performed by the Bank on a monthly or a weekly basis respectively (based on the development of liquidity indicators or in the case of "liquidity attention phase" activation). The stress tests verify the Bank's ability to overcome extreme situations, such as systemic interruption of the inter-bank money market, a decrease in the Bank's credit rating, IT system breakdowns, and reputation risk to the Bank. The stress scenarios' results are presented to the ALCO.

The following table shows undiscounted cash flows of financial assets and financial liabilities, issued guarantees and provided loan facilities:

	Carrying amount	Net cash flow	Up to 3 months	3 months – 1 year	1–5 year	Over 5 years	Unspecified.
At 31 Dec 2023							
Cash and cash balances	8 814	8 814	8 751	–	–	60	3
Financial assets at fair value through profit or loss, *of which:*	34 170	98 093	5 505	15 187	50 649	26 752	–
– held for trading debt and equity instruments	3	3	–	–	–	3	–
– held for trading derivatives	33 996	97 919	5 505	15 187	50 649	26 578	–
– mandatorily at fair value	171	171	–	–	–	171	–
Financial assets at fair value through other comprehensive income	51 953	62 717	495	3 382	24 635	34 205	–
Financial assets at amortised cost *of which:*	750 474	848 376	211 872	79 794	285 012	267 961	3 737
Loans and advances to banks	158 548	158 770	155 027	3 732	11	–	–
Loans and advances to customers	591 926	689 606	56 845	76 062	285 001	267 961	3 737
Positive fair value of hedging derivatives	14 480	73 720	4 036	11 166	44 866	13 652	–
Changes in fair value of the portfolio of hedged instruments	1 122	1 122	–	–	–	1 122	–
Equity-accounted investees	3 979	3 979	–	–	–	3 979	–
Other assets	1 190	1 190	919	271	–	–	–
Total exposure – assets	**866 182**	**1 098 011**	**231 578**	**109 800**	**405 162**	**347 731**	**3 740**
Financial liabilities at fair value through profit or loss, *of which:*	33 373	96 310	5 852	14 827	50 445	25 186	–
– held for trading debt instruments	–	–	–	–	–	–	–
– held for trading derivatives	33 373	96 310	5 852	14 827	50 445	25 186	–
Financial liabilities at amortised cost, *of which:*	724 554	740 229	619 829	28 527	78 234	13 516	123
Deposits from banks	28 972	29 156	22 941	4 797	572	723	123
Deposits from customers	617 058	618 862	596 034	20 476	1 228	1 124	–
of which:							
Lease liabilities	2 042	2 355	271	94	870	1 120	–
Other than lease liabilities	615 016	616 507	595 763	20 382	358	4	–
Debt securities issued	78 524	92 211	854	3 254	76 434	11 669	–
Negative fair value of hedging derivatives	30 141	91 876	4 184	12 094	51 747	23 851	–
Changes in fair value of the portfolio of hedged instruments	(6 540)	(6 540)	(6 540)	–	–	–	–
Other liabilities	8 638	8 638	6 821	1 817	–	–	–
Provisions for risks and charges	1 404	1 404	239	132	330	620	83
Total exposure – liabilities	**791 570**	**931 917**	**630 385**	**57 397**	**180 756**	**63 173**	**206**
Gap	74 612	166 094	(398 807)	52 403	224 406	284 558	3 534
Undrawn loan facilities	49 947	49 947	49 947	–	–	–	–
Bank guarantees	170 079	170 079	170 079	–	–	–	–

Please note that the Net cash flow from Undrawn loan facilities and Bank guarantees are presented in the time bucket "Up to 3 months" as the worst-case scenario.

The negative liquidity gap in time buckets up to 3 months only theoretical. Based on historical experience, actual cash flows differ from contractual cash flows (eg. Deposits from customers containing core deposits, which represent a stable part of liabilities).

	Carrying amount	Net cash flow	Up to 3 months	3 months – 1 year	1–5 year	Over 5 years	Unspecified.
At 31 Dec 2022							
Cash and cash balances	7 734	7 735	6 850	–	–	215	3
Financial assets at fair value through profit or loss, *of which:*	53 235	108 029	6 796	18 180	50 265	32 788	–
– held for trading debt and equity instruments	11	12	–	9	–	3	–
– held for trading derivatives	52 684	107 477	6 796	18 171	50 265	32 245	–
– mandatorily at fair value	540	540	–	–	–	540	–
Financial assets at fair value through other comprehensive income	28 319	30 968	190	4 715	16 875	9 188	–
Financial assets at amortised cost *of which:*	634 560	704 940	164 998	72 311	220 247	245 483	2 568
Loans and advances to banks	107 722	107 885	104 007	33	3 845	–	–
Loans and advances to customers	526 838	597 055	60 324	72 278	216 402	245 483	2 568
Positive fair value of hedging derivatives	21 692	53 475	3 619	9 035	28 350	12 471	–
Changes in fair value of the portfolio of hedged instruments	(3 164)	(3 164)	–	–	–	(3 164)	–
Equity-accounted investees	3 979	3 979	–	–	–	3 979	–
Other assets	1 040	1 040	684	356	–	–	–
Total exposure – assets	**747 395**	**309 947**	**182 470**	**104 597**	**315 737**	**300 960**	**2 571**
Financial liabilities at fair value through profit or loss, *of which:*	52 725	104 917	6 801	18 464	48 117	31 535	–
– held for trading debt instruments	–	–	–	–	–	–	–
– held for trading derivatives	52 725	104 917	6 801	18 464	48 117	31 535	–
Financial liabilities at amortised cost *of which:*	589 313	596 001	486 244	59 713	47 599	2 311	134
Deposits from banks	51 932	52 672	8 144	34 530	8 463	1 401	134
Deposits from customers	502 969	503 934	477 826	24 203	1 174	731	–
of which:							
Lease liabilities	1 882	2 068	87	249	1 006	726	–
Other than lease liabilities	501 087	501 866	477 739	23 954	168	5	–
Debt securities issued	34 412	39 395	274	980	37 962	179	–
Negative fair value of hedging derivatives	40 441	89 427	6 327	11 093	43 657	28 350	–
Changes in fair value of the portfolio of hedged instruments	(12 656)	(12 656)	(12 656)	–	–	–	–
Other liabilities	7 175	7 175	5 481	1 694	–	–	–
Provisions for risks and charges	1 229	1 229	47	162	496	450	74
Total exposure – liabilities	**1 181 196**	**1 290 027**	**970 070**	**115 329**	**141 043**	**63 377**	**208**
Gap	(433 801)	(980 080)	(787 600)	(10 732)	174 694	237 583	2 363
Undrawn loan facilities	52 406	52 405	52 405	–	–	–	–
Bank guarantees	158 539	158 538	158 538	–	–	–	–

(d) Operational Risk

Operational risk is the risk of loss due to deficiencies or failures of internal processes, people and systems or external events. This definition includes legal risk, however, it does not include strategic or reputation risk. Legal risk includes, inter alia, the risk of fines, sanctions or punitive damages resulting from supervision measures and private settlement.

The Bank's organisational structure and its internal rules fully respect the segregation of incompatible duties to prevent conflict of interests. Internal rules unambiguously define the obligations and competencies of employees, including management, and regulate the working processes and control activities. The Non-Financial Risks and Control Committee is the main control and decision body regarding operational risk. All members of the Board of Directors are permanent members of the committee. The Non Financial Risks Department is an independent body reporting directly to a member of the Board of Directors in charge of risk management. The Operational Risk Department is authorised to secure unified and coordinated operational risk management in accordance with the applicable regulations and the standards of the parent company.

Operational risk management and monitoring is performed by authorised employees of individual departments. The Internal Audit Department identifies extraordinary trends and breach of or non-compliance with directives and assesses the control and management system's functionality.

The Bank has continued developing and setting up its comprehensive system for the identification, monitoring and management of operational risk. In line with the 2023 Operational Risk Management Strategy, the Bank defined its priorities with respect to mitigating operational risk exposure that are consistent with the risk profile and risk appetite of the Bank. The operational risk appetite is the operational risk level acceptable to the Bank and is measured using ELOR (Expected Loss on Revenue), which is the proportion of anticipated losses arising from operational risk (estimate based on historical data) to income (budgeted income on a quarterly basis). Setting the ELOR limit and its monitoring was performed in line with the Bank's policies.

To ensure effective collection of operational risk events and data, the Bank uses an on-line information system developed by UniCredit Group. The system complies with the requirements for capital adequacy management. The data acquired through the system is taken into account when calculating the capital requirement and when managing operational risk. It serves as the basis for designing processes that reduce the number of particular events and mitigate the consequences (eg when preparing process mitigation measures or the Bank's strategic insurance plan). The data is also used for reviewing the reliability of proposed measures for operational risk mitigation. The data is collected on a continuous basis in cooperation with individual departments of the Bank (all significant events are reported and resolved immediately). Based on the collected data, a quarterly consolidated report is prepared, which is presented to the Operational Risk Management Committee and distributed within the Bank. The Board of Directors, the Internal Audit Department and the parent company are informed about the most significant cases of operational risk on a weekly basis, or immediately if necessary. The data is regularly reconciled with the accounting records and other sources in order to ensure data completeness and accuracy.

In 2023, the Bank analysed the scenarios, and configured and analysed the risk indicators. Another important element of the operational risk management system is managing the continuity of operations (emergency planning, crisis management). The Bank has updated and tested the recovery plans (for crisis situations) in order to ensure their full usefulness and effectiveness under current conditions. In addition, the Non Financial Risks Department enhances overall awareness of operational risk within the Bank and trains the Bank's staff via training sessions and e-learning courses.

Based on the consent obtained from the regulatory body, the Bank calculates the capital requirement for operational risk under the advanced measurement approach (AMA). Under this approach, the UniCredit Group model based on internal and external data, the results of scenario analyses and risk indicator data is used.

(e) Capital Management

Management of the Bank monitors the development of the Bank's capital adequacy and its capital position. The regulator of the banking market, the Czech National Bank, established rules for the calculation of capital requirements and monitors their development. Since 1 January 2014, the Bank has met the requirements of Basel III (Regulation (EU) No. 575/2013 of 26 June 2013 on prudential requirements for credit institutions and investment firms) that was implemented by the Czech National Bank through Decree No. 163/2004 Coll. on the performance of the activity of banks, credit unions and investment firms. The Basel III rules were established in response to the financial crisis and introduce requirements for increased capital quality, requirement for an increased coverage of risks, the minimum standard for liquidity management, rules for the leverage ratio and improve risk management and corporate governance.

The Bank's regulatory capital consists of the following:

- Common Equity Tier 1 (CET 1) capital which comprises registered capital, share premium, reserve funds, retained earnings, accumulated other comprehensive income from revaluation of available-for-sale securities, post-tax profit for the period if audited at the time of reporting; minus intangible assets and gaps in the coverage of anticipated losses through adjustments for credit risk using the internal rating based approach;

- Tier 1 (T1) capital creating CET1; and
- Tier 2 (T2) capital which is the excess in the coverage of anticipated credit losses when using the internal rating based approach.

The Bank complies with the defined minimum requirements of Basel III rules for capital adequacy, including capital buffers.
In 2021, the Bank has received from the Czech National Bank the decision on intermediate and "fully loaded" target amounts of the Minimum Requirement for Own Funds and Eligible Liabilities (MREL), implemented through Act No. 374/2015 Coll.

- The levels of MREL are expressed based on risk-weighted assets and the leverage ratio (higher levels calculated using the two approaches will represent a limiting factor).

The Bank successfully issued its first MREL instruments in 2021 to be compliant with an intermediate target from 1 January 2022 as set by the Czech National Bank. MREL will become a "fully loaded" requirement as of 1 January 2024. Further details are provided in section V. Other Notes, point 24.

Statement of capital for the Banks's capital adequacy calculation on a stand-alone basis as reported to the regulator in accordance with applicable rules as of 31 December 2023 and as of 31 December 2022 is stated in the Annual Report, part "Separate financial highlights".

36. 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 Bank 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.

(a) Transactions with the parent company

	31.12.2023	31.12.2022
Assets		
Cash and cash balances	1 132	1 357
Loans and advances to banks	13 968	12 032
Financial assets held for trading	18 891	28 744
Positive fair value of hedging derivatives	5 672	7 343
Total	**39 663**	**49 476**

	31.12.2023	31.12.2022
Liabilities		
Deposits from banks	4 423	461
Debt instruments	27 045	15 967
Financial liabilities held for trading	18 307	28 476
Negative fair value of hedging derivatives	15 683	19 130
Total	**65 458**	**64 034**

	31.12.2023	31.12.2022
Off-balance sheet items		
Issued guarantees	1 184	778
Irrevocable credit facilities	1 245	1 222
Total	**2 429**	**2 000**

	2023	2022
Interest income	618	633
Interest expense	(4 300)	(4 037)
Fee and commission income	19	4
Fee and commission expenses	(30)	(44)
Net profit/loss from financial assets and liabilities held for trading	249	(706)
Net profit/loss from hedging of the risk of change in fair values	138	(282)
Administrative expenses	(1 013)	(954)
Total	**(4 319)**	**(5 384)**

(b) Transactions with subsidiaries

	31.12.2023	31.12.2022
Assets		
Loans and advances to customers	50 060	41 583
of which:		
UniCredit Leasing CZ, a.s.	29 874	25 564
UniCredit Leasing Slovakia, a.s.	15 528	11 782
UniCredit Fleet Management, s.r.o. (CZ)	49	34
UniCredit Factoring Czech Republic and Slovakia, a.s.	4 364	3 927
Positive fair value of hedging derivatives	169	261
of which:		
UniCredit Leasing CZ, a.s.	168	259
Total	**50 060**	**41 583**

	31.12.2023	31.12.2022
Liabilities		
Deposits from customers	143	43
of which:		
UniCredit Leasing Slovakia, a.s.	4	4
UniCredit pojišťovací makléřská spol. s r.o.	19	19
Negative fair value of hedging derivatives	254	642
of which:		
UniCredit Leasing CZ, a.s.	182	501
Total	**397**	**685**

	31.12.2023	31.12.2022
Off-balance sheet items		
Irrevocable credit facilities	6 261	8 169
of which:		
UniCredit Leasing CZ, a.s.	2 647	4 926
UniCredit Fleet Management, s.r.o. (CZ)	26	41
UniCredit Factoring Czech Republic and Slovakia, a.s.	1 284	1 414
UniCredit Leasing Slovakia, a.s.	2 036	1 553
Total	**6 261**	**8 169**

	2023	2022
Interest income	911	402
of which:		
UniCredit Leasing CZ, a.s.	520	281
UniCredit Leasing Slovakia, a.s.	176	24
Interest expense	(234)	(137)
of which:		
UniCredit Leasing CZ, a.s.	(68)	(3)
UniCredit Leasing Slovakia, a.s.	(164)	(129)
Fee and commission income	30	30
of which:		
UniCredit Leasing CZ, a.s.	19	16
UniCredit Leasing Slovakia, a.s.	10	12
General administrative expenses	3	4
of which:		
UniCredit Fleet Management, s.r.o. (CZ)	(1)	(1)
UniCredit Fleet Management, s.r.o. (SK)	(1)	–
UniCredit Leasing CZ, a.s.	1	1
UniCredit Leasing Slovakia, a.s.	4	4
Total	**710**	**299**

(c) Transactions with key management members

	31.12.2023	31.12.2022
Assets		
Loans and advances to customers	153	151
of which:		
Board of Directors	30	29
Other management members	123	122
Total	**153**	**151**

	31.12.2023	31.12.2022
Payables to customers	161	165
of which:		
Board of Directors	42	59
Other management members	119	106
Total	**161**	**165**

	31.12.2023	31.12.2022
Off-balance sheet items		
Irrevocable credit facilities	2	7
of which:		
Board of Directors	1	1
Other management members	1	6
Total	**2**	**7**

(d) Transactions with other related parties

	31.12.2023	31.12.2022
Assets		
Cash and cash balances	387	722
of which:		
UniCredit Bank AG	20	159
UniCredit Bank Austria AG	242	409
AO UniCredit Bank	86	120
Financial assets held for trading	6 424	11 712
of which:		
UniCredit Bank AG	6 410	11 712
Loans and advances to banks	2 591	7
of which:		
UniCredit Bank AG	2 578	–
AO UniCredit Bank	13	7
Loans and advances to customers	1 105	1 045
of which:		
RCI Financial Services, s.r.o.	1 105	1 045
Positive fair value of hedging derivatives	7 339	11 254
of which:		
UniCredit Bank AG	7 339	11 254
Total	**17 846**	**24 740**

	31.12.2023	31.12.2022
Liabilities		
Deposits from banks	2 078	4 417
of which:		
UniCredit Bank Austria AG	289	–
UniCredit Bank AG	1 762	4 198
UniCredit Bank Hungary Zrt.	6	55
Financial liabilities held for trading	5 074	4 698
of which:		
UniCredit Bank AG	5 074	4 698
Negative fair value of hedging derivatives	11 650	14 931
of which:		
UniCredit Bank AG	11 650	14 931
Total	**18 802**	**24 046**

	31.12.2023	31.12.2022
Off-balance sheet items		
Issued guarantees	2 903	3 820
of which:		
UniCredit Bank AG	161	1 421
UniCredit Bank Austria AG	2 240	1 884
UniCredit Bank Hungary Zrt.	7	10
AO UniCredit Bank	14	85
Irrevocable credit facilities	7 352	6 448
of which:		
UniCredit Bank AG	4 144	4 045
UniCredit Bank Austria AG	1 515	1 333
RCI Financial Services, s.r.o.	1 650	1 005
Total	**10 255**	**10 268**

	2023	2022
Interest income	2 701	3 103
of which:		
UniCredit Bank AG	2 620	3 053
UniCredit Bank Austria AG	10	14
RCI Financial Services, s.r.o.	68	33
Interest expense	(145)	(111)
of which:		
UniCredit Bank AG	(54)	(41)
UniCredit Bank Austria AG	(16)	(66)
Fee and commission income	68	89
of which:		
UniCredit Bank AG	59	73
UniCredit Bank Hungary Zrt.	1	2
UniCredit Bank Austria AG	7	12
Fee and commission expenses	(6)	(6)
of which:		
UniCredit Bank Austria AG	(4)	(4)
Net profit/loss from financial assets and liabilities held for trading	(2 943)	5 579
of which:		
UniCredit Bank AG	(2 943)	5 576
Net profit/loss from hedging against risk of changes in fair value	(72)	(1 188)
of which:		
UniCredit Bank AG	(72)	(1 188)
Administrative expenses	(2)	(16)
of which:		
UniCredit Bank Austria AG	11	3
UniCredit Bank Hungary Zrt.	4	(2)
Total	**(399)**	**7 450**

37. Fair value of financial assets and financial liabilities

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

Financial assets at fair value through profit or loss

Held for trading

	Level 1	Level 2	Level 3	Total
31.12.2023				
Debt securities	3	–	–	**3**
Derivatives	–	33 640	356	**33 996**
Total	**3**	**33 640**	**356**	**33 999**
31.12.2022				
Debt securities	11	–	–	**11**
Derivatives	1	52 530	153	**52 684**
Total	**12**	**52 530**	**153**	**52 695**

Mandatorily at fair value

	Level 1	Level 2	Level 3	Total
31.12.2023				
Shares and Other debt securities	–	–	171	**171**
Total	**–**	**–**	**171**	**171**
31.12.2022				
Shares and Other debt securities	–	405	135	**540**
Total	**–**	**405**	**135**	**540**

Financial assets at fair value through other comprehensive income

	Level 1	Level 2	Level 3	Total
31.12.2023				
Debt securities	49 697	2 232	4	**51 933**
Shares	–	–	20	**20**
Total	**49 697**	**2 232**	**24**	**51 953**
31.12.2022				
Debt securities	23 507	4 548	246	**28 301**
Shares	–	–	18	**18**
Total	**23 507**	**4 548**	**264**	**28 319**

Positive fair value of hedging derivatives

	Level 1	Level 2	Level 3	Total
31.12.2023				
Fair value hedging	–	5 344	–	**5 344**
Cash flow hedging	–	9 136	–	**9 136**
Total	**–**	**14 480**	**–**	**14 480**
31.12.2022				
Fair value hedging	–	6 628	–	**6 628**
Cash flow hedging	–	15 064	–	**15 064**
Total	**–**	**21 692**	**–**	**21 692**

Financial liabilities held for trading

	Level 1	Level 2	Level 3	Total
31.12.2023				
Derivatives	–	33 014	359	**33 373**
Total	**–**	**33 014**	**359**	**33 373**
31.12.2022				
Derivatives	–	52 569	156	**52 725**
Total	**–**	**52 569**	**156**	**52 725**

Negative fair value of hedging derivatives

	Level 1	Level 2	Level 3	Total
31.12.2023				
Fair value hedging	–	14 887	–	**14 887**
Cash flow hedging	–	15 253	1	**15 254**
Total	**–**	**30 140**	**1**	**30 141**
31.12.2022				
Fair value hedging	–	14 576	–	**14 576**
Cash flow hedging	–	25 865	–	**25 865**
Total	**–**	**40 441**	**–**	**40 441**

Fair values of financial assets and liabilities that are not reported at fair values

The following table shows the carrying amounts and fair values of financial assets and liabilities that are not reported at fair values in the Bank's statement of financial position (the fair value is calculated using discounted future cash flows under the application of arm's length market rates to which credit mark-ups derived from internal rating categories of individual customers are added):

	Carrying amount	Fair value	Level 1	Level 2	Level 3
31.12.2023					
Financial assets					
Loans and advances to banks	158 548	161 218	–	155 997	5 221
Loans and advances to customers	591 926	557 444	30 627	252 513	274 304
Financial liabilities					
Deposits from banks	28 972	29 222	–	23 660	5 562
Deposits from customers	617 058	617 013	–	50 329	566 684
Debt securities issued	78 524	34 755	–	34 755	–
31.12.2022					
Financial assets					
Loans and advances to banks	107 722	107 543	–	89 342	18 868
Loans and advances to customers	526 838	490 070	18 828	227 883	243 359
Financial liabilities					
Deposits from banks	51 932	51 875	–	47 234	4 641
Deposits from customers	502 969	502 925	–	732	502 193
Debt securities issued	34 412	21 837	–	21 837	–

Transfers between stages of financial assets and liabilities that are reported at fair values

For the year ended 31 December 2023 and 31 December 2022, no financial assets reported at fair value were transferred between Levels 1 and 2.

