# Unlocking...

A better bank
A better world
A better future

2022
Annual Reports and Accounts

Empowering Communities to Progress.

UniCredit

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

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**UniCredit Bank Czech Republic and Slovakia, a.s.**

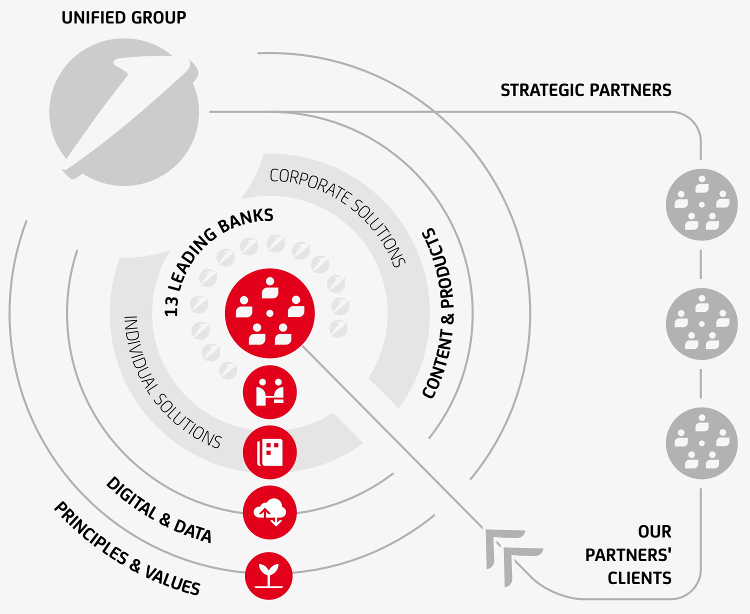
A joint stock company
Registered office: Želetavská 1525/1, 140 92 Prague 4, Czech Republic
Companies register: recorded in the Companies Register maintained by the Municipal Court in Prague, Section B, file 3608
Company ID No.: 64948242
Tax ID No.: CZ64948242

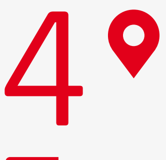
# At a glance

## UniCredit Group: who we are

UniCredit Group is a pan-European Commercial Bank with a unique offering serving 15 million clients across Italy, Germany, and Central and Eastern Europe.

Our Purpose is to **empower communities to progress.** We believe that by delivering the very best for all our stakeholders, we can unlock the potential that exists across Europe – both for our clients and our people, and for their wider communities.




COVERAGE REGIONS

15 MILLION

CUSTOMERS WORLDWIDE

## What we do