For the years ended 31 December 2023 and 31 December 2022, no financial liabilities reported at fair value were transferred between Levels 1 and 2.

The following tables show transfers of assets reported at fair value from and to Level 3.

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Property measured at fair value	Total
	Held for trading	Other than held for trading mandatorily at fair value			
Opening balance at 1 Jan 2022	**248**	**267**	**81**	**826**	**1 422**
Revaluation gains and losses					
In the income statement	–	(151)	–	–	(151)
In other comprehensive income	–	–	(6)	21	15
Purchases	144	–	249	73	466
Sales/maturity	(104)	–	–	–	(104)
Transfers from/to other levels	–	19	(3)	(18)	(2)
Depreciation	–	-	-	(34)	(34)
Other	(135)	–	(57)	–	(192)
Closing balance at 31 Dec 2022	**153**	**135**	**264**	**868**	**1 420**
Total revaluation gains and losses included in the income statement for the period:					–
Of which: Total revaluation gains and losses included in the income statement for the period arising from financial assets held at the period end					–

	Financial assets at fair value through profit or loss		Financial assets at fair value through other comprehensive income	Property measured at fair value	Total
	Held for trading	Other than held for trading mandatorily at fair value			
Opening balance at 1.1.2023	**153**	**135**	**264**	**868**	**1 420**
Revaluation gains and losses					
In the income statement	–	36	–	(8)	28
In other comprehensive income	–	–	(1)	(31)	(32)
Purchases	216	–	3	135	354
Sales/maturity	(17)	–	(242)	–	(259)
Transfers from/to other levels	(11)	–	–	–	(11)
Depreciation	–	–	–	(23)	(23)
Other	15	–	–	–	15
Closing balance at 31.12.2023	**356**	**171**	**24**	**941**	**1 492**
Total revaluation gains and losses included in the income statement for the period:					28
Of which: Total revaluation gains and losses included in the income statement for the period arising from financial assets held at the period end					28

The following table contains the transfers of financial liabilities at fair value to and from level 3.

	Financial liabilities at fair value through profit or loss held for trading	Hedging derivatives	Total
Opening balance at 1 Jan 2022	**252**	**–**	**252**
Revaluation gains and losses			
In the income statement	–	–	–
In other comprehensive income	–	–	–
Issue	144	–	144
Sales/maturity	(103)	–	(103)
Transfers from/to other levels	(135)	–	(135)
Other	(2)	–	(2)
Closing balance at 31 Dec 2022	**156**	**–**	**156**
Total revaluation gains and losses included in the income statement for the period:			–
Of which: Total revaluation gains and losses included in the income statement for the period arising from financial assets held at the period end			–

	Financial liabilities at fair value through profit or loss held for trading	Hedging derivatives	Total
Opening balance at 1 Jan 2023	**156**	**–**	**156**
Revaluation gains and losses			
In the income statement	–	–	–
In other comprehensive income	–	–	–
Issue	216	–	216
Sales/maturity	(17)	–	(17)
Transfers from/to other levels	(11)	1	(10)
Other	15	–	15
Closing balance at 31 Dec 2023	**359**	**1**	**360**
Total revaluation gains and losses included in the income statement for the period:			–
Of which: Total revaluation gains and losses included in the income statement for the period arising from financial assets held at the period end			–

38. Offseting of financial assets and financial liabilities

The Bank does not offset financial assets and financial liabilities.

The below table shows assets which are subject to netting agreements according to Credit risk management arrangements included in the Derivative Framework agreements such as ISDA or similar. The assets are subject to netting on settlement (performance netting) and on position closeout.

	Gross reported financial assets	Gross offset financial liabilities	Net reported financial assets	Potential amounts available for offset		Net amount
				Financial instruments	Obtained cash collateral	
31 Dec 2023						
Derivatives	47 442	–	47 442	46 608	834	–
31 Dec 2022						
Derivatives	8 069	–	8 069	1 001	–	7 068

Financial liabilities that are subject to offset, recoverable framework contracts for offset and similar arrangements:

	Gross reported financial liabilities	Gross offset financial assets	Net reported financial liabilities	Potential amounts available for offset		Net amount
				Financial instruments	Provided cash collateral	
31 Dec 2023						
Derivatives	62 897	–	62 897	47 442	14 907	548
31 Dec 2022						
Derivatives	2 200	–	2 200	1 001	–	1 199

39. Subsequent events

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

The financial statements were approved by the Board of Directors of the Bank and authorised for issue on 12 March 2024.

The financial statements were signed on behalf of the Board of Directors by:

Jakub Dusílek
Chairman of the Board of Directors

Georgia Salagean
Member of the Board of Directors

Individual in charge of the accounting records

Lea Branecká

Individual in charge of the financial statements

Alena Večerníková

Innovating for our stakeholders

We understand that banking is increasingly not only a people business, but also a technology business. Digital technology is continually advancing, and capitalising on these advances for the benefit of all our stakeholders is the key to unlocking value.


For everyone
who wants to
embrace digital
innovation and the
future of banking...

KPMG

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This document is an unsigned English translation of the Czech independent auditor’s report that we issued on 12 March 2024 on the statutory separate and consolidated financial statements included in the annual financial report of UniCredit Bank Czech Republic and Slovakia, a.s., prepared in accordance with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (“the ESEF Regulation”), related to the financial statements. The accompanying annual financial report does not represent a statutory annual financial report. Consequently, neither it nor this copy of the auditor’s report is a legally binding document. We did not audit the consistency of the accompanying annual financial report with the statutory and legally binding annual financial report under the ESEF Regulation in Czech, and therefore we do not provide an opinion on the accompanying annual financial report.

Independent Auditor’s Report

to the Shareholder of UniCredit Bank Czech Republic and Slovakia, a.s.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of UniCredit Bank Czech Republic and Slovakia, a.s. (“the Company”) and its subsidiaries (together “the Group”), prepared in accordance with IFRS Accounting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information. Information about the Group is set out in Note 1 to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs), which may be supplemented and amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to customers

As at 31 December 2023, gross loans and advances to customers amounted to CZK 612,411 million and related impairment allowance amounted to CZK 11,309 million (31 December 2022: CZK 548,395 million and CZK 11,315 million, respectively).

Refer to the following notes to the consolidated financial statements:

III. Material accounting policies (2. Impairment of Financial Instruments).
IV. Critical accounting judgments, estimates and assumptions.
V. Other notes (15. Financial assets at amortised cost – loans and advances to customers, 35. Financial risk management).

The key audit matter

The Group's management makes significant judgments and complex assumptions when estimating expected credit losses ("the Expected Credit Losses", "ECLs") in respect of loans and advances to retail and corporate customers (together, "Loans").

For the purposes of estimating the Expected Credit Losses, Loans are assigned to one of three stages in line with the requirements of IFRS 9 Financial instruments. Stage 1 and Stage 2 comprise performing exposures, with Stage 2 being exposures with a significant increase in credit risk since origination ("SICR"). Stage 3 are exposures in default.

ECLs for Stage 3 Loans with original exposures not exceeding EUR 1 million and for all Stage 1 and Stage 2 Loans are determined using an estimation model, with the key parameters and assumptions including:

- Probability of default (PD) and Loss given default (LGD), which also take into account regulatory parameters and Forward-looking information (FLI)-based adjustments, which rely on the baseline macroeconomic scenario,
- exposure at default (EAD), determined either based on repayment schedules or with use of modelled credit conversion factors,
- collateral value - for loans and advances to corporate customers, and
- overlay factors, which reflect alternative macroeconomic scenarios and circumstances not captured by standard modelling process.

ECLs for Stage 3 Loans with original exposure above EUR 1 million are determined on an individual basis by discounting the probability-weighted projections of estimated future cash flows. The key judgments and assumptions therein comprise:

- Probabilities assigned to cash flow scenarios,
- estimated amounts and timing of future cash repayments, including any cash flows from realization of underlying collateral.

In the wake of the above factors, we considered the area to be associated with high estimation uncertainty and a significant risk of material misstatement. As such, it required our increased attention in the audit, and we determined it to be a key audit matter.

How the matter was addressed in our audit

Our procedures in the area, performed, where applicable, with the assistance from our own credit risk and information technology (IT) audit specialists, included, among others, the following:

- We challenged the Group's loan impairment policies, methods and models, and the processes related to estimating ECLs, against the requirements of the financial reporting framework. As part of the procedure, we, among other things, assessed whether the approach used to determine internal ratings and definitions of default and SICR were appropriate and consistently applied.
- We tested the design, implementation, and operating effectiveness of selected IT-based and manual controls relevant for the credit risk monitoring and ECL estimation processes. Among others, we tested the controls over the calculation of days past due, matching of borrowers' repayments to loans, automatic calculation of borrower's rating for corporate and retail loans and periodical credit monitoring of corporate loans.
- For a sample of Stage 1 and Stage 2 corporate Loans, we challenged the Group's assessment of their credit risk and the existence of any triggers for classification to Stage 2 or Stage 3, by reference to the underlying loan files and by making inquiries of loan officers and credit risk personnel.

For impairment allowances determined on a collective basis:

- We challenged selected key parameters used within the ECL model, such as PD, LGD and EAD, by reference to, among other things, our own analysis of the Group's data on past default occurrence, realized losses on those defaults and inspection of the development, documentation and validation, including back-testing, of key model inputs.
- We inspected the Group's forward-looking information, overlay factors, underlying macroeconomic projections and other supporting data used to estimate ECLs. We evaluated the above by means of corroborating inquiries of the Management Board and inspecting publicly available information;
- With the use of data analytics tools, we tested staging of the loans, and also independently recalculated collective ECLs.

For impairment allowances determined on an individual basis:

- For a risk-based sample of Stage 3 Loans, we challenged the Group's cash flow projections, their probabilities and other key assumptions and data used therein, by reference to the respective loan files and inquiries of the Group's credit risk personnel. Where applicable, we also challenged the realisable value of related loan collateral, by reference to the underlying collateral agreements and appraisals, whose relevance and reliability we independently assessed.

For all impairment allowances:

- We examined whether the Group's loan impairment and credit risk-related disclosures in the consolidated financial statements appropriately address the relevant quantitative and qualitative requirements of the applicable financial reporting framework.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual financial report ("the annual report") other than the separate and consolidated financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

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

- the other information describing matters that are also presented in the consolidated financial statements is, in all material respects, consistent with the consolidated financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group 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 Statutory Body, Supervisory Board and Audit Committee for the Consolidated Financial Statements

The statutory body is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the statutory body is responsible for assessing the Group'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 statutory body either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process. The Audit Committee is responsible for monitoring the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 the 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body'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 Group'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 consolidated 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

Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the accompanying separate financial statements of UniCredit Bank Czech Republic and Slovakia, a.s. (“the Company”), prepared in accordance with IFRS Accounting Standards as adopted by the European Union, which comprise the separate statement of financial position as at 31 December 2023, and the separate statement of comprehensive income, the separate statement of changes in equity and the separate cash flow statement for the year then ended, and notes to the separate financial statements, comprising material accounting policies and other explanatory information. Information about the Company is set out in Note 1 to the separate financial statements.

In our opinion, the accompanying separate financial statements give a true and fair view of the unconsolidated financial position of the Company as at 31 December 2023, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs), which may be supplemented and amended by relevant application guidelines. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to customers

As at 31 December 2023, gross loans and advances to customers amounted to CZK 601,503 million and related impairment allowance amounted to CZK 9,577 million (31 December 2022: CZK 536,346 million and CZK 9,508 million, respectively).

Refer to the following notes to the separate financial statements:

III. Material accounting policies (2. Impairment of Financial Instruments);
IV. Critical accounting judgments, estimates and assumptions;
V. Other notes (15. Financial assets at amortised cost – loans and advances to customers, 35. Financial risk management).

The key audit matter

The Company's management makes significant judgments and complex assumptions when estimating expected credit losses ("the Expected Credit Losses", "ECLs") in respect of loans and advances to retail and corporate customers (together, "Loans").

For the purposes of estimating the Expected Credit Losses, Loans are assigned to one of three stages in line with the requirements of IFRS 9 Financial instruments. Stage 1 and Stage 2 comprise performing exposures, with Stage 2 being exposures with a significant increase in credit risk since origination ("SICR"). Stage 3 are exposures in default.

ECLs for Stage 3 Loans with original exposures not exceeding EUR 1 million and for all Stage 1 and Stage 2 Loans are determined using an estimation model, with the key parameters and assumptions including:

- Probability of default (PD) and Loss given default (LGD), which also take into account regulatory parameters and Forward-looking information (FLI)-based adjustments, which rely on the baseline macroeconomic scenario,
- exposure at default (EAD), determined either based on repayment schedules or with use of modelled credit conversion factors,
- collateral value - for loans and advances to corporate customers; and
- overlay factors, which reflect alternative macroeconomic scenarios and circumstances not captured by standard modelling process.

ECLs for Stage 3 Loans with original exposure above EUR 1 million are determined on an individual basis by discounting the probability-weighted projections of estimated future cash flows. The key judgments and assumptions therein comprise:

- Probabilities assigned to cash flow scenarios,
- estimated amounts and timing of future cash repayments, including any cash flows from realization of underlying collateral.

In the wake of the above factors, we considered the area to be associated with high estimation uncertainty and a significant risk of material misstatement. As such, it required our increased attention in the audit, and we determined it to be a key audit matter.

How the matter was addressed in our audit

Our procedures in the area, performed, where applicable, with the assistance from our own credit risk and information technology (IT) audit specialists, included, among others, the following:

- We challenged the Company's loan impairment policies, methods and models, and the processes related to estimating ECLs, against the requirements of the financial reporting framework. As part of the procedure, we, among other things, assessed whether the approach used to determine internal ratings and definitions of default and SICR were appropriate and consistently applied.

- We tested the design, implementation, and operating effectiveness of selected IT-based and manual controls relevant for the credit risk monitoring and ECL estimation processes. Among others, we tested the controls over the calculation of days past due, matching of borrowers' repayments to loans, automatic calculation of borrower's rating for corporate and retail loans and periodical credit monitoring of corporate loans.
- For a sample of Stage 1 and Stage 2 corporate Loans, we challenged the Company's assessment of their credit risk and the existence of any triggers for classification to Stage 2 or Stage 3, by reference to the underlying loan files and by making inquiries of loan officers and credit risk personnel.

For impairment allowances determined on a collective basis:

- We challenged selected key parameters used within the ECL model, such as PD, LGD and EAD, by reference to, among other things, our own analysis of the Company's data on past default occurrence, realized losses on those defaults and inspection of the development, documentation and validation, including back-testing, of key model inputs.
- We inspected the Company's forward-looking information, overlay factors, underlying macroeconomic projections and other supporting data used to estimate ECLs. We evaluated the above by means of corroborating inquiries of the Management Board and inspecting publicly available information.
- With the use of data analytics tools, we tested staging of the loans, and also independently recalculated collective ECLs.

For impairment allowances determined on an individual basis:

- For a risk-based sample of Stage 3 Loans, we challenged the Company's cash flow projections, their probabilities and other key assumptions and data used therein, by reference to the respective loan files and inquiries of the Company's credit risk personnel. Where applicable, we also challenged the realisable value of related loan collateral, by reference to the underlying collateral agreements and appraisals, whose relevance and reliability we independently assessed.

For all impairment allowances:

- We examined whether the Company's loan impairment and credit risk-related disclosures in the separate financial statements appropriately address the relevant quantitative and qualitative requirements of the applicable financial reporting framework.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual financial report ("the annual report") other than the separate and consolidated financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the separate financial statements does not cover the other information. In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

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

- the other information describing matters that are also presented in the separate financial statements is, in all material respects, consistent with the separate financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group 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 Statutory Body, Supervisory Board and Audit Committee for the Separate Financial Statements

The statutory body is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, the statutory body is responsible for assessing the Company'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 statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process. The Audit Committee is responsible for monitoring the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 the 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 separate financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body'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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor´s report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of Auditor and Period of Engagement

We were appointed as the auditors of the Company and the Group by the General Meeting of Shareholders on 24 November 2021 and our uninterrupted engagement has lasted for 2 years.

Consistency with Additional Report to Audit Committee

We confirm that our audit opinions on the separate and consolidated financial statements expressed herein are consistent with the additional report to the Audit Committee of the Company, which we issued on 7 March 2024 in accordance with Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

We declare that no prohibited services referred to in Article 5 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided.

Except for the statutory audit we did not provide the Company and its controlled undertakings with any other services that have not been disclosed in notes to the consolidated financial statements.

Report on Compliance with the ESEF Regulation

We have undertaken a reasonable assurance engagement on the compliance of all financial statements included in the annual report with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format ("the ESEF Regulation"), related to the financial statements.

Responsibilities of the Statutory Body

The Company's statutory body is responsible for the preparation of financial statements that comply with the ESEF Regulation. This responsibility includes:

- the design, implementation and maintenance of internal control relevant to the application of the ESEF Regulation;
- the preparation of all financial statements included in the annual report in the applicable XHTML format; and
- the selection and application of XBRL mark-ups as required by the ESEF Regulation.

KPMG

Auditor's Responsibilities

Our responsibility is to express an opinion on whether the financial statements included in the annual report comply, in all material respects, with the ESEF Regulation based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000").

The nature, timing and extent of procedures selected depend on the auditor's judgment. Reasonable assurance is a high level of assurance, but is not a guarantee that an assurance engagement conducted in accordance with the above standard will always detect any existing material non-compliance with the ESEF Regulation.

Our selected procedures included:

- obtaining an understanding of the requirements of the ESEF Regulation;
- obtaining an understanding of the Company's internal control relevant to the application of the ESEF Regulation;
- identifying and assessing the risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- based on the above, designing and performing procedures to respond to the assessed risks and to obtain reasonable assurance for the purpose of expressing our conclusion.

The objective of our procedures was to evaluate whether:

- the financial statements included in the annual report were prepared in the applicable XHTML format;
- the disclosures in the consolidated financial statements as specified in the ESEF Regulation were marked up, with all mark-ups meeting the following requirements:
    - the XBRL mark-up language was used;
    - the elements of the core taxonomy specified in the ESEF Regulation with the closest accounting meaning were used, unless an extension taxonomy element was created in compliance with the ESEF Regulation; and
    - the mark-ups complied with the common rules on mark-ups specified in the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Company's financial statements for the year ended 31 December 2023 included in the annual report are, in all material respects, in compliance with the ESEF Regulation.

Other Matter

Given the possible technical limitations of the tools used in preparing the consolidated financial statements in compliance with the requirements of the ESEF Regulation, the content of some block tags in the machine-readable format of the notes to these consolidated financial statements may not be reproducible in the same form as in the human-readable layer of the audited consolidated financial statements.

Statutory Auditor Responsible for the Engagement

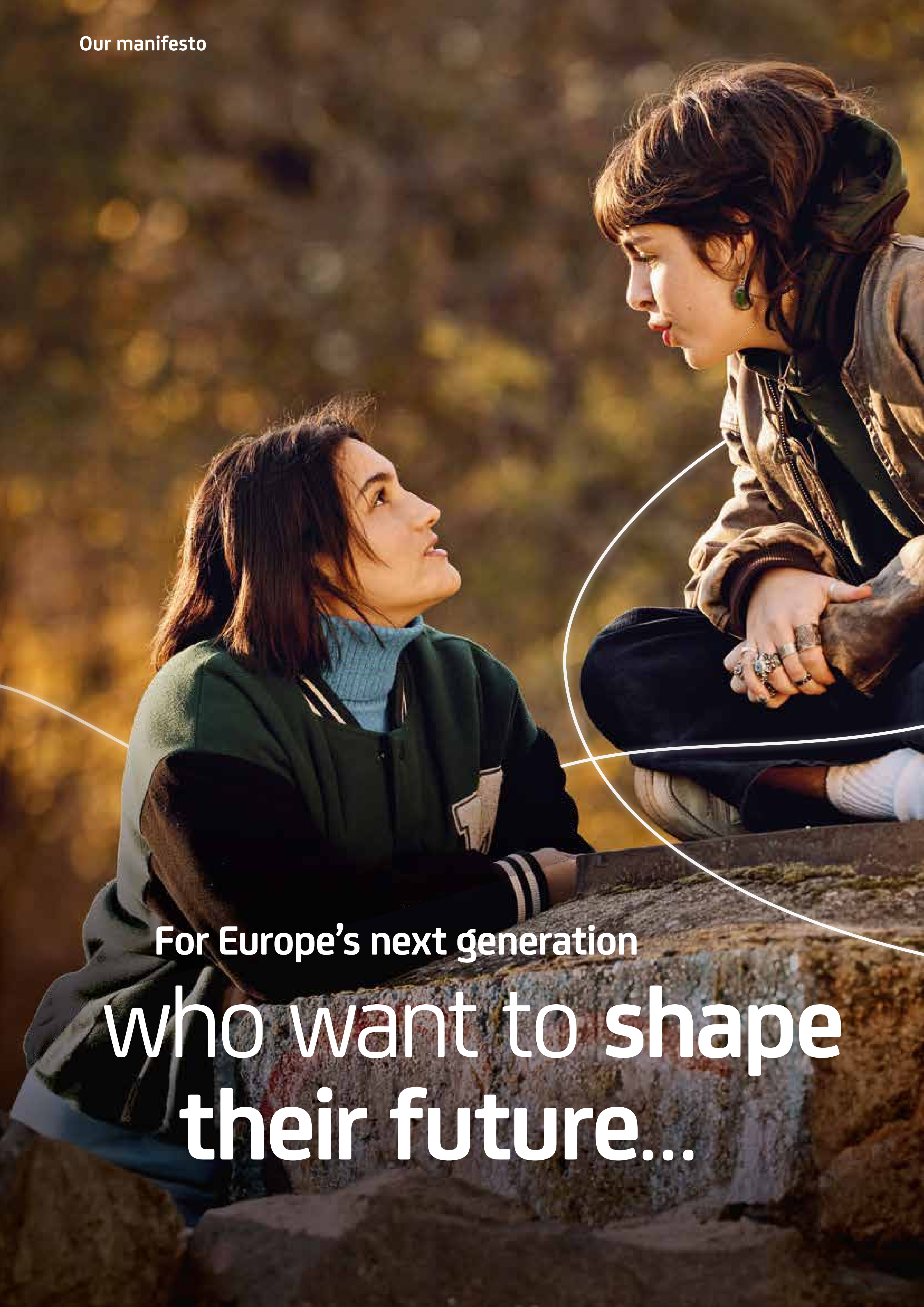
Jindřich Vašina is the statutory auditor responsible for the audit of the separate and consolidated financial statements of UniCredit Bank Czech Republic and Slovakia, a.s. as at and for the year ended 31 December 2023, based on which this independent auditor's report has been prepared.

Prague
12 March 2024

KPMG Česká republika Audit, s.r.o.
Registration number 71

Unsigned copy

Jindřich Vašina
Partner
Registration number 2059



For Europe’s next generation

who want to **shape their future…**

UniCredit Foundation: Inspiring young people across Europe

We are on a mission to empower young people across Europe by enhancing equality of opportunities in education. Together we can unlock the potential of Europe's next generation.

Supplementary information

published pursuant to Section 118 of Act No. 256/2004 Coll., on Capital Market Undertakings, as amended in the Czech Republic and to Section 34 of Act No. 429/2002 Coll., on the Stock Exchange, as amended in the Slovak Republic

1. 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 No. 3608
Tax ID No.:	CZ64948242
Date of incorporation:	1 January 1996, for an indefinite period
Legal form:	joint-stock company
Internet address:	www.unicreditbank.cz
E-mail:	info@unicreditgroup.cz
Telephone No.:	+420 955 911 111
Fax:	+420 221 112 132
LEI:	KR6LSKV3BTSJRD41IF75

UniCredit Bank Czech Republic and Slovakia, a.s. ("UniCredit Bank") is a joint-stock company incorporated according to Czech law. UniCredit Bank owns a branch in the Slovak Republic under the name UniCredit Bank Czech Republic and Slovakia, a.s., pobočka zahraničnej banky.

UniCredit Bank fulfils all of its obligations in a due and timely manner. No changes have occurred in the past that could be of material significance in evaluating the issuer's solvency.

In carrying out its activities in the Czech market, UniCredit 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 UniCredit Bank has operated since 1 December 2013 through its organisational unit, the Bank is also governed by applicable Slovak legal regulations.

2. The person responsible for the audit of the financial statements

Person in charge:	Jindřich Vašina
License No.:	2059
Domicile/Place of business:	Pobřežní 648/1a, 186 00 Prague 8
Auditor:	KPMG Česká republika Audit, s.r.o.
License No.:	071
Registered office:	Pobřežní 648/1a, 186 00 Prague 8

3. Information about UniCredit Bank as an Issuer of registered securities

3.1. History and development of the Issuer

UniCredit Bank Czech Republic and Slovakia, a.s., (hereinafter also referred to as the "Issuer"), launched its activities in the Czech market on 5 November 2007. Its name was changed after it merged with the Slovak UniCredit Bank Slovakia, a.s., as at 1 December 2013. UniCredit Bank Czech Republic, a.s., itself was established through the merger of HVB Bank Czech Republic, a.s., and Živnostenská banka, a.s. The assets of the dissolved company Živnostenská banka, a.s., having its registered office in Prague 1, Na Příkopě 858/20, PC 113 80, Company ID No.: 000 01 368, registered in the Companies Register of the Municipal Court in Prague, Section B, File No. 1350.

HVB Bank Czech Republic, a.s., was established by the merger of HypoVereinsbank CZ, a.s., and Bank Austria Creditanstalt Czech Republic, a.s., without liquidation, on 1 October 2001. All rights and obligations of the dissolved company Bank Austria Creditanstalt Czech Republic, a.s., were assumed by HVB Bank Czech Republic a.s. The change of name, amount of issued capital and other facts connected with the merger were recorded on 1 October 2001 in the Companies Register maintained by the Municipal Court in Prague, Section B, File 3608.

Živnostenská banka was established in 1868 as a bank oriented toward financing small and medium-sized Czech enterprises. It was the first bank founded in Austria-Hungary exclusively with Czech capital. In 1945, it was nationalised, as were other banks. From 1950 to 1956, it still existed as a legal entity but its activities were significantly restricted. Some of Živnostenská banka's asset ratios were adjusted by Decree No. 36/1956 Coll., and its legal continuity was subsequently confirmed by Section 27 of Act No. 158/1989 Coll., on Banks and Savings Banks. On the day of its entry in the Companies Register maintained by the Municipal Court in Prague in Section B, File No. 1350, i.e. on 1 March 1992, Živnostenská banka assumed authorisation to operate as a bank on the basis of Banking Act No. 21/1992 Coll., further to Act No. 92/1991 Coll. and Government Resolution No. 1 from 9 January 1992, by which the privatisation of Živnostenská banka was approved. In February 2003, the bank UniCredito Italiano SpA completed the acquisition of an 85.16% share in the issued capital of Živnostenská banka, a.s., from Bankgesellschaft Berlin AG, and thus the oldest Czech bank became part of the UniCredito Italiano Group.

As part of restructuring in UniCredit Group, the Bank's shareholder changed on 1 October 2016 from UniCredit Bank Austria AG to UniCredit S.p.A., which is the ultimate parent company of the entire Group (hereinafter the "Group") holding 100% of the Bank's shares.

UniCredit Bank Czech Republic and Slovakia, a.s., is a universal commercial bank covering all the financial needs of its clients. We offer our clients the best expertise underpinned by long tradition and leadership in corporate and private banking, as well as an innovative approach to retail banking.

We are the bank of first choice in both our traditional and new strategic segments. We have been one of the leading banks in the Czech and Slovak markets in terms of client satisfaction for many years and we are also an attractive employer.

We are a part of the international UniCredit Group. As a part of the Group, UniCredit Bank Czech Republic and Slovakia, a.s., stands among the key countries of the Central European region. The Group perceives our Bank to be an example of successful dynamic growth in the corporate client segment and in particular in the segment of individual clients. At the same time, within UniCredit Group we are a bank where heavy investments are made and a bank with substantial potential for further growth.

Our UniCredit Unlocked strategy means putting clients at the centre of everything we do. In every situation, we keep in mind the sustainability of our business, we follow a simple principle that helps us translate these values into everyday life: Do the right thing!

The Bank operates in all regional cities in both countries and currently has 104 main branches and a network of 401 own ATMs. At the same time, our clients can use a shared network of approximately 1,700 ATMs of partner banks KB, Moneta and Air Bank under the same conditions.

The merged Bank holds 10.69% of the market share with its balance sheet sum totalling more than CZK 1,085 billion (non-consolidated data as at 30 September 2023) and is the fourth largest bank in the Czech Republic and the largest in Slovakia.

A list of all branches, corporate centres and franchises is provided at the end of the Annual Report.

3.2. Issued share capital

The Bank's share capital amounts to CZK 8,754,617,898 divided as follows:

a) 100 registered shares, ISIN CZ0008041068, each with a nominal value of CZK 16,320,000;
b) 200 registered shares, ISIN CZ0008041050, each with a nominal value of CZK 13,375,000;
c) 436,500 registered shares, ISIN CZ0008041076, each with a nominal value of CZK 10,000;
d) 10 registered shares, ISIN CZ0008039088, each with a nominal value of CZK 7,771,600;
e) 106,563 registered shares, ISIN CZ0008041274, each with a nominal value of CZK 46.

All the aforementioned shares are registered to the shareholder's account maintained by Central Securities Depository Prague (Centrální depozitář cenných papírů, a.s.).

UniCredit Bank's share capital has been fully paid up.

In accordance with the Commercial Code and the Bank's Articles of Association, UniCredit Bank's shares entitle the shareholder to participate in the company's management and to share in its profit as well as in its liquidation balance upon dissolution of the company. UniCredit Bank has issued no shares giving their holders the right to exchange such shares for other shares or the right to priority subscription of other shares. UniCredit Bank does not hold any of its own participating securities nor does any entity in which UniCredit Bank has a direct or indirect ownership interest exceeding 50% of that entity's share capital or voting rights hold any such securities.

The Bank's shares are freely transferable and no consent of any Bank's body is required for the transfer or pledge thereof to be effective.

The sole shareholder of UniCredit Bank is UniCredit S.p.A., having its registered office at Piazza Gae Aulenti 3, Tower A – 20154 Milan, Republic of Italy, Reg. No.: 00348170101

In accordance with UniCredit Bank's Articles of Association, the sole shareholder may only influence the Bank's activities using the weight of its votes. The company uses standard statutory mechanisms to prevent the shareholder's potential misuse of its position. UniCredit Bank is not party to a controlling contract or a contract for transfer of profit. The nature of the control by the controlling entity, which is UniCredit S.p.A., results from the directly owned portion of the Issuer's shares. To prevent misuse of the control and controlling influence of the controlling entity, UniCredit Bank uses the statutory instrument of the report on relations between the controlling and controlled entities and the Report on Relations between the controlled entity and other entities controlled by the same controlling entity (Report on Relations between the related entities). No agreements that could lead to a change of control over the Issuer are known.

3.3. Method of publication of the Annual Report

– https://www.unicreditbank.cz/cs/o-bance/vysledky/vyrocni-zpravy.html
– https://www.unicreditbank.sk/sk/o-banke/investori/vyrocne-spravy.html
– Notice of publication in the Hospodářské noviny daily published in the Slovak Republic

3.4. Proposal for profit distribution

The Board of Directors shall propose a distribution of the Issuer's profit for the financial year 2023 to be paid to the sole shareholder.

3.5. Additional information

In accordance with the Bank's Articles of Association, the members of the Board of Directors are elected and dismissed by the Supervisory Board. UniCredit Bank has no special rules for changing the Articles of Association.

Currently there exist no authorisations or special powers of the Board of Directors in terms of Section 118, par. 5h) of Act No. 256/2004 Coll., on Capital Market Undertakings, as amended. UniCredit Bank has concluded no agreements with members of the Board of Directors or its employees that would oblige the Bank to their fulfilment in the case of termination of their functions or employment in relation to a takeover bid.

There are no programmes in UniCredit Bank that allow the Bank's employees or members of the Board of Directors to acquire participating securities of the Bank, options for such securities, or other rights thereto under advantageous conditions.

UniCredit Bank has concluded no significant contracts that will take effect, change or expire in case of a change in the control of the Issuer as a result of a takeover bid.

During the accounting period of 2023 and 2022 UniCredit Bank did not hold any own shares.

UniCredit Bank does not carry out any activities in the area of research and development outside of normal innovation activity.

4. Summary of business activities

4.1. Scope of business activities:
The company's business activities include banking transactions and provision of financial services fully in accordance with Act No. 21/1992 Coll., on Banks, as amended, and pursuant to 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 the 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 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.

4.2. Key activities

Corporate & Investment Banking

- Corporate and investment banking;
- Credit transactions;
- Financing commercial real estate;
- Project financing and structured financing;
- Trade and export financing;
- Documentary transactions;
- Treasury & custody services;
- Asset management;
- EU funds (consulting and payment);
- Maintaining accounts and deposits;
- Payment systems;
- Electronic banking;
- Direct banking;
- SWIFT services;
- Cash pooling;
- Payment cards;
- Card acquiring;
- European Commodity Clearing;
- Comprehensive management of client assets, including portfolio management;
- Comprehensive factoring services – domestic factoring, export factoring, invoice discounting, reverse factoring, credit cover, sales ledger management;
- Global Investment Strategy – strategic advisory for capital market investments;
- Open architecture of investment products.

Retail Banking

- Accounts for individual clients: START account, OPEN account, TOP account, Children's account
- Mortgage loans and consumer credit, including the PRESTO Loan, and overdrafts for individual clients;
- Operating, investment and mortgage loans for corporate clients;
- Payment cards, including insurance (debit, credit and partner cards);
- Deposit, savings and investment products (the Bank's own or in cooperation with partners within the onemarkets Fund platform);
- Insurance products (property insurance, life insurance, car insurance, travel insurance, CPI);
- Internet and mobile banking;
- Cash and money changing operations and supplementary services.

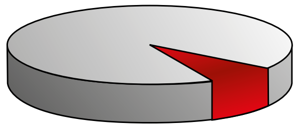
Information on newly introduced products and services can be found in the Corporate and Investment Banking and Retail and Private Banking chapters in the introductory part of this Annual Report.

4.3. Competitive position of the Issuer

All charts below provide non-consolidated data as at 30 September 2023 that were available during the preparation of this Annual Report.

(i) Profit after tax

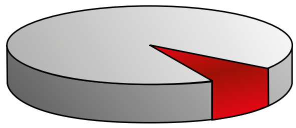
Profit after tax (MCZK)	1 Jan – 30 Sep 2023
Banking sector CZ	82,945
UCB CZ & SK	8,210



Non-consolidated data

(ii) Total net assets

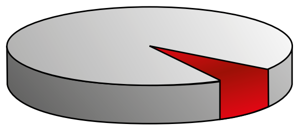
Total assets (MCZK)	as at 30 Sep 2023
Banking sector CZ	10,153,478
UCB CZ & SK	1,085,350



Non-consolidated data

(iii) Gross receivables from clients in CZ*

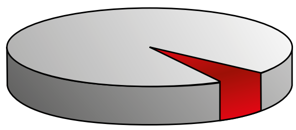
Receivables from clients (MCZK)	as at 30 Sep 2023
Banking sector CZ	3,973,057
UCB CZ & SK	358,066



Non-consolidated data, residents

(iv) Gross receivables from clients in SK***

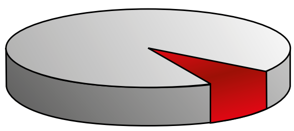
Receivables from clients (MCZK)		as at 30 Sep 2023
Banking sector SK	78,966 mil. EUR**	1,922,035
UCB CZ & SK		144,508



Non-consolidated data, residents

(v) Liabilities to clients in CZ*

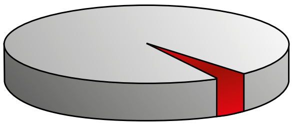
Liabilities to clients CZ (MCZK)	as at 30 Sep 2023
Banking sector CZ	6,737,366
UCB CZ & SK	657,548



Non-consolidated data, residents

(vi) Liabilities to clients in SK***

Liabilities to clients SK (MCZK)		as at 30 Sep 2023
Banking sector SK	MEUR 71,205**	1,733,130
UCB CZ & SK		94,561



• Other banks
• **UCB CZ & SK**

Other banks	94.54 %
UCB CZ & SK	**5.46 %**

Non-consolidated data, residents

* Pursuant to the CNB method, receivables from clients and liabilities to clients are only included for the Czech part of the Bank.
** Converted using the exchange rate 24.34 CZK/EUR as at 29 September 2023
*** Data for branch office UniCredit Bank Czech Republic and Slovakia, a.s., pobočka zahraničnej banky.

5. Organisational structure

The Bank is part of the UniCredit Banking Group (hereinafter the "Group"). As a member of the Group, the Bank must comply, with the exception of certain relevant legal regulations, with directives issued by UniCredit S.p.A. (hereinafter the "Parent Company"). The Parent Company shall monitor the proper implementation and observation of the directives (hereinafter the "Holding Guidelines") issued by the Parent Company in the Bank.

The Holding Guidelines are rules that define the management, organisational structure and managerial responsibilities within key processes in the Group that are issued in exercising its powers to supervise and co-ordinate the Group in accordance with the instructions issued by the Italian surveillance authority, with the aim to maintain the Group's stability.

History of the Group

While the banking group's history dates back as far back as 1473, the year in which Rolo Banca was created, the contemporary history of UniCredit Group begins from a merger of nine leading Italian banks, the subsequent integration with the German HVB Group and, most recently, with the Italian Capitalia.

In 1999, acquisition of Bank Pekao of Poland meant the beginning of the Group's expansion (at that time under the name UniCredito Italiano) into Central and Eastern Europe (CEE).

Growth continued over the next few years with purchase of the Pioneer Investments group, the subsequent formation of Pioneer Global Asset Management, and then further strategic acquisitions gradually carried out in Bulgaria, Slovakia, Croatia, Romania, the Czech Republic, and Turkey.

In 2005, UniCredit merged with the German group HVB, which had itself been formed in 1998 by the joining of two Bavarian banks: Bayerische Vereinsbank and Bayerische Hypotheken- und Wechsel-Bank. The result was a single, major European bank. Integration with the HVB Group – reinforced by its own merger in 2000 with Bank Austria Creditanstalt, which was strongly represented in many areas of post-communist "new" Europe – creates a basis for UniCredit Group to continue strengthening its European focus.

By merging in 2007 with Capitalia, the third-largest Italian banking group, UniCredit Group further consolidated and strengthened its position in one of its most important markets, Italy. Capitalia had been established in 2002 from the integration of two previously independent entities, the Bancaroma group (itself the result of a merger between some of the oldest Roman banks: Banco di Santo Spirito, Cassa di Risparmio di Roma and Banco di Roma) and the Bipop-Carire Group.

UniCredit is now a simple and successful pan-European commercial bank with a fully plugged in Corporate & Investment Bank, delivering its unique Western, Central and Eastern European network to its extensive 15 million strong client franchise. UniCredit offers local expertise as well as international reach.

We support our clients globally, providing them with unparalleled access to our leading banks in 13 core markets as well as to another 16 countries worldwide. UniCredit's European banking network includes Italy, Germany, Austria, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Romania, Russia, Slovakia, Slovenia, and Serbia.

6. Competence of UniCredit Bank's bodies, composition of the Board of Directors, Supervisory Board, and Audit Committee, and description of their decision-making procedures

6.1. General Meeting

The General Meeting of Shareholders is the Bank's supreme body. It decides on all affairs of the Bank falling under its competence by law or under these Articles of Association.

The following activities fall under the General Meeting's exclusive competence:

a) deciding on changes in the Articles of Association unless the change results from an increase in share capital by the Board of Directors under Sec. 511 et seq. of the Act on Business Corporations or in consequence of other legal facts,
b) deciding on an increase or decrease in the share capital, or on authorising the Board of Directors thereto under Sec. 511 et seq. of the Act on Business Corporations, or on the possibility to set off financial claims from the Bank against a claim for payment of an issue price,

c) deciding about the share capital decrease and bond issuing under Sec. 286 et seq. of the Act on Business Corporations,
d) electing and dismissing members of the Supervisory Board, members of the audit committee, and other bodies established by the Articles of Association,
e) approving the annual, extraordinary or consolidated financial statements and, in cases defined by law, also interim financial statements; deciding on distributing profits or other equity funds, or on settlement of losses and determining the amount of profit sharing for members of the Board of Directors and Supervisory Board,
f) deciding on remuneration of members of the Supervisory Board and the audit committee,
g) deciding on applying for listing of the Bank's participating securities for trading on the European regulated market or withdrawal of the securities from trading on the European regulated market,
h) deciding on winding up the Bank with liquidation, appointing and dismissing a liquidator, including to establish the level of the liquidator's remuneration and approving the draft distribution of liquidation balance,
i) approving a transfer or discontinuation of an operation of a plant or any such part thereof which would result in a substantial change in the Bank's scope of business or activities,
j) approving agreements on silent partnerships, amendments thereto and termination thereof,
k) appointing auditors of the Bank based on recommendation of the Audit Committee,
l) deciding on the establishment of non-compulsory funds of the Bank and on procedures for their creation and utilisation, and
m) deciding on other issues that the Act on Business Corporations, other legal regulations or the Articles of Association define as falling under competence of the General Meeting, and
n) deciding that the amount of the variable remuneration component for members of the Board of Directors may be higher than the amount of the fixed remuneration component, but not more than twice the fixed remuneration component.

6.2. Board of Directors of UniCredit Bank

The Board of Directors is the statutory body of UniCredit Bank, with eight members as at 31 December 2023. The members of the Board of Directors exercise their powers and responsibilities within the office on their own. The members of the Board of Directors are elected by the Supervisory Board for a period of three years. The Supervisory Board may at any time dismiss any of the members of the Board of Directors, irrespective of their term of office. Only persons meeting the relevant legal requirements may be appointed as members of the Board of Directors. The Board of Directors makes decisions in the form of resolutions, usually adopted at its meetings. The Board of Directors shall have a quorum if an absolute majority of all its members is present or otherwise participating (for example, via teleconference). The approval of an absolute majority of the Board members present is required for a resolution to be valid. In the event of a parity of votes, the presiding member of the meeting shall have the deciding vote.

The Board of Directors may pass resolutions at the company's registered office or outside the company's registered office or by using technical means enabling all participants to identify each other and intervene in real time in the discussion of the topics examined, as well as to receive, send and view documents. The compliance with these preconditions must be verified by the chairperson before the meeting begins. If all members so agree, members of the Board of Directors may pass resolutions via teleconference or in writing without holding a meeting (per rollam); in such case, the voting persons shall be regarded as present. Resolutions passed via teleconference or per rollam must then be recorded in the minutes of the immediately following regular meeting of the Board of Directors.

The powers and responsibilities of the Board of Directors particularly include:
a) to organise the Bank's day-to-day activities and direct its business activities,
b) to convene the General Meeting and implement its decisions;
c) to submit to the General Meeting
   – at least once a year, a report on business activities and on the state of the Bank's property; the report forms a part of the Bank's annual report;
   – regular, extraordinary, consolidated or interim financial statements along with a proposal for distribution of profits or settlement of loss, and to process these documents,
d) to publish the key data from the financial statements (such as total assets, total liabilities, equity, profit before tax, profit after tax) and the report of the Bank's business activities and the state of the Bank's property in a way applicable to convening a General Meeting, no later than 30 days before the date of the annual General Meeting, including an information as to where the financial statements are available for inspection, or publish, using the procedure applicable to convening a General Meeting, information as to where on the Bank's website the financial statements are available in accordance with Sec 436, par. 1, second sentence of the Act on Business Corporations,
e) to decide on the establishment and cancellation of the Bank's branches;
f) to appoint and dismiss the Bank's managers;
g) to exercise the rights of an employer,
h) to issue, if it deems fit, rules of procedure for the Board of Directors, which may not contradict the Articles of Association; any rules of procedure for the Board of Directors are subject to the prior approval by the Supervisory Board;
i) to grant and withdraw authorisations to act on behalf of the Bank and the powers of attorney to the Bank's representatives;
j) in accordance with generally binding legal regulations, to establish

mandatory funds of the Bank in cooperation with the Supervisory Board and define how such funds are to be created and used,

k) to sign the contract on the statutory audit with the auditor appointed by the General Meeting;
l) to establish committees of the Bank and define their tasks,
m) to appoint and dismiss the Bank's proxies with the prior approval of the Supervisory Board, and
n) to discharge other responsibilities stipulated by law or by the Articles of Association.

Mgr. JAKUB DUSÍLEK, MBA
Chairman of the Board of Directors responsible for the Bank's overall results and for managing the Chief Operating Officer and the Chief Risk Officer. He also reports to the Bank's Board of Directors for the management of finance and legal issues.
Work address: Želetavská 1521/1, Prague 4
Domicile: Měsíční 1366/10, Uhříněves, 104 00 Prague 10
Born on: 17 December 1974

Ing. SLAVOMÍR BEŇA
Vice-Chairman of the Board of Directors and Director of the Corporate and Investment Banking Division responsible for managing and supervising the Bank's business activities in the relevant business segment.
Work address: Želetavská 1521/1, Prague 4
Domicile: Mliekárenská 3, 82109 Bratislava, Slovak Republic
Born on: 22 April 1976

ALEN DOBRIĆ
Member of the Board of Directors and Chief Risk Officer responsible for preparing the Bank's credit policy, maintaining the quality of the loan portfolio, managing all activities in the area of credit risks and adhering to the limits set by banking regulations, as well as for managing activities in the area of market and operational risks.
Work address: Želetavská 1521/1, Prague 4
Domicile: 11070 Bělehrad, Bulevar Arsenija Carnojevica no 41/30, Republic of Serbia
Born on: 17 June 1980

Mgr. TOMÁŠ DRÁBEK
Member of the Board of Directors and Director of the Retail and Private Banking Division
Work address: Želetavská 1521/1, Prague 4
Domicile: Bílkova 863/17, Staré Město, 110 00 Prague 1
Born on: 14 January 1978

MASSIMO FRANCESE
Member of the Board of Directors and Chief Financial Officer
Work address: Želetavská 1521/1, Prague 4
Domicile: Senovážné náměstí 1465/7, Nové Město, 110 00 Prague 1
Born on: 4 November 1965

Ing. JAROSLAV HABO
Member of the Board of Directors and Head of Branch Slovakia
Work address: Šancová 1/A, 813 33 Bratislava
Domicile: Keltská 760/7, 85110 Bratislava, Slovak Republic
Born on: 27 April 1976

VALENTINA STRANIERI
Member of the Board of Directors and Head of People and Culture
Work address: Želetavská 1521/1, Prague 4
Domicile: Baarova 1540/28, Michle, 140 00 Prague 4
Born on: 26 August 1983

STEFANO GISON
Member of the Board of Directors and COO
Work address: Želetavská 1521/1, Prague 4
Domicile: Všehrdova 445/5, Malá Strana, 118 00 Prague 1
Born on: 9 March 1973

<u>Changes in the Board of Directors in 2023</u>
As at 31 August 2023, Ing. Hana Čitbajová resigned from the Board of Directors and was replaced by Valentina Stranieri on 1 September 2023. Marco Iannaccone, Vice-Chairman of the Board of Directors, resigned from the Board as at 30 September 2023. As at 31 December 2023, Massimo Francese resigned from the Board of Directors and was replaced by Georgia Salagean.

6.3. Supervisory Board of UniCredit Bank

The Supervisory Board has nine members, of which six are elected and dismissed by the General Meeting and three are elected and dismissed by the company's employees in accordance with the Act on Business Corporations with reference to the Act on Transformations of Commercial Companies and Cooperatives. The members of the Supervisory Board exercise their powers and responsibilities within the office on their own. Members of the Supervisory Board are elected for the period of three years and may be re-elected. The Supervisory Board shall have a quorum if an absolute majority of all its members is present or otherwise participating (for example, via teleconference). The approval of an absolute majority of all members of the Supervisory Board is required for a resolution to be valid. In the event of a parity of votes, the Chairman shall cast the deciding vote.

The Supervisory Board may adopt resolutions at or outside the company's registered office or by way of technical devices which enable all participants at a meeting to identify each other and enter in real time the discussion on the topics examined, as well as receive, send and view documents. The compliance with these preconditions must be verified by the chairperson before the meeting begins. If all members so agree, the Supervisory Board members may also pass resolutions in writing without holding a meeting (per rollam); the voting persons shall be regarded as present. A resolution passed per rollam should be then included in the minutes of the next meeting of the Supervisory Board.

The Supervisory Board set up the Remuneration Committee which consists of three members of the Supervisory Board (Jiří Kunert, Andrea Vintani and Eva Mikulková). The powers of the Remuneration Committee include preparation of draft resolutions on remuneration, including those adopted by the Bank's Supervisory Board and having an impact on the obligor's risks and risk management. When preparing those resolutions, the Remuneration Committee takes into consideration the long-term interests of the Bank's shareholders, investors and other stakeholders, as well as the public interest.

The Remuneration Committee directly supervises the remuneration of managers responsible for risk management, internal audit and compliance functions.

Further, the Supervisory Board set up the Appointment Committee which consists of three members of the Supervisory Board (Jiří Kunert, Andrea Vintani and Goffredo Guizzardi). The powers of the Appointment Committee include the selection of candidates for vacancies in the Bank's Board of Directors and submitting them for approval to the Supervisory Board, as well as candidates for approval by the sole shareholder for positions on the Supervisory Board. Within this task, the Appointment Committee also assesses the proper proportion in competence, skills and diversity in composition of the body as a whole. The Appointment Committee drafts job descriptions including skills required for the position in question and estimated time schedule for meeting the goals related to exercise of the office. Additionally, the Appointment Committee also recommends the target gender proportion in the Board of Directors and the principles as to how the share of the less represented gender in the Board of Directors can be increased to match the target goal; regularly, at least once a year, evaluates the structure, size, composition and activities of the Board of Directors and submits recommendations to the Supervisory Board regarding any alterations;

a) regularly, at least once a year, evaluates the integrity, professional competence and skill of each member of the Board of Directors and the Board of Directors as a whole and submits evaluation reports to the Supervisory Board;
b) regularly reviews policies of the Board of Directors as to the selection and appointment of a candidate to top management and submits recommendations to the Supervisory Board.

Further, the Supervisory Board set up the Risk Management Committee which consists of three members of the Supervisory Board (Davide Bazzarello, Andrea Vintani, Goffredo Guizzardi). The Risk Management Committee performs particularly the following activities:

a) regularly, at least once a year, evaluates the integrity, professional competence and skill of each member of the Board of Directors and the Board of Directors as a whole and submits evaluation reports to the Supervisory Board;
b) examines whether the valuation of assets, liabilities and off-balance sheet items reflected in the offer to clients fully complies with the Bank's business model and its risk management strategy. If the existing risks are not properly reflected in prices in accordance with the existing business model and risk strategy of the Bank, then the Risk Management Committee submits a corrective plan to the Supervisory Board.

The Supervisory Board is authorised to supervise the business activities performed by the Bank and the powers and responsibilities performed by the Board of Directors.

The Supervisory Board:

- reviews the specific directions of the Bank's activities and business policy and supervises its implementation;
- is authorised to verify any steps taken in the Bank's affairs;
- reviews the annual, extraordinary, consolidated or, as the case may be, even the interim financial statements and the profit distribution or loss settlement proposal, and presents its opinions to the General Meeting;
- is authorised, through any of its members, to inspect any documents and records regarding the Bank's activities;
- monitors whether accounting records are properly maintained in accordance with reality and whether the Bank's business activities comply with legal regulations and the Articles of Association;
- convenes the General Meeting if the Bank's interests so require and proposes necessary measures to be taken by the General Meeting;
- appoints one of its members to represent the Bank in proceedings held before courts and other authorities against a member of the Board of Directors;
- issues, if it is deemed appropriate, rules of procedure for the Supervisory Board, which may not contradict the Articles of Association;
- approves the rules of procedure (if any) for the Board of Directors;
- elects and dismisses members of the Board of Directors. New members of the Board of Directors are elected from among candidates who may be nominated by any member of the Supervisory Board. Removal of members of the Board of Directors from their office is also decided by the Supervisory Board upon motion of any member of the Supervisory Board;
- stipulates general terms and conditions for the Bank's activities and terms and conditions for maintaining its credit risk exposure in accordance with decrees of the Czech National Bank and legal norms published in the Collection of Laws of the Czech Republic;
- approves board member agreements concluded between the Bank and members of its Board of Directors and any payments to be made by the Bank to the members of its Board of Directors pursuant to Section 61(1) of the Act on Business Corporations;
- decides on remuneration of the members of the Board of Directors and stipulates rules for remunerating the Internal Audit manager and the Compliance manager. If the General Meeting resolves, in accordance with point n) of Section 8(2) of the Articles of

Association, that the variable component of the remuneration for the Board of Directors members may be higher than the fixed component, but no more than double the fixed component, the Supervisory Board will in each individual case set a ratio between the fixed and variable components of the remuneration;
- sets up committees of the Supervisory Board and defines their responsibilities;
- oversees the effectiveness and efficiency of the Bank's management and control system;
- may ask the Chairman of the Audit Committee to convene a meeting of the Audit Committee; and
- performs other responsibilities stipulated by law, these Articles of Association and the Group rules.

Ing. JIŘÍ KUNERT
Chairman of the Supervisory Board
Domicile: Čerchovská 1981/6, Vinohrady, 120 00 Prague 2
Born on: 31 January 1953

GIANFRACO BISAGNI
Vice-Chairman of the Supervisory Board
Domicile: Via Guglielmo Marconi, 105, 19125 La Spezia SP, Italy
Born on: 9 November 1958

ENRICA RIMOLDI
Domicile: Corso Vercelli n. 7 20144 Milan, Republic of Italy
Born on: 29 June 1968

EVA MIKULKOVÁ
Domicile: Dlouhá 512, Kročehlavy, Kladno
Born on: 29 January 1957

Ing. JANA SZÁSZOVÁ
Domicile: Hany Meličkovej 2989/18, 841 05 Bratislava, Slovak Republic
Born on: 17 January 1963

Ing. ALAN GRUND
Domicile: Křišťálová 1004/18, Slivenec, 154 00 Prague 5
Born on: 17 September 1972

GOFFREDO GUIZZARDI
Domicile: Via Ausonio 9/a, 20123 – Milán, Republic of Italy
Born on: 21 February 1972

ANDREA VINTANI
Domicile: 21013 Gallarate (Va), Via Col di Lana 8, Republic of Italy
Born on: 5 May 1979

DAVIDE BAZZARELLO
Domicile: Cormano (MI), Via JF Kennedy 27, Republic of Italy
Born on: 15 November 1973

In 2023, the following changes took place:
As at 28 June 2023, Ing. Alan Grund was elected to the Bank's Supervisory Board on the basis of an employee election to replace Mgr. Klára Čapková.

6.4. Audit Committee

The Audit Committee is an independent committee with the task of overseeing, monitoring and advising in matters of concern regarding accounting and financial reporting, internal control, auditing and risk management, external auditing, and monitoring compliance with laws, the Bank's regulations and the Code of Conduct.

The Audit Committee consists of 3 (three) members appointed and dismissed by the General Meeting for a term of 3 (three) years from among the Supervisory Board members or third persons. Majority of the members of the Audit Committee must be independent and competent. At least one member of the Audit Committee must be a person who is, or was, a statutory auditor or a person whose knowledge or work experience in the area of accounting are a precondition for due exercise of the office of an Audit Committee member in view of the sector in which the Bank operates; such a member must at all times be independent.

The Audit Committee can order inspections and specifically focused audit investigation of the Bank's functions, other Bank units and their subsidiaries. Additionally, the Audit Committee can be asked to assess interbank transactions and intragroup transactions and other transactions involving direct or indirect conflict of interests. Upon conduct of its business, the Audit Committee can ask the Group Audit function for consulting. In such case, the Group Audit staff will be obliged to comply with all non-disclosure provisions.

Without prejudice to the liability of the members of the Board of Directors or the Supervisory Board, the Audit Committee performs particularly the following activities:
- monitors the efficiency of internal control, risk management system;
- monitors the efficiency of internal audit and its functional independence;
- monitors the process of compilation of the financial statements and the consolidated financial statements, and submits to the Board of Directors or the Supervisory Board recommendations to ensure integrity of the accounting and financial reporting system;
- recommends an auditor to the Supervisory Board, providing due justification for such recommendation, unless otherwise provided under a directly applicable regulation of the European Union governing specific requirements for statutory audit of public interest entities;
- assesses independence of the statutory auditor and the audit company, and the provision of non-audit services to the Bank by the statutory auditor and audit company;
- discusses with the auditor the risks posing threat to his or her independence and the protective measures adopted by the auditor to mitigate such risks;

- monitors the statutory audit process, relying on the summary report treating the quality assurance system;
- gives opinion on termination of the obligation under the statutory audit contract or withdrawal from the statutory audit contract;
- examines whether to subject the audit contract to examination of audit contract quality management by other statutory auditor providing audit services in his or her name and on his or her own account or by audit company under Article 4(3), first sub-paragraph of Regulation (EU) No 537/2014 of the European Parliament and of the Council;
- informs the Supervisory Board of the statutory audit outcome and the knowledge obtained during monitoring the statutory audit process;
- informs the Supervisory Board of how the statutory audit helped ensure integrity of the accounting and financial reporting system;
- decides whether or not the auditor should continue to carry out the statutory audit in accordance with Article 4(3), second sub-paragraph of Regulation (EU) No 537/2014 of the European Parliament and of the Council;
- approves provision of other non-audit services;
- approves the selection procedure report resulting from the selection procedure in accordance with Article 16 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Meetings of the Audit Committee shall have a quorum if attended in person or via teleconference by the majority of its members. Decisions of the Audit Committee are passed by a simple majority of votes of the attending members of the Audit Committee, unless the decisions are taken "per rollam", which must be approved by all Audit Committee members. A resolution passed per rollam should be then included in the minutes of the next meeting of the Audit Committee.

The Audit Committee appoints and dismisses a chairman from among its members. The Chairman coordinates and plans activities of the Audit Committee, convenes meetings and chairs meetings. The chairman must be independent.

The auditor is obliged to submit, from time to time, reports to the Audit Committee of significant events arising out of the statutory audit, particularly of significant shortcomings found in the internal control system relating to the process of compilation of the financial statements or the consolidated financial statements.

MARCO RADICE
Chairman of the Audit Committee
Domicile: Via S. Simpliciano, 5 – 20121 Milan, Republic of Italy
Born on: 28 August 1957

DAVIDE BAZZARELLO
Domicile: Cormano (MI), Via JF Kennedy 27, Republic of Italy
Born on: 15 November 1973

ENRICA RIMOLDI
Domicile: Corso Vercelli n. 7 20144 Milan, Republic of Italy
Born on: 29 June 1968

There were no changes in the Audit Committee in 2023.

6.5. Conflicts of interest at the level of management and supervisory bodies:

The Issuer is not aware of any possible conflicts of interest between the duties to the Issuer of the aforementioned persons and their private interests or other duties. UniCredit Bank has prepared an Ethics Code that stipulates how to proceed in case of a conflict of interest. The main activities of the members of managing and control bodies of the Issuer outside the Issuer are not significant for the Issuer.

6.6. Information on company's governance codes

UniCredit Bank voluntarily complies with the Czech Corporate Governance Code 2018 (the "Code"), the full text of which is available at https://www.mfcr.cz/cs/o-ministerstvu/odborne-studie-a-vyzkumy/2019/kodexspravy-a-rizeni-spolecnosti-cr-201-34812. UniCredit Bank has not been able to adopt the Code as a whole because it fails to comply with clause 7.1.2 of the Code, which requires the Articles of Association to identify key decisions of the Board of Directors of fundamental importance that would be subject to prior approval by the Supervisory Board. This provision, which was included in UniCredit Bank's Articles of Association until 2020, was, on the contrary, deleted following the conclusion of the Czech National Bank's inspection of UniCredit Bank, where the CNB concluded that the Articles of Association as then worded were invalid to this extent due to a contradiction with corporate law and the requirement for a balance of competences, while interference with the competence of the Board of Directors is possible only on the part of the General Meeting, which may reserve the competence in question in the Articles of Association.

Furthermore, UniCredit Bank does not comply with clause 10.2.1 (according to which it should identify and specify significant related party transactions, which must always be formally approved by the General Meeting). Such transactions are approved by a special committee in UniCredit Group), 10.2.2 (according to which the company should disclose significant related party transactions on its website), 10.5.1 (according to which half-yearly reports should be submitted to non-executive members of elected bodies before publication) and 10.6 (according to which it should disclose non-financial information to understand its performance, position and the impact of its activities on the surrounding environment. This information should be provided in a comprehensible form to a wide range of stakeholders – this information is published by UniCredit Group).

The Bank's parent company, UniCredit S.p.A., has defined its overall corporate governance framework in accordance with Italian and European laws and the recommendations of the Italian Code of

Corporate Governance for Listed Companies adopted in 2001 (Codice di Corporate Governance), available at: https:// www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf. This Code was created for companies with shares listed on the main Italian market (Mercato Telematico Azionario) managed by the Italian Stock Exchange (Borsa Italiana).

The Bank's governance is guided by the relevant principles and recommendations contained in the Code.

7. Legal and arbitration proceedings

As at 31 December 2023, the Bank reviewed the pending legal disputes against the Bank and created corresponding provisions for the litigation.

In addition to those disputes, the Bank was also subject to other claims resulting from the Bank's regular business activities.
The Bank is not, and during the past 12 months was not, involved in any judicial, administrative or arbitration proceedings which, in the Bank's opinion, could have, or in the past 12 months had, a material impact on the Bank's financial situation or profitability.

8. Material change in the Issuer's financial situation

Since the publishing date of the audited financial statements for the year ended 31 December 2023, no significant change has occurred in the financial situation of the Issuer.

9. Loans outstanding, accepted borrowings and other liabilities as at 31 December 2023

Lender:	**Oesterreichische Kontrollbank**
Debtor:	UniCredit Bank Czech Republic and Slovakia, a.s.
Loan amount:	TEUR 417
Interest rate:	3M EURIBOR + 0.06%
Loan origination date:	30 June 2017
Maturity date:	28 June 2024
Collateral:	Bill of exchange
Lender:	**Oesterreichische Kontrollbank**
Debtor:	UniCredit Bank Czech Republic and Slovakia, a.s.
Loan amount:	TEUR 301
Interest rate:	3M EURIBOR + 0.25%
Loan origination date:	31 May 2019
Maturity date:	28 June 2024
Collateral:	Bill of exchange
Lender:	**Oesterreichische Kontrollbank**
Debtor:	UniCredit Bank Czech Republic and Slovakia, a.s.
Loan amount:	TEUR 9,608
Interest rate:	0.80%
Loan origination date:	31 August 2015
Maturity date:	30 June 2028
Collateral:	Pledge of receivables
Lender:	**Oesterreichische Kontrollbank**
Debtor:	UniCredit Bank Czech Republic and Slovakia, a.s.
Loan amount:	TEUR 253
Interest rate:	0.80%
Loan origination date:	31 August 2015
Maturity date:	30 June 2028
Collateral:	Bill of exchange
Lender:	**Oesterreichische Kontrollbank**
Debtor:	UniCredit Bank Czech Republic and Slovakia, a.s.
Loan amount:	TEUR 12,112
Interest rate:	0.90%
Loan origination date:	30 December 2015
Maturity date:	29 September 2028
Collateral:	Pledge of receivables

Lender:	**Oesterreichische Kontrollbank**
Debtor:	UniCredit Bank Czech Republic and Slovakia, a.s.
Loan amount:	TEUR 319
Interest rate:	0.90%
Loan origination date:	30 March 2016
Maturity date:	29 September 2028
Collateral:	Bill of exchange
Lender:	**Oesterreichische Kontrollbank**
Debtor:	UniCredit Bank Czech Republic and Slovakia, a.s.
Loan amount:	TEUR 747
Interest rate:	0.686%
Loan origination date:	31 October 2018
Maturity date:	29 June 2029
Collateral:	Pledge of receivables
Lender:	**Oesterreichische Kontrollbank**
Debtor:	UniCredit Bank Czech Republic and Slovakia, a.s.
Loan amount:	TEUR 20
Interest rate:	0.686%
Loan origination date:	31 October 2018
Maturity date:	29 June 2029
Collateral:	Bill of exchange
Lender:	**Oesterreichische Kontrollbank**
Debtor:	UniCredit Bank Czech Republic and Slovakia, a.s.
Loan amount:	TEUR 6,046
Interest rate:	0.426%
Loan origination date:	10 April 2017
Maturity date:	29 June 2029
Collateral:	Pledge of receivables
Lender:	**Oesterreichische Kontrollbank**
Debtor:	UniCredit Bank Czech Republic and Slovakia, a.s.
Loan amount:	TEUR 159
Interest rate:	0.426%
Loan origination date:	10 April 2017
Maturity date:	29 June 2029
Collateral:	Bill of exchange
Lender:	**Česká spořitelna a.s.**
Debtor:	UniCredit Leasing CZ, a.s.
Loan amount:	TCZK 260,000
Interest rate:	5.20%
Loan origination date:	13 April 2023
Maturity date:	13 April 2028
Collateral:	Letter of comfort
Lender:	**Česká spořitelna a.s.**
Debtor:	UniCredit Leasing CZ, a.s.
Loan amount:	TCZK 295,000
Interest rate:	4.99%
Loan origination date:	13 November 2023
Maturity date:	13 November 2028
Collateral:	Letter of comfort

Lender:	**Raiffeisenbank, a.s.**
Debtor:	UniCredit Leasing CZ, a.s.
Loan amount:	TCZK 400,000
Interest rate:	7.31%
Loan origination date:	22 December 2023
Maturity date:	19 January 2024
Collateral:	Letter of comfort
Lender:	**Council of Europe Development Bank**
Debtor:	UniCredit Leasing CZ, a.s.
Loan amount:	TEUR 5,000
Interest rate:	0.000%
Loan origination date:	14 June 2019
Maturity date:	14 June 2024
Collateral:	Collateralised by bonds
Lender:	**Council of Europe Development Bank**
Debtor:	UniCredit Leasing CZ, a.s.
Loan amount:	TCZK 812,500
Interest rate:	3.20%
Loan origination date:	14 December 2021
Maturity date:	19 January 2027
Collateral:	Collateralised by bonds
Lender:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing CZ, a.s.
Loan amount:	TEUR 15,000
Interest rate:	0.015%
Loan origination date:	26 May 2020
Maturity date:	26 May 2025
Collateral:	Collateralised by bonds
Lender:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing CZ, a.s.
Loan amount:	TEUR 17,000
Interest rate:	3.864%
Loan origination date:	16 March 2023
Maturity date:	16 March 2028
Collateral:	Bank guarantee
Lender:	**European Investment Bank, Luxembourg**
Debtor:	UniCredit Leasing CZ, a.s.
Loan amount:	TCZK 598,918.5
Interest rate:	5.843%
Loan origination date:	16 March 2023
Maturity date:	16 March 2028
Collateral:	Bank guarantee
Lender:	**Council of Europe Development Bank**
Debtor:	UniCredit Leasing Slovakia, a.s.
Loan amount:	TEUR 5,000
Interest rate:	0.000%
Loan origination date:	6 June 2019
Maturity date:	14 June 2024
Collateral:	Collateralised by bonds

Lender:	European Investment Bank, Luxembourg
Debtor:	UniCredit Leasing Slovakia, a.s.
Loan amount:	TEUR 15,000
Interest rate:	0.015%
Loan origination date:	19 May 2020
Maturity date:	26 May 2025
Collateral:	Collateralised by bonds
Total loans as at 31 December 2023	**TCZK 4,517,049**

10. Material contracts

UniCredit Bank has not concluded any such contracts which could give rise to an obligation or a claim of any member of the Group that would be material to the Bank's ability to settle its liabilities to securities holders based on the issued securities.

11. Total amount of outstanding bond issues

Total amount of outstanding bond issues, including EUR and USD bonds converted using the CNB exchange rate valid as at 31 December 2023: CZK 78,524,092,601.

12. Information on the number of shares issued by the Issuer which are under the ownership of the Issuer's managers, including persons close to these persons

The number of shares issued by the Issuer under the ownership of managers or persons close to these persons is zero. There are no options or comparable investment instruments, the values of which relate to shares or similar securities representing an ownership interest in the Issuer.

13. Principles of remunerating the Issuer's managers

Compensation Policy

The remuneration policy for managers is established in accordance with "UniCredit Group's Remuneration Policy" and with Decree No. 163/2014 Coll. and consists of the basic salaries policy, the "Group Incentive System", and the benefits system. The key pillars of the remuneration policy are: clear and transparent governance, compliance with regulatory requirements & ethical rules, continuous monitoring of market trends & practices, sustainable pay for sustainable performance and motivation & retention of all employees with particular focus on promising staff members and those who are critical for fulfilling the company mission.

Board of Directors

The Remuneration Committee of the Supervisory Board of UniCredit Bank Czech Republic and Slovakia, a.s. (hereinafter the "Remuneration Committee") approves the remuneration for each calendar year for members of the Board of Directors on the basis of the supporting materials submitted by People & Culture and prepared in cooperation with UniCredit Group People & Culture. In 2023, the Remuneration Committee consisted of Jiří Kunert, Andrea Vintani, Klára Čapková (until 25 July) and Eva Mikulková (from 26 July). Starting May 2014, in line with the new Civil Code, the Board of Directors members perform work based on the Board Member Agreement and receive remuneration that is set as a fixed amount paid monthly (for holding the office of a Board of Directors member), an annual variable bonus, and they are granted certain additional benefits. Foreign members of the Board of Directors are not entitled to local remuneration for holding the office; remuneration for the Bank's foreign executive managers is provided by the parent company. These costs are charged to the Bank by the parent company and are included in the remuneration summary.

Contractual salaries of the Bank's executive managers

Contractual salaries are defined on the basis of the value of a position within the classification system of top management positions in UniCredit Group ("Global Job Model"), the key competencies of executive managers and a market comparison with other entities on the financial and banking markets in the Czech Republic, within UniCredit Group and in Central and Eastern Europe.

Changes in the contractual salaries of the members of the Bank's Board of Directors, Head of Compliance, and Head of Internal Audit are approved by the Remuneration Committee based on supporting materials submitted by People & Culture and prepared in cooperation with UniCredit Group People & Culture.

Variable annual bonuses for the Bank's executive managers

The target variable bonus for the members of the Bank's Board of Directors is approved by the Remuneration Committee based on supporting materials submitted by People & Culture and prepared in cooperation with UniCredit Group People & Culture. The target variable bonus of each executive manager is determined individually within the scope of regulatory rules. A portion of the remuneration is in the form of shares and non-monetary instruments.

UniCredit Group's "2023 Group Incentive System" (hereinafter the "System") was approved by the Remuneration Committee as a binding regulation for variable bonuses of executive managers.

The variable bonus, the amount and method of payment thereof are established in accordance with the System using the following components:

1. **“Bonus pool”;**
2. **“Entry Conditions”;**
3. **“Risk and Sustainability Adjustments”;**
4. **“Individual Performance Scorecard”;**
5. **“Bonus cap”;**
6. **“Malus mechanisms”;**
7. **Hedging Ban;**
8. **Bonus Payout.**

Ad 1. Bonus Pool
Bonus Pool means the total amount available for payment of variable remuneration in a given year. The basis for determining the amount of the Bonus Pool is the risk-adjusted performance indicator, the so-called Operating EVA. The Bonus Pool is defined in the budget phase for each Country as a percentage of the respective funding KPI, considering: historical data analysis, expected profitability, business strategy and market context/external benchmarking. The final amount of the Bonus Pool is determined after the Entry Conditions have been met and the Risk and Sustainability Adjustments have been taken into account. In addition, the volume of the Bonus Pool takes into account any recommendations issued by European or local regulatory authorities on the variable remuneration component.

Ad 2. Entry Conditions
Indicators labelled “Entry Conditions” measure profitability, capital adequacy and liquidity.. “Entry Conditions” are the mechanism that verifies the condition for the reduction or total elimination of the Bonus Pool depending on the level of fulfilment of the indicators. In order to comply with regulatory requirements, in the event of non-compliance with the “Entry Conditions”, the bonuses of executive managers/identified staff are reduced or cancelled. If the “Entry Conditions” are met, the reduction is not applied and further adjustments are made based on Risk & Sustainability Adjustments.

In 2023, Entry Conditions were defined using the following parameters:

Group	CEE Division	Local
Operating EVA (Net operating profit – Cost of capital) > 0	Operating EVA (Net operating profit – Cost of capital) > 0	Operating EVA (Net operating profit – Cost of capital) > 0
Net profit > 0	Net profit > 0	Net profit > 0
Equity and Leverage Ratio > RAF (Risk appetite framework) limits		Equity and Leverage Ratio > RAF (Risk appetite framework) limits
Short-term liquidity ratio		Short-term liquidity ratio
(Liquidity Coverage Ratio) > 107%		(Liquidity Coverage Ratio) > 105%
Net stable funding ratio		Net stable funding ratio
(Net Stable Funding Ratio) > 102.3%		(Net Stable Funding Ratio) > 101%

Ad 3. Risk & Sustainability Adjustments
The purpose of Risk & Sustainability Adjustments is to assess the “quality of performance” from a sustainability perspective. The KPIs for this assessment are part of the Bank’s Risk Appetite Framework. The application of the “Risk & Sustainability Adjustments” parameters confirms, reduces or completely cancels the payment of bonuses to executive managers. In accordance with the relevant regulatory requirements, the overall assessment of the sustainability performance parameters is reviewed by the Remuneration Committee.

Ad 4. Individual Performance Scorecard
Individual Performance Scorecard is a table of the executive managers’ performance objectives set each year by the Remuneration Committee. The performance objectives are closely related to the Bank’s strategic plan. Individual performance appraisals are based on specific objectives, with a balanced mix, based on role and seniority, of financial quantitative KPIs and qualitative objectives, including strategic priorities, sustainability, as well as behaviour in line with the Group’s culture and corporate values. The Remuneration Committee approves the level of their fulfilment based on the proposal of the executive managers’ direct superiors for each calendar year and each executive manager separately.

The performance indicators approved by the Remuneration Committee for executive managers for 2023 included, for example:
- Revenue net of cost of risk,
- OPEX and Cost to Income ratio,
- Net capital formation,
- Return on allocated capital.

Other goals were quantitative and qualitative and differed for each individual executive manager depending on the priorities of the segment for which the particular executive manager is responsible. The executive manager responsible for risk management has no business or financial performance objectives in his or her objectives, except for the level of operating costs.

Ad 5. Bonus Cap
In accordance with the applicable regulation, a cap for the variable component of remuneration has been set at a one-time yearly fixed compensation, with the possibility to increase it to two-times the yearly fixed compensation, if allowed by local regulators and subject to shareholders’ approval with a qualified majority. For the company Control Functions and for People & Culture, a more conservative

approach applies, providing for the cap for variable component of remuneration set at 80% of the yearly fixed compensation.

Ad 6. Malus mechanisms

Malus and claw-back mechanisms may apply in the case of verification of behaviours adopted in the reference period (performance period), for which the executive manager:

- contributed with fraudulent behaviour or gross negligence to the Bank or its clients incurring significant financial losses, or by his/her conduct had a negative impact on the risk profile or on other regulatory requirements;
- engaged in misconduct and/or failed to take expected actions which contributed to significant reputational harm to the Bank, or which were subject to disciplinary measures by regulatory authorities;
- is the subject of disciplinary measures and initiatives envisaged in respect of fraudulent behaviour or characterized by gross negligence during the reference period.

In addition, awards to executive managers may be subject to Claw-back in the case of payouts made on the basis of assumptions that subsequently prove to be incorrect.

Eligibility for the bonus is also conditional upon a so-called Bonus Gate, i. e., on the completion of at least 90% of the required learning courses.

Ad 7. Hedging Ban

Executive managers are required to undertake not to use personal hedging strategies on remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements. Involvement in any form of hedging transaction shall be considered a breach of Compliance policies and therefore any right to receive variable remuneration pursuant to the System shall expire.

Ad 8. Bonus Payout

According to the "2023 Group Incentive System" rules, payment of the bonus for the given period (2023) is spread out over a multiple-year period:

<u>Chairman of the Board of Directors and the Vice-Chairman of the Board of Directors</u>

- The first part (2024) is payable one half in the form of cash and one half in non-monetary instruments, comprising 40% of the bonus established for the given period; non-monetary instruments are subject to a one-year retention period.
- The second part (2027) is payable in non-monetary instruments, comprising 20% of the bonus established for the given period; non-monetary instruments are subject to a one-year retention period.
- The third part (2028) is payable in non-monetary instruments, comprising 20% of the bonus established for the given period; non-monetary instruments are subject to a one-year retention period.
- The fourth part (2029) is payable in the form of cash and comprises 20% of the bonus established for the given period.
- In each year, the bonus payout is subject to meeting the Entry Conditions and the ability to apply Malus mechanisms.

<u>Senior Management with variable remuneration over EUR 346,772</u>

- The first part (2024) is payable one half in the form of cash and one half in non-monetary instruments, comprising 40% of the bonus established for the given period; non-monetary instruments are subject to a one-year retention period.
- The second part (2025) is payable in non-monetary instruments, comprising 10% of the bonus established for the given period; non-monetary instruments are subject to a one-year retention period.
- The third part (2026) is payable in non-monetary instruments, comprising 10% of the bonus established for the given period; non-monetary instruments are subject to a one-year retention period.
- The fourth part (2027) is payable in non-monetary instruments, comprising 10% of the bonus established for the given period; non-monetary instruments are subject to a one-year retention period.
- The fifth part (2028) is payable in non-monetary instruments, comprising 10% of the bonus established for the given period; non-monetary instruments are subject to a one-year retention period.
- The sixth part (2029) is payable in the form of cash and comprises 20% of the bonus established for the given period.
- In each year, the bonus payout is subject to meeting the Entry Conditions and the ability to apply Malus mechanisms.

<u>Senior Management with variable remuneration below EUR 346,772</u>

- The first part (2024) is payable one half in the form of cash and one half in non-monetary instruments, comprising 50% of the bonus established for the given period; non-monetary instruments are subject to a one-year retention period.
- The second part (2026) is payable partly in the form of cash (5% of the bonus established for the given period) and partly in non-monetary form (10% of the bonus established for the given period); non-monetary instruments are subject to a one-year retention period.
- The third part (2027) is payable in non-monetary instruments, comprising 10% of the bonus established for the given period; non-monetary instruments are subject to a one-year retention period.
- The fourth part (2028) is payable in non-monetary instruments, comprising 15% of the bonus established for the given period; non-monetary instruments are subject to a one-year retention period.

- The fifth part (2029) is payable in the form of cash and comprises 10% of the bonus established for the given period.
- In each year, the bonus payout is subject to meeting the Entry Conditions and the ability to apply Malus mechanisms.

The Remuneration Committee approves the fulfilment of the payment conditions in each year and the release of the deferred bonus payment based on a proposal from UniCredit Group's Board of Directors.

Benefits of the Bank's executive managers
Benefits are defined in accordance with the priorities of UniCredit Group's human resources strategy and the classification of the manager's position into a pre-defined employee benefits category.

- The following benefits are provided to executive managers by virtue of their Board Member Agreement: employer's contribution to supplementary pension insurance, employer's contribution to capital life insurance.
- By virtue of their managerial position, executive managers are provided a company car for business as well as personal use.
- In accordance with the standards for relocating top managers in UniCredit Group to a foreign country, and by virtue of their temporary relocation to the Czech Republic from other companies within UniCredit Group, foreign executive managers receive benefits connected with their long-term stay abroad.

The aforementioned benefits are provided in the form of non-monetary fulfilment, and their aggregate amount is included in the remuneration summary.

Supervisory Board
The Supervisory Board consists of nine persons, of which three are employed by the Issuer and receive a salary for activities performed for the Issuer on the basis of an employment contract in accordance with the Labour Code. Members of the Supervisory Board, if they are at the same time employed by any company of UniCredit Group (including the Issuer), are not entitled to remuneration for holding their office.

Fixed contractual remuneration may only be agreed with those members of the Supervisory Board who concurrently do not hold executive positions within UniCredit Group by virtue of an employment contract. The remuneration is valid for the entire term of office of the Supervisory Board member, and is approved by the general meeting of UniCredit Bank Czech Republic and Slovakia, a.s. based on the Bank's Board of Directors proposal.

The remuneration to members of the Supervisory Board stated in the remuneration summary comprises the incomes received by three members of the Supervisory Board from among the employees of the Bank and who received the payments by virtue of their employment contracts in accordance with the Labour Code, one Supervisory Board member having been replaced throughout the year. At the same time, the Supervisory Board always included three representatives of the Bank employees, 1 foreign member of the Supervisory Board having a fixed remuneration in place agreed with the shareholder based on the above rules, who ceased to hold the office in the Supervisory Board throughout the year, and one local member of the Supervisory Board. The remaining members of the Supervisory Board are not remunerated by the Issuer.

The remuneration policy in the case of Supervisory Board members coming from among the employees of UniCredit Bank Czech Republic and Slovakia, a.s., is approved by the Bank's Board of Directors at the proposal of the Bank's People & Culture, and the benefits are provided in accordance with the valid Collective Agreements concluded between the Bank and its trade unions in particular countries.

The principles of remuneration to members of the Supervisory Board employed within the Issuer and the components of their remuneration which are paid to them by virtue of their employment contracts including variable remuneration are defined by the Bank's internal regulation. The variable annual bonus payment is determined for employees as a percentage of the target variable annual bonus (0-150%) on the basis of fulfilling quantitative and qualitative performance indicators which are defined in the "Goal Card", which is part of the system of variable remuneration of the Bank's employees based on an evaluation of individual and team targets. The performance parameters in the "Goal Card" of Supervisory Board members who are employed with the Issuer are dependent on the job positions they perform by virtue of their employment contracts in accordance with the Labour Code and in no way relate to the execution of the office of Supervisory Board member. The amounts of the final annual variable bonuses paid to members of the Supervisory Board who are employed with the Issuer are proposed and approved by their direct superiors according to the Issuer's organizational structure.

Audit Committee
The Audit Committee consists of 3 persons, none of whom are employed by the Issuer. Fixed contractual remuneration may be agreed for holding the office of an Audit Committee member. The remuneration is valid for the entire term of office of the Audit Committee member, and is approved by the general meeting of UniCredit Bank Czech Republic and Slovakia, a.s. based on the Bank's Board of Directors proposal.

In 2023, the aforementioned fixed contractual remuneration was agreed with three members of the Audit Committee. The aggregate amount thereof is stated in the remuneration summary.

14. Information on all monetary and in-kind income accepted by executive managers and members of the Supervisory Board and the Audit Committee from the Issuer

Amounts in CZK					
Members of the Board of Directors					
Short-term employee benefits	Employee benefits after termination of employment	Other long-term employee benefits	Benefits upon early termination of employment	Share-based payments	**Total**
64,432,587	**–**	**22,623,861**	**–**	**5,472,171**	**92,528,619**
Members of the Supervisory Board					
Short-term employee benefits	Employee benefits after termination of employment	Other long-term employee benefits	Benefits upon early termination of employment	Share-based payments	**Total**
3,291,828	**–**	**5,319,193**	**–**	**–**	**8,611,021**
Members of the Audit Committee					
Short-term employee benefits	Employee benefits after termination of employment	Other long-term employee benefits	Benefits upon early termination of employment	Share-based payments	**Total**
660,193	**–**	**–**	**–**	**–**	**660,193**
Other executive managers					
Short-term employee benefits	Employee benefits after termination of employment	Other long-term employee benefits	Benefits upon early termination of employment	Share-based payments	**Total**
100,566,275	**–**	**340,767**	**–**	**–**	**100,907,041**

15. Diversity, equality, inclusion and corporate culture

As a global company, we create a diverse and inclusive workplace as part of our strategy to make us a competitive, responsible and sustainable bank.

We pride ourselves on our commitment to empowering our employees' diversity by creating an equal-opportunity work environment where people can work and develop their potential regardless of gender identity, age, racial or ethnic background, sexual orientation, physical ability, ancestry, religious or ethical value system and political beliefs.

The Bank's long-term Diversity, Equality and Inclusion (DE&I) strategy is firmly embedded not only in our corporate culture, but also in the Bank's processes, rules and overall communications. It covers the topics of gender diversity, equal pay, raising awareness of visible and invisible health limitations, support for parents, mental health and LGBTQ+.

At the end of 2023, UniCredit Group reached a major milestone, becoming the first pan-European bank to achieve the EDGE Global Certificate for equality and inclusion. The EDGE Certificate is the leading global standard for diversity, equality and inclusion. It offers a comprehensive framework for assessing organisations worldwide. To achieve this certification, UniCredit Bank underwent a rigorous third-party assessment. This assessment covered gender representation in recruitment, internal growth and succession planning, equal pay, the effectiveness of policies and procedures and the inclusiveness of the company culture. The Bank is also committed to continuing to promote equality and inclusion in the workplace through specific EDGE action plans. The plans are based on the results of the certification process. These include, for example, the representation of women in middle, senior and top management, the creation of equal opportunities in career development and fair remuneration, and support for men in taking paid paternity leave, which the Bank offers and which is longer than required by law. The EDGE certificate confirms, from an objective point of view, that we are moving in the right direction.

We continue to proactively support parents in DE&I employee groups. In Prague and Bratislava, we organise meetings that allow parents to stay in touch with what is happening at the Bank in terms of business results, strategic projects, as well as people, environment and culture. Uninterrupted contact with parents is a key aspect in the gradual and full return of parents to work.

The newly established DE&I employee group focuses on age diversity and effective cooperation across generations. It is a topic that has resonated with people at our inspirational lectures in previous years. Understanding the views, attitudes and priorities of each generation was crucial for us, so we organised structured meetings in the form of focus groups and listened to representatives of each generation.

We have thus checked what is important to address: specific development of managers, supporting the older generation in adapting to new digital tools and processes, flexibility, networking and well-being.

Well-being is a common term nowadays, but in our Bank it is also coming to the fore under the umbrella of DE&I – it is the red line connecting everything we do and a prerequisite for sustainable business results, efficiency of our work and employee satisfaction. We have focused specifically on the topic of mental health, which is given great importance and its relevancy is comparable to physical health. It is important for us to open up a space for discussion about mental health, both in the workplace and in society at large.

On the occasion of World Mental Health Day on 10 October 2023, we organised special workshops for our employees to raise awareness on topics such as mental hygiene, positive thinking and well-being, as well as stress, anxiety, depression and burnout. We have newly established cooperation with two external suppliers who each provide therapeutic assistance in a different form. For us, the topic of mental health did not end on this day; on the contrary, we started other follow-up activities, such as seminars for managers on the topic "How to prevent, recognise and respond to subordinates' non-standard behaviour".

Within DE&I, we organise many interesting events or lectures every year. Do women have sufficient conditions for their work and private life and can employers provide women with quality conditions for professional growth? These were not the only issues raised at the Diversity Conference on 20 April 2023 in Prague, which our Bank sponsored as a general partner. In addition to Sara Gay, Chief Diversity Officer of UniCredit Group, Mihaela Lupu, Chief Financial Officer of CE&EE UniCredit, and our General Manager Marco Iannaccone, the conference was attended by top managers of major Czech companies as panelists.

Under the auspices of the Diversity, Equality and Inclusion initiatives and based on many years of cooperation with Minerva in mentoring, UniCredit became a partner of the conference Czech Women and Their Men in the 21st Century. In November, an inspiring lecture was held by moderator and actress Ester Janečková in collaboration with the "S barvou ven" project, who shared her personal experience and human story on how to help queer people in the issue of coming out and acceptance by family and loved ones.

Culture is not just the updated name of HR – People & Culture, it is an attribute we rely on every day. It is shaped by our Group values of Integrity, Responsibility and Care.

To strengthen our corporate culture and values, we held the UniCredit Culture Forum on 18 May 2023. The conference was attended by UniCredit Group CEO Andrea Orcel, Group Head of People & Culture Siobhan McDonagh, Head of Central Europe Gianfranco Bisagni, managers, our leading clients and many other personalities. This conference was preceded by workshops on individual values with talent from our employees. How values are inscribed in actions and behaviours, what they mean to us and how we personally approach them have all been experienced by people personally.

In the larger branches in Prague and Brno, with the participation of CEO Jakub Dusílek and Deputy CEO Slavomir Beňa, a meeting was held with employees to share how we bring our values to real life. These meetings were very positively perceived and evaluated by the employees.

"Speak-up", a culture of open communication, is the foundation for effective, inclusive collaboration and growth. It allows all employees to speak up and raise their concerns in good faith about any situation. Together with our efforts to be closer and share both strategic and pressing topics, we continue with the Management and You activity, where the CEO or Deputy CEO shares important information about the Bank and also answers questions from employees.

We also aim to continuously foster a culture of a learning organisation, and one of the important pillars for us to achieve this goal is internal mentoring. It is a way of imparting valuable experience that opens up new perspectives, accelerates the fulfilment of potential (for both mentor and mentee), and carries with it a sense of meaningfulness that can be elusive at performance speed. That is why this year we have created a new complex mentoring program, where mentors are experienced managers and mentees can be successors, talents or simply people who actively approach their development. Each year we go the extra mile and expand the number of mentors so that mentoring is available to a wider population of successors to management positions or to every employee.

DE&I only lives in the corporate culture if it truly lives in each of us, if everyone works in accordance with the DE&I principles and uses their degree of influence in their immediate surroundings. Such a culture is fully encouraged here, at UniCredit.

16. Major future investments other than financial investments (planned for 2024)

Total investments of UniCredit Bank for 2024, excl. financial investments, are planned in the amount of CZK 2.6 billion, of which CZK 1.65 billion is for the planned purchase of assets for rent for UniCredit Leasing. Another major item is investment in information technologies (hardware

and software) totalling CZK 0.75 billion, which is primarily intended for the development of the Bank's information systems, with an emphasis on digitisation, automation and streamlining of processes, as well as for complying with the requirements of a regulatory and operating nature. It is only part of total IT investment because part of IT investment is supplied in the form of services by third-party suppliers and recognised in operating costs. Investments in fixed capital, including rented buildings, in the amount of CZK 176 million are focused mostly on the development and renovation of the distribution network.

17. Guarantees provided by the Issuer

(CZK thousand)	31 December 2023	31 December 2022
Granted guarantees and collaterals	48,909,910	51,454,010
Guarantees granted under L/Cs	465,715	358,352
Total	**49,375,625**	**51,812,362**

18. Internal audit policy and procedures and rules for the Issuer's approach to risks associated with financial reporting

All internal processes with either a direct or indirect influence on the Bank's reporting have been described in the UniCredit Bank Czech Republic and Slovakia Group including the risks associated with these processes. Controls with varying periodicity have been set up in order to eliminate these risks. All processes are evaluated and updated twice a year, and the controls set up to eliminate the described risks are inspected.

The goal of the aforementioned effort was to establish corresponding internal controls that guarantee the accuracy of the financial reporting, achieve broader awareness of the risks connected with creating financial reports and keep these risks under control and at an acceptable level.

The UniCredit Bank Czech Republic and Slovakia Group has internal regulations in place relating to particular areas of the Group's activities which influence the Group's accounting. The valuation procedures applied to the statement of financial position and statement of comprehensive income items are described in the annex to the individual and consolidated annual financial statements, which form a part of this annual report. These annual financial statements are submitted for review by auditor and financial data intended for consolidation of the parent company are also submitted for review by auditor four times a year (for each quarter of the year).

19. Information on regulated markets and rating of the Issuer or its debt securities

The Issuer was assigned rating A3 with a negative outlook by the rating agency Moody's Investors Service España, S.A. (hereinafter the "Moody's"). Moody's also assigned the rating Aa2 to selected debt securities issued by the Issuer (referred to in the summary below).

Moody's is registered in line with Regulation (EC) No 1060/2009 of the European Parliament and of the Council amended by Regulation 462/2013 (hereinafter the "Regulation on Credit Rating Agencies").

It is included in the list of credit agencies published by the European Securities and Market Authority (ESMA) on its web pages (https://www.esma.europa.eu/credit-rating-agencies/cra-authorisation) in line with the Regulation on Credit Rating Agencies.

The Issuer has not contracted any other rating agency to issue a rating of identical issues or debt securities referred to in the summary below.

If such a possibility occurs in the future, the Issuer shall act in line with Article 8d of the Regulation on Credit Rating Agencies.

Summary of issued and outstanding debt securities of the Issuer admitted to trading on a regulated market

A list of outstanding debt securities of the Issuer admitted to trading on the Prague Stock Exchange is presented in the following table. The data are valid as at 31 December 2023.

Name	ISIN	Date of the issue	Due date	Currency	Volume	Nominal value per debt security	Coupon payment frequency	Coupon	Rating
HVB HZL 5.00/25	CZ0002000680	15/11/2005	15/11/2025	CZK	420,000	10,000	Annual	5%	–
UCB HZL 10Y FLOAT/37	CZ0002001910	21/12/2007	21/12/2037	CZK	120,000	100,000	Annual	10Y IRS + 2%	Aa2
UCB HZL 3.04/2028	CZ0002003114	7/6/2013	7/6/2028	EUR	85	100,000	Annual	3.04%	Aa2

All the issues above are bearer´s book-entry (class/form) securities. The above issues are without the possibility of early redemption, with the exception of the issue UCB HZL 10Y FLOAT/37, ISIN CZ0002001910, where early redemption by the Issuer as at 21 December 2027 is possible.

A list of outstanding debt securities of the Issuer admitted to trading on the Luxembourg Stock Exchange is presented in the following table. The data are valid as at 31 December 2023.

Name	ISIN	Date of the issue	Due date	Currency	Volume	Nominal value per debt security	Coupon payment frequency	Coupon	Rating
UCB HZL 3M FLOAT /24	XS2188797729	15/6/2020	15/6/2024	EUR	10,000	100,000	Quarterly	3M EURIBOR +38 bps	Aa2
UCB HZL 3M FLOAT /25	XS2188802230	15/6/2020	15/6/2025	EUR	10,000	100,000	Quarterly	3M EURIBOR +40 bps	Aa2
UCB HZL 3M FLOAT /26	XS2188802313	15/6/2020	15/6/2026	EUR	10,000	100,000	Quarterly	3M EURIBOR +42 bps	Aa2
UCB HZL 3M FLOAT /27	XS2188802404	15/6/2020	15/6/2027	EUR	10,000	100,000	Quarterly	3M EURIBOR +44 bps	Aa2
UCB HZL 0.01/25	XS2259866064	19/11/2020	19/11/2025	EUR	5,000	100,000	Annual	0.01%	Aa2
UCB HZL 3M FLOAT II/26	XS2419387357	15/12/2021	15/12/2026	EUR	10,000	100,000	Quarterly	3M EURIBOR +15 bps	Aa2
UCB HZL 3.125/27	XS2541314584	11/10/2022	11/10/2027	EUR	5,000	100,000	Annual	3.125%	Aa2
UCB HZL 3.625/26	XS2585977882	15/2/2026	15/2/2026	EUR	5,000	100,000	Annual	3.625%	Aa2
UCB HZL 3.75/28	XS2637445276	20/6/2023	20/6/2028	EUR	5,000	100,000	Annual	3.75%	Aa2

All the issues above are bearer´s book-entry (class/form) securities. The above issues are without the possibility of early redemption by the Issuer.

A list of outstanding debt securities of the Issuer admitted to trading on the Bratislava Stock Exchange is presented in the following table. The data are valid as at 31 December 2023.

Name	ISIN	Date of the issue	Due date	Currency	Volume	Nominal value per debt security	Coupon payment frequency	Coupon	Rating
UCB HZL EUR 1,40/2024	SK4120011131	15/102015	15/10/2024	EUR	5,000,000	1	Annual	1.40%	–
UCB HZL EUR 1,80/2025	SK4120011123	15/10/2015	15/10/2025	EUR	10,000,000	1	Annual	1.80%	–

All the issues above are bearer´s book-entry (class/form) securities. The above issues are without the possibility of early redemption by the Issuer.

20. Non-Financial Information

UniCredit Bank Czech Republic and Slovakia, a.s. uses the exemption under Section 32g(7) of the Act on Accounting and the non-financial information is published by parent company UniCredit SpA in English at https://www.unicreditgroup.eu/en/a-sustainable-bank/.

A report on relations

between controlling and controlled entity and on relations between controlled entities and other entities controlled by the same controlling entity

Pursuant to Article 82 et seq. of Act No. 90/2012 Coll. on Commercial Corporations, the Board of Directors of **UniCredit Bank Czech Republic and Slovakia, a.s.** having its registered office at Prague 4, Želetavská 1525/1,140 92, Reg. No. 64948242, registered in the Commercial Register maintained by the Prague Metropolitan Court, Section B, Insertion 3608 ("UniCredit Bank" or "UCB CS"), for the **period from 1. 1. 2023 to 31. 12. 2023** (hereinafter referred to as the "Period") prepared a report on relations.

1. Structure of Relations between UniCredit Bank and the Controlling Entity and Entities Controlled by the same Controlling Entity

Over this period, UniCredit Bank was directly controlled by **UniCredit, S.p.A.** having its registered office at Piazza Gae Aulenti 3 – Tower A - 20154 Milan, Italy. UniCredit Bank itself controlled during the period the companies **UniCredit Leasing CZ, a.s.,** Reg. No. 15886492, Želetavská 1525/1, 140 00 Prague 4**, UniCredit Factoring Czech Republic and Slovakia, a.s.** Reg. No.: 15272028, Želetavská 1525/1, Michle, 140 00 Prague 4. **UniCredit Leasing CZ, a.s.** during the period, was the sole shareholder of the following companies:

UniCredit Leasing Slovakia, a.s., Reg. No.: 35730978, Šancová 1/A, 814 99 Bratislava, UniCredit Fleet Management, s.r.o., Reg. No.:62582836, Želetavská 1525/1, Michle, 140 00 Prague 4, UniCredit pojišťovací makléřská spol. s r.o., Reg. No.: 25711938, Želetavská 1525/1, Michle, 140 00 Prague 4, **CA-Leasing OVUS s.r.o.**, Reg. No.: 25714538, Želetavská 1525/1, Michle, 140 00 Prague 4, **ALLIB Leasing, s.r.o.**, Reg. No.: 25708376, Prague 4 – Michle, Želetavská 1525/1, 140 00

UniCredit Leasing Slovakia, a.s. is the sole shareholder of the following companies: **UniCredit Leasing Insurance Services, s. r. o.,** Reg. No.: 47926481, Šancová 1/A, Bratislava 814 99, **UniCredit Broker, s. r. o.**, Reg. No.: 35800348, Šancová 1/A, Bratislava 814 11 a **UniCredit Fleet Management, s.r.o.**, Reg. No.: 35820381, Šancová 1/A, Bratislava 814 99.

The structure of the UniCredit Group is described in detail in Annex No. 1 of this Report.

2. UniCredit Bank's Role within UniCredit Group:

The Czech and the Slovak Republics are among the leading countries within the CEE division. UniCredit Bank is at the same time one of the largest banks within the CEE region in terms of consolidated profits.

UniCredit Bank performs the role of a universal bank in Slovak and Czech markets; within the CEE region it often has a role of product innovator. UniCredit Bank supports group-wide solutions in the area of products, processes or sales channels, which piloted within different countries and in case they are confirmed as successful, they are later implemented in other UniCredit banks in the Central and Eastern Europe divisions. UniCredit Bank is very active in this area.

In the area of standard banking activities, in addition to the contracts provided below, the controlled entity concluded with the controlling entity and with related parties, interbank, derivative and other banking transactions, and these entities cooperated in the issue of bonds, and also entered into client operations (payment cards, current accounts, deposit products, cash payment system, etc.), all this in standard market conditions. Within standard banking relations, some lending business of controlled entities is backed by bank guarantees provided by UniCredit S.p.A., UniCredit Bank Austria AG and UniCredit Bank AG.

Within the Group, there is also the provision of credit products and guarantees by UniCredit Bank, on standard conditions.

3. Method and Means of Control

The general meeting is the supreme body of UniCredit Bank. UniCredit Bank S.p.A. manifests its will through exercising the authority of the general meeting through by sole shareholder's resolutions acting in capacity of the General Meeting.

According to UniCredit Bank Articles of Association, also the election of Supervisory Board members falls within the competence of the general meeting. The Supervisory Board monitors the conduct of Bank business and the exercise of Board of Directors responsibilities. The Supervisory Board also elects and removes the members of the Board of Directors and recommends candidates for the Chairman and Vice-Chairman of the Board of Directors. However, the members of the Board of Directors are not bound by such a recommendation in their election.

The controlling entity has its representatives both in the Bank Supervisory Board and in the Board of Directors.

UniCredit Bank as a member of the UniCredit Group must, subject to relevant legal regulations, perform the regulations issued by UniCredit S.p.A (the "Holding Company")within the Bank and all companies controlled by it through its directives (the "Directives of the Holding"). The Directives of the Holding means rules defining the management, the organisation chart and responsibilities of the managers within key processes in the UniCredit Group, which are issued in the exercise of Holding Company's powers in the area of supervision of the UniCredit Group and coordination of the UniCredit Group, all this according to instructions issued by Italian supervisory body in order to maintain the stability of the UniCredit Group.

UniCredit Bank performs its influence on its subsidiary companies through the exercise of its shareholder rights and also through its representatives in the bodies of some of these companies, in particular in their supervisory boards.

4. An overview of mutual contracts between UniCredit Bank and the controlling entity or between controlled entities

4.1. Between UniCredit Bank and **UniCredit S.p.A.,** Piazza Gae Aulenti 3, Tower A – 20154 Milan, Italy:

Contract name	Subject-matter of contract	Contract concluded on
Subcustody Agreement	Správa a úschova cenných papierov	25.6.2003
Interadvisory Agreement	Advisory services related to M&A advisory for specific clients for specific acquisition with respect to the Czech Republic (jointly with UniCredit Bank Austria AG)	2.2.2015
Intercompany services agreement	Advisory services in the area of methodological group management	11.12.2015
ISDA Master Agreement	A general contract for trading in derivatives in the financial market	29.6.2016
GMRA Master Agreement	A general credit contract for secured by a transfer of securities	12.8.2016
Risk Participation Agreement	Unfunded risk participation for taking on the risk of financing a Slovak client.	20.12.2016
Deposit Netting Agreement	Agreement concerning the reciprocal set-off of payables and receivables from interbank deposits in the event of default.	22.9.2016
Agreement on Anti money laundering transaction of Correspodent Banking monitoring	AML monitoring pro korespondenční banky	28.1.2018
GMSLA Master Agreement	Securities lending framework agreement	5.6.2019
Agreement	UniCredit SpA's commitment to provide UCB CS with KYC analysis of correspondent banking clients	16.12.2019
DPA – Data processing agreement	Data processing agreement	13.1.2020
Subscription Agreement	Agreement on subscription of senior non-preffered notes by Unicredit S.p.A.	19.11.2021
Non-residential Lease Agreement No. 018/PP-2010/3560	Lease of non-residential premises in Šancova Street Bratislava	31.12.2010
Agency Contract	Sharing of the provision of services of Bank suppliers	1.1.2012
Non-residential Premises Lease Agreement	Lease of commercial space at Svätoplukova St. in Bratislava	1.8.2016
Confidentiality Agreement	Confidentiality Agreement	1.11.2017
Data Processing Agreement	Data processing and security agreement, protection and confidentiality of confidential information – CZ	26.6.2018
Data Processing Agreement	Data processing and security agreement, protection and confidentiality of confidential information – SK	26.6.2018
Project agreements	Delivery of individual projects	Contracts valid in 2022
Mutual Agreement	Agreement on the abolition of the tax group between UniCredit Bank Czech Republic and Slovakia and UniCredit Services.	20.12.2019
Internal Dealing Agreement	Specification of services provided by UniCredit Services in the field of Compliance – SIRON.	31.3.2020
Side letter with UCS S.p.A. (change of cost for projects due to new pricing methodology)	Side letter with UCS S.p.A. (change of cost for projects due to new pricing methodology) (CZ+SK/SML_221294)	1.1.2022
Sublease Agreement	Sublease of part of office space in the building Filadelfie, Želetavská 1	1.4.2022
DPA – Data processing agreement	Agreement on the processing of personal data in connection with the Intercompany services agreement from 11.12.2015	30. 10. 2023
Contribution Agreement	Agreement on contribute to restructuring costs related to HR integration	21. 12. 2023
Power of Attorney	Search licence for vessels screening (tracking) used for trade finance deals renewal for 2024 (CZ+SK/SML_231531/104899)	3. 12. 2023
Agreement for ICT services	UniCredit Services – Agreement for ICT services (CZ+SK/SML_221235/)	1. 1. 2022

4.2. Between UniCredit Bank and **UniCredit Bank Austria AG,** Rothschildplatz 1, 1020 Vienna, the Republic of Austria:

Contract name	Subject-matter of contract	Contract concluded on
Subcustody Agreement	Custody and administration of securities (a branch in Slovakia)	24.11.1995
Subcustody Agreement	storage, management and settlement of securities	1.8.1997
Brokerage Agreement	Securities trading	2.1.2002
ISDA Master Agreement	A general contract for trading in derivatives in the financial market	24.5.2012
Consultancy Service Agreement	Learning and Development Consultancy Services in the area of special professional skills, soft skills training and development and talent management	2012
Agreement on reporting to a trade repository in accordance with Art.9 EMIR „Reporting SLA"	Fulfillment of reporting obligations according to EMIR	24.3.2014
Risk Sharing Instrument (RSI) Guarantee Agreement	Tripartite agreement with the European Investment Fund for the provision of guarantees within the RSI programme (Risk Sharing Instrument)	24.6.2014
Agreement Funds Advisory	Purchase and sale of fund units through the platform UC Bank Austria	25.3.2005
Swapclear Dealer Clearing Agreement	Contract for settlement of swap transactions with central counterparties	7.7.2014
Subcustody Agreement	Management and custody of foreign securities	10.11.2014
Mandate Agreement	Tripartite agreement with CYRRUS CORPORATE FINANCE, Inc. regarding activities related to the squeeze-out	25.5.2016
Data Processing Agreement	Contract on the processing of personal data in connection with the reconciliation of OTC derivatives pursuant to contract No. SML 200029	22.9.2020
Service contract No. SML 200029	Contract for reconciliation of OTC derivatives	22.9.2020
Subcustody Agreement	custody, administration and settlement of securities (Austria vs. Czech rep)	9.4.1996
Service level agreement	Service level agreement for CZ market	6.7.2023
Service level agreement	Service level agreement for Austria market and HUB	12.3.2021
Service level agreement	Service level agreement for Austria market and HUB (pobočka na Slovensku	26.3.2021
Service Level Agreement	custody, administration and settlement of securities (Slovak branch)	31.7.2020

4.3. Between UniCredit Bank and **UniCredit Bank AG**, Arabellastrasse 12,81925 Munich, Germany

Contract name	Subject-matter of contract	Contract concluded on
Brokerage agreement	Procurement of purchases and sale of foreign securities for Bank clients	6.7.2009
ISDA Master Agreement	A general contract for trading in derivatives in the financial market	3.3.2010
Master Agreement – Global Debt Capital Markets	Conditions of cooperation of both banks in euro bond issues of clients.	30.6.2011
Subcustody Agreement	Custody, management and settlement of securities (the London branch)	17.5.2012
Agreement on reporting to a trade repository in accordance with Art.9 EMIR	Performance of duty to report according to EMIR	20.3.2014
Distribution agreement	Distribution of investment vehicles issued by UniCredit Bank AG through the Bank	10.4.2014
Agreement on reporting to a trade repository in accordance with Art.9 EMIR	Performance of duty to report according to EMIR	15.4.2014
Agreement	Distribution of investment vehicles issued by UniCredit Bank AG through the Bank using electronic platform	3.11.2014
SLA for certain co-operative activities	The subject is cooperation in the development and distribution of analytical source materials.	1.10.2015
GMRA Master Agreement	A general credit contract for secured by a transfer of securities	21.9.2016
SLA Sophis „Risque" Sub-Licensing Agreement	Support for the use of SW Murex and Sophis Risque (for OTC derivatives)	16.9.2016
RET Service Level Agreement No. 001	UCtrader trading platform for FX trades – cost sharing	29.3.2019
DPA – Consulting services in the field of methodical group management	DPA – Consulting services in the field of methodical group management (CZ+SK/SML_200940/)	25.11.2020
Framework Agreement	Framework agreement on the sale and purchase of receivables	17.12.2020
Mandate Agreement	Mandating UniCredit Bank AG as an arranger for the eurobond programme update (Frederick) and an agreement on remuneration for external legal advisors (White&Case).	9.6.2021
Cooperation Agreement for Equity Capital Markets	Cooperation in origination a execution of ECM transactions	11.2.2021
MarketAxess SI Determination	MarketAxess SI Determination (CZ+SK/SML_221277)	1.5.2022
Cash Pooling Engine administration and data processing services	Cash Pooling Engine administration and data processing services	1.7.2022
Cooperation Agreement for Trading Services	Hedging of open trading positions of UCB CS	30.11.2022
Fund Brokerage Agreement	Procurement of purchases and sales of foreign collective investment securities for the Bank's clients	6.12.2021
Sub-Distribution Agreement	Distribution of foreign collective investment securities through the bank	6.12.2021

4.4. Between UniCredit Bank, **Unicredit S.p.A** and **UniCredit Bank Austria AG**

Contract name	Subject-matter of contract	Contract concluded on
Agreement for data flow and reporting (trilateral agreement with UniCredit S.p.A and UCB BA)	Agreement for data flow and reporting (trilateral agreement with UniCredit S.p.A and UCB BA). Due to format change requirements of European Banking Authority (EBA) UC S.p.A have changed the format of the De Lorean Trilateral Agreement (CZ/SML_221214/)	24.1.2022

4.5. Between UniCredit Bank, **Unicredit S.p.A**, **UniCredit Bank AG** and **UniCredit Bank Austria AG**

Contract name	Subject-matter of contract	Contract concluded on
UniCredit Group – Master Cost Sharing Agreement	Cost allocation for seconded employees	19.5.2010

4.6. Between UniCredit Bank a **UniCredit Leasing CZ, a.s.**, Reg. No.: 15886492, Prague 4 – Michle, Želetavská 1525/1, 140 00

Contract name	Subject-matter of contract	Contract concluded on
Contract on the owner's account and administration of securities no. 99100061	Management of the securities owner's account, administration and safekeeping of securities	27. 7. 2006
Contract on Business Cooperation	Business cooperation between contractual parties	1.7.2010
Contract for Lease of Security Equipment and Camera System	Lease of system owned by Bank installed on leased premises of UniCredit Leasing CZ, a.s.	1.4.2012
Sublease contract	Sublease of parking spaces in building no. 1525, Želetavská 1, Prague 4	13.3.2013
Non-residential Lease Agreement	Lease of premises in the building no. 545, Divadelní 2, Brno	30.5.2013
Contract for Right to Position for Logo	Use of a position for logo on the building no. 1525, Želetavská 1, Prague 4	3.6.2013
Contract for Search for Prospective Clients	Contract for mediation of consumer loans for UCB	1.3.2014
Contract on sublease of premises for business purposes	Sublease of premises for business purposes in building no. 3348, 28. října 65, Ostrava	1.3.2014
Contract for the Provision of Services and Contract of Mandate	UCL CZ outsourced certain its activities into the Bank	6.8.2014
Contract for Processing of Personal Data	Processing of personal data of UCL CZ by the Bank with respect to outsourcing	6.8.2014
Contract on sublease of premises for business purposes	Sublease of premises for business purposes in building no. Sublease of commercial space at 28, Široká 5, Liberec	28.7.2015
Contract on sublease of premises for business purposes	Sublease of premises for business purposes in building no. Sublease of commercial space at 457, 28.října 15, Olomouc	29.3.2016
Contract on sublease of premises for business purposes	Sublease of premises for business purposes in building no. 36, Revoluční 2, Chomutov	24.1.2017
Contract on sublease of space serving business	Sublease of business premises in building no. 1222 Masaryk Square, Jihlava	26.6.2019
Contract for sublease of a space serving a business	Sublease of a space used for business in building no. 892, Zeyerova 7, Karlovy Vary	27.11.2020
Contract on the provision of Risk Models Development	Provision of the service Risk Models Development	1.1.2021
Agreement on temporary o dočasném přidělení zaměstnance	Temporary assignment of an employee	30.11.2020
Commercial Papers Programme Agreement	Arrangement of establishment of the commercial papers programme by UCB CS	9.11.2021
Commercial Papers Programme Administration Agreement	Administration of the commercial papers issued within the commercial papers programme by UCB CS	9.11.2021
Mandate Agreement on establishment of the bond programme and arrangement of the particular issues	Arrangment of establishment of the bond programme and arrangement of the particular issues by UCB CS	9.11.2021
Bond Issue Administration Agreement	Administration of the bond issues to be issued within the bond programme by UCB CS	9.11.2021
Agreement on the collective bond deposit and conduction of the bondholders' register in the standalone register of the investment instruments	Services of the deposit of the collective bond and conduction of the bondholders' register in the standalone register of the investment instruments by UCB CS	9.11.2021
Bond Subscription Agreement	Arrrangement of the subscription of the bonds to be issued within the bond programe by UCB CS	9.11.2021
Sublease Agreement	Sublease of space in the building Náměstí Republiky 2090, Prague 1, 1st floor, area A	1.1.2022

4.7. Between UniCredit Bank and UniCredit Leasing CZ, a.s., IČ: 15886492, Praha 4 – Michle, Želetavská 1525/1, PSČ 140 00 and UniCredit Fleet Management, s.r.o., IČ: 62582836, Praha 4 – Michle, Želetavská 1525/1, PSČ 140 00

Contract name	Subject-matter of contract	Contract concluded on
Cooperation Agreement	Cooperation in concluding loan agreements for the financing of motor vehicles	20.7.2020

4.8. Between UniCredit Bank and **UniCredit Factoring Czech Republic and Slovakia**, Reg. No.: 152 72 028, Prague 4 – Michle, Želetavská 1525/1, 14000

Contract name	Subject-matter of contract	Contract concluded on
Contract for Loan and Other Banking Services Provided in the Form of Multi-Purpose Line	Banking services	25.6.2010
General Contract for Trading in Financial Market	Trading in financial market	21.1.2015
Contract for the Provision of Services and Contract of Mandate	Provision of banking services	4.1.2016
Agreement on Mutual brokerage business cases	Mutual brokerage of business cases	2.10.2023
Risk participation contract (participation contract)	Participation in the risk of receivable non-payment	29.3.2017
Sublease Agreement	Sublease of office space and parking spaces	13.11.2020
Zero Balancing Master Agreement	Zero Balancing	25.11.2020
Zero Balancing Participating Agreement	Zero Balancing	25.11.2020
Contract for electronic trading on the foreign exchange market	Electronic trading on the foreign exchange market	28.7.2022

4.9. Between UniCredit Bank and **UCTAM Czech Republic s.r.o.**, Reg. No.: 24275671, Prague 1 – Nové Město, Náměstí Republiky 2090/3a, 11000

Contract name	Subject-matter of contract	Contract concluded on
Sublease contract	Sublease of premises for business purposes in building no. 2090, náměstí Republiky 3a, Prague 1	22.3.2016 (terminated as of 30.11.2022)

4.10. Between UniCredit Bank and **UniCredit Leasing Slovakia, a.s.**, Reg. No.: 35 730 978, Šancová 1/A, Bratislava, 814 16, Slovak Republic

Contract name	Subject-matter of contract	Contract concluded on
Contract on cooperation	Cooperation of the contractual parties	1.7.2011
Non-residential Lease Agreement No. 214/3563/2012	Lease of non-residential premises in Žilina in Národna Street	15.6.2012
Contract for the Provision of Services and Contract of Mandate	UCL SK outsourced certain its activities into the Bank	6.8.2014
Contract for Processing of Personal Data	Processing of personal data of UCL SK by the Bank with respect to outsourcing	6.8.2014
Non-residential Lease Agreement dated 31.10.2014	Lease of non-residential premises in Šancova 1/A BA (from 1.11.2014)	31.10.2014
Agreement on Lease of Commercial Space	Lease of Commercial Space Svätoplukova St. v Bratislava	1.8.2016
Non-residential Lease Agreement	Lease of non-residential premises in Štefánikova St. in Trnava	15.1.2017
Non-residential Sublease Agreement	Sublease of non-residential premises in Hlavná St. In Dunajská Streda	15.1.2017
Non-residential Sublease Agreement	Sublease of non-residential premises in Majzonovo nám. in Nové Zámky	15.1.2017 (terminated as of 31.8.2023)
Non-residential Sublease Agreement	Sublease of non-residential premises in M.R. Štefánika st. in Nové Zámky	1.9.2023
Non-residential Sublease Agreement	Sublease of non-residential premises in Nám. s. Anny in Trenčín	15.1.2017
Non-residential Sublease Agreement	Sublease of non-residential premises in Garbiarska St. in Liptovský Mikuláš	15.1.2017
Contracts for renting non-residential premises	Sublease of commercial premises in Poprad on Popradske nabrezi 18 (contract valid from 1.5.2019)	12.4.2019
Contracts for renting non-residential premises	Commercial premises for Rent in Zvolen, nám. SNP 50	1.1.2019

Contract name	Subject-matter of contract	Contract concluded on
Lease agreement	lease of non-residential premises in Nitra on Štefánikova street	8.4.2020
Lease agreement	lease of non-residential premises in Košice na Roosevelt street	30.6.2020
Commercial Papers Programme Agreement	Arrangement of establishment of the commercial papers programme by UCB CS	9.11.2021
Commercial Papers Programme Administration Agreement	Administration of the commercial papers issued within the commercial papers programme by UCB CS	9.11.2021
Mandate Agreement on establishment of the bond programme and arrangement of the particular issues	Arrangment of establishment of the bond programme and arrangement of the particular issues by UCB CS	9.11.2021
Bond Issue Administration Agreement	Administration of the bond issues to be issued within the bond programme by UCB CS	9.11.2021
Agreement on the collective bond deposit and conduction of the bondholders' register in the standalone register of the investment instruments	Services of the deposit of the collective bond and conduction of the bondholders' register in the standalone register of the investment instruments by UCB CS	9.11.2021
Bond Subscription Agreement	Arrrangement of the subscription of the bonds to be issued within the bond programe by UCB CS	9.11.2021
Contract for lease of non-residential premises. of premises	Lease of non-residential premises BA Šancová branch – 1. workplace from 1.1.2022	1.1.2022 – 31.3.2022
Contract for lease of non-residential premises. of premises	Lease of non-residential premises BA Krížna branch – 1 workplace	1.6.2022 – 31.12.2022
Non-residential Lease Agreement	Lease of non-residential premises in Prešov in Hlavna Street	1.1.2021

4.11. Between UniCredit Bank and UniCredit Leasing Slovakia, as, Company Identification Number: 35 730 978, Šancová 1 / A, Bratislava 814 99, Slovak Republic and UniCredit Fleet Management, sro, Company Identification Number: 35 820 381, Šancová 1 / A Bratislava 814 99, Slovak republic

Contract name	Subject-matter of contract	Contract concluded on
Cooperation Agreement	Cooperation in concluding loan agreements for the financing of motor vehicles	30.7.2020

4.12. Between UniCredit Bank and **HVB Leasing Czech Republic s.r.o**, Reg. no: 62917188, Želetavská 1525/1, Michle, 140 00 Prague 4

Contract name	Subject-matter of contract	Contract concluded on
Framework Contract on Financial Market Trading	Financial Market Trading	7.2.2014

4.13. Between UniCredit Bank and **UniCredit Bank Hungary Zrt.**, Szabadság tér 5–6, Budapest, 1054, Hungary

Contract name	Subject-matter of contract	Contract concluded on
Subcustody Agreement	Storage, management and settlement of securities	9.1.1999
Subcustody Agreement	Management and custody of securities (a branch in Slovakia)	23.1.2003
ISDA Master Agreement	A general contract for trading in derivatives in the financial market	23.5.2007
Subcustody Agreement	Management and custody of foreign securities	21.12.2007
Subcustody Agreement	Storage, management and settlement of securities	10.3.1998
Service Agreement	Advisory services in connection with custody, risk review, network management, coordination of projects within custody	16.12.2020
Data Processing Agreement	Data processing, addition to the Service Agreement dated 16.12.2020	16.12.2020
Service level agreement	Service level agreement (Czech market)	20.6.2023
Service Level Agreement	Management and storage of securities (Hungary Market)	31.7.2020
Service Level Agreement	Management and storage of securities (Slovakian Market)	21.11.2023
Service Level Agreement	Service level agreement (Hungary Market)	13.11.2023

4.14. Between UniCredit Bank and **UniCredit banka Slovenija d.d.**, Šmartinska cesta 140, 1000 Ljubljana, Slovenia

Contract name	Subject-matter of contract	Contract concluded on
Subcustody Agreement	Management and custody of foreign securities	10.11.2014
Service Level Agreement	Management and storage of securities (a branch in Slovakia)	26.10.2023

4.15. Between UniCredit Bank and **UniCredit Broker, s.r.o.**, Reg. No.: 35 800 348, Šancová 1/A, 814 11 Bratislava:

Contract name	Subject-matter of contract	Contract concluded on
Cooperation Agreement	Mediation of clients	1.1.2011

4.16. Between UniCredit Bank and **UniCredit Fleet Management, s.r.o.**, Reg. No.: 62582836, Prague 4 – Michle, Želetavská 1525/1, 140 00

Contract name	Subject-matter of contract	Contract concluded on
General Contract for Hire of Vehicles	Specification of general conditions for making individual Lease agreement and Agreement to Amend SLA	4.3.2013
Contract for Hire of Transport Facility	Contracts for hire of vehicles – 280 cars	Contracts valid in 2023

4.17. Between UniCredit Bank and **UniCredit Fleet Management, s.r.o.**, Reg. No.: 35 820 381, Šancová 1/A Bratislava 814 99, Slovak Republic:

Contract name	Subject-matter of contract	Contract concluded on
Operating Lease Contract	Conditions for operating lease of motor vehicles	30.8.2007
Contract for Hire of Transport Facility	Contracts for hire of vehicles – 118 cars	Contracts valid in 2023

4.18. Between UniCredit Bank and **UniCredit Bank SA**, Sediul Central Bd., Expozitiei Nr.1F, Sect 1, Bucharest, 012101, Romania:

Contract name	Subject-matter of contract	Contract concluded on
Service Agreement	Temporary advisory actions and support in banking services related to CEE 2020 Trade Finance Back and Project	26.1.2015
Risk participation agreement	participation in the loan to a client in Romania	25.4.2017

4.19. Between UniCredit Bank and **Schoellerbank AG**, Renngasse 3, Vienna, Austria :

Contract name	Subject-matter of contract	Contract concluded on
Cooperation agreement	Offer and mediation of services of Schoellerbank through UniCredit Bank	23.11.2012
Services Agreement	Providing services in the field of coordination of robo-advisory development, commercial initiatives and sharing of product know-how within the banking group.	9. 12. 2020

4.20. Between UniCredit Bank and **Structured Invest S.A.**, 8-10, rue Jean Monnet, L-2180 Luxembourg, Luxembourg

Contract name	Subject-matter of contract	Contract concluded on
Contact Bank Agreement	Providing the activities of the contact point – contact bank for onemarkets funds in the Czech Republic and the Slovak Republic	7.6.2023

4.21. Between UniCredit Bank and **UniCredit Services GmbH**, Rothschildplatz 4, 1020 Vienna, Austria:

Contract name	Subject-matter of contract	Contract concluded on
Project Framework Agreement	Framework agreement covering the implementation of IT projects managed on the basis of i) Waterfall methods and ii) Agile methods (CZ)	25.11.2019
Project Framework Agreement	Framework agreement covering the implementation of IT projects managed on the basis of i) Waterfall methods and ii) Agile methods (SK)	25.11.2019
Project Framework Agreement	Framework contract covering the implementation of IT projects managed under the Waterfall method. (CZ)	26.2.2018
Project Framework Agreement	Framework contract covering the implementation of IT projects managed under the Waterfall method. (SK)	26.2.2018
Standard Terms and Conditions	Standard contract terms and conditions for provision of IT services	18.12.2015
Agreement on implementation of CEE2020 projects	Cooperation in implementation of IT projects	18.12.2015
Standard Terms and Conditions	Standard contract terms and conditions for provision of IT services (a branch in Slovakia)	18.12.2015
Agreement on implementation of CEE2020 projects	Cooperation in implementation of IT projects (a branch in Slovakia)	18.12.2015
Data Processing, Data Security, Data Protection and Security	Data Processing, Data Security, Data Protection and Security	9.6.2016

4.22. Between UniCredit Bank a **UniCredit Bank AG, London Branch**, London, 120 London wall, United Kingdom

Contract name	Subject-matter of contract	Contract concluded on
Fee Split Agreement	Consulting services related to M & A / ECM consulting services for specific clients to specific acquisition related to the Czech Republic	11.8.2016
Process Agent Letter	Appointment of UniCredit Bank AG, London Branch as an agent for the acceptance of service of process in any proceedings in the English courts on behalf of UCB CS, in connection with the Settlement Agreement concluded between UCB CS and Citibank, N.A., London Branch, dated 19 November 2021	9.11.2021

4.23. Between UniCredit Bank a **UNICREDIT BULBANK AD** Sofia, 7 Sveta Nedelya Sq, Bulgaria

Contract name	Subject-matter of contract	Contract concluded on
Subcustody Agreement	Storage, management and settlement of securities	25.11.2015
Service level agreement	Service level agreement (Bulgarian market)	6.4.2021

4.24. Between UniCredit Bank and **UniCredit Consumer Financing EAD** 14 Gyueshevo str. 1303 Sofia, Bulgaria

Contract name	Subject-matter of contract	Contract concluded on
Confidential Information Protection Contract	Confidential Information Protection	24.10.2018

4.25. In addition to the above stated contracts, in the last financial year, also other contracts were effective between UniCredit Bank and some other companies of the Group, which, however, are subject to the obligation of banking secrecy. These contracts relate to interbank, derivative and other banking transactions. UniCredit Bank cooperated with such companies in the issue of bonds, and also entered into client banking transactions (payment cards, current accounts, deposit products, cash payment system, etc.), all this in standard market conditions. Within standard banking relations, some lending business of UniCredit Bank is backed by bank guarantees provided by UniCredit Bank Austria AG and UniCredit Bank AG. Within the Group, there is also the provision of credit products and guarantees by UniCredit Bank, on standard conditions.

5. Acts occurring in the last financial year, which were made on the initiative of or in the interest of the controlling entity or its controlled entities, if such acts related to assets exceeding 10% of equity of the controlled entity ascertained according to the most recent financial statements,

The limit of 10% of UniCredit Bank equity, according to the financial statements at the end of 2023, was 82 310 mil CZK, exceeded in 2023 the funding provided by UniCredit Bank to UniCredit Leasing CZ, a.s. and UniCredit Leasing Slovakia, a.s. (and to their subsidiaries).

In the course of 2023, the controlling entity and/or its controlled entities deposited amounts on its accounts kept at UniCredit Bank exceeding 10% of UniCredit Bank equity. The deposits were provided on conditions which are standard in the interbank market for the relevant currency and maturity.

6. Evaluation of whether any loss was caused to the controlled entity, and assessment of the compensation pursuant to Articles 71 and 72 of Act on Commercial Corporations

The UniCredit Bank Board of Directors declares that no loss was caused to UniCredit Bank Czech Republic and Slovakia, a.s. under the concluded contracts and arrangements.

7. Evaluation of advantages and disadvantages arising from relationships between entities under paragraph 82 par. 1 of Act on Commercial Corporations

Advantages of integration of UniCredit Bank into the structure of the UniCredit Group:

A brand known internationally and reputational benefit resulting from the integration of the UniCredit Group into SIFI (Systemically Important Financial Institution).

Sharing of IT infrastructure, development, maintenance within the UniCredit Group and resulting economies of scale in the following areas:

Sharing of know-how of a major European bank and one of the most active and most significant banks in Central and Eastern Europe in the commercial area, i.e. in the development of products, introduction of business innovations, digitalisation and management of sales network.

Possible involvement in growth initiatives of the UniCredit Group, providing UniCredit Bank with support and know-how in the area of development of a strong position of a universal bank in the Czech and Slovak markets.

Human Resources Development associated with sharing the UniCredit Group's experience in European markets, possible for employees to gain practical experience in other banks or Holding's management structures, career opportunities within the UniCredit Group.

Possible to apply, in local conditions, the Sponsoring and Marketing of the UniCredit Group on the European level.

Participation of UniCredit Bank in a sophisticated system of services for international clients through International desk / International clients Units in relevant countries, and mutual cooperation of these Units in handling and dealing with the needs of international clients.

We can include the following in possible disadvantages of integration of UniCredit Bank into the structure of the UniCredit Group:
- A comprehensive organisational structure of a transnational banking group.
- Possible mutual influence from other countries, mainly in the area of reputation and perception of the UniCredit brand (Cross-border sentiment).
- More complex approval and management of IT projects in a multinational, multi-bank financial group environment.

When assessing a total influence of the integration of UniCredit Bank into the UniCredit Group, the advantages resulting from this position significantly outweigh the disadvantages. The Bank prevents actively the possible above stated disadvantages both in the form of operational measures in local management of UniCredit Bank and communication, and by building a strong 'brand' on the local level.

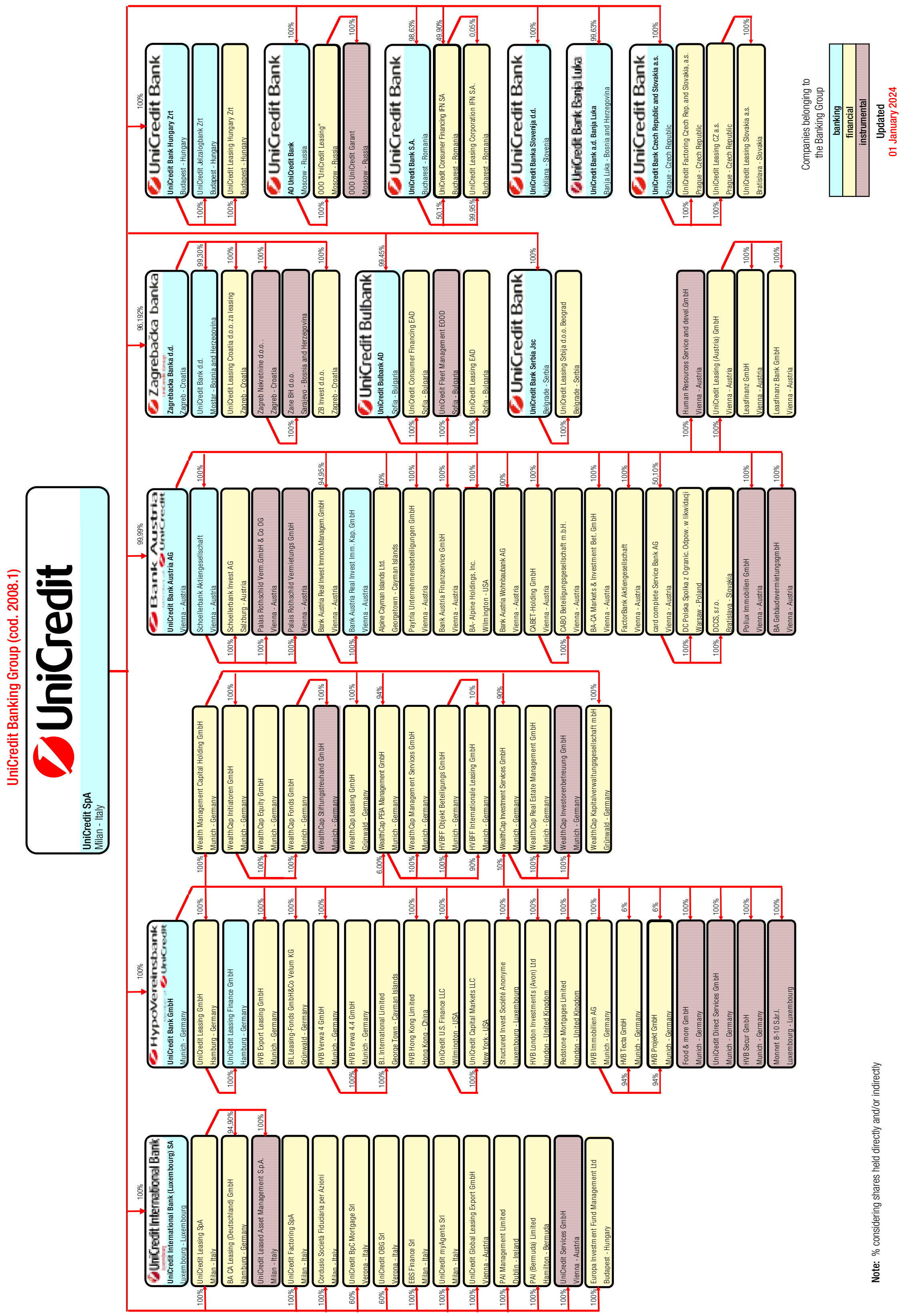
In Prague, on 24 March 2023

On behalf of the Board of Directors of
UniCredit Bank Czech Republic and Slovakia, a.s.

Jakub Dusílek Chairman of the Board of Directors	Georgia Salagean Member of the Board of Directors

Annexes:
1. Organisation Chart of the UniCredit Group

Structure of UniCredit Group



List of Branches

Czech Republic

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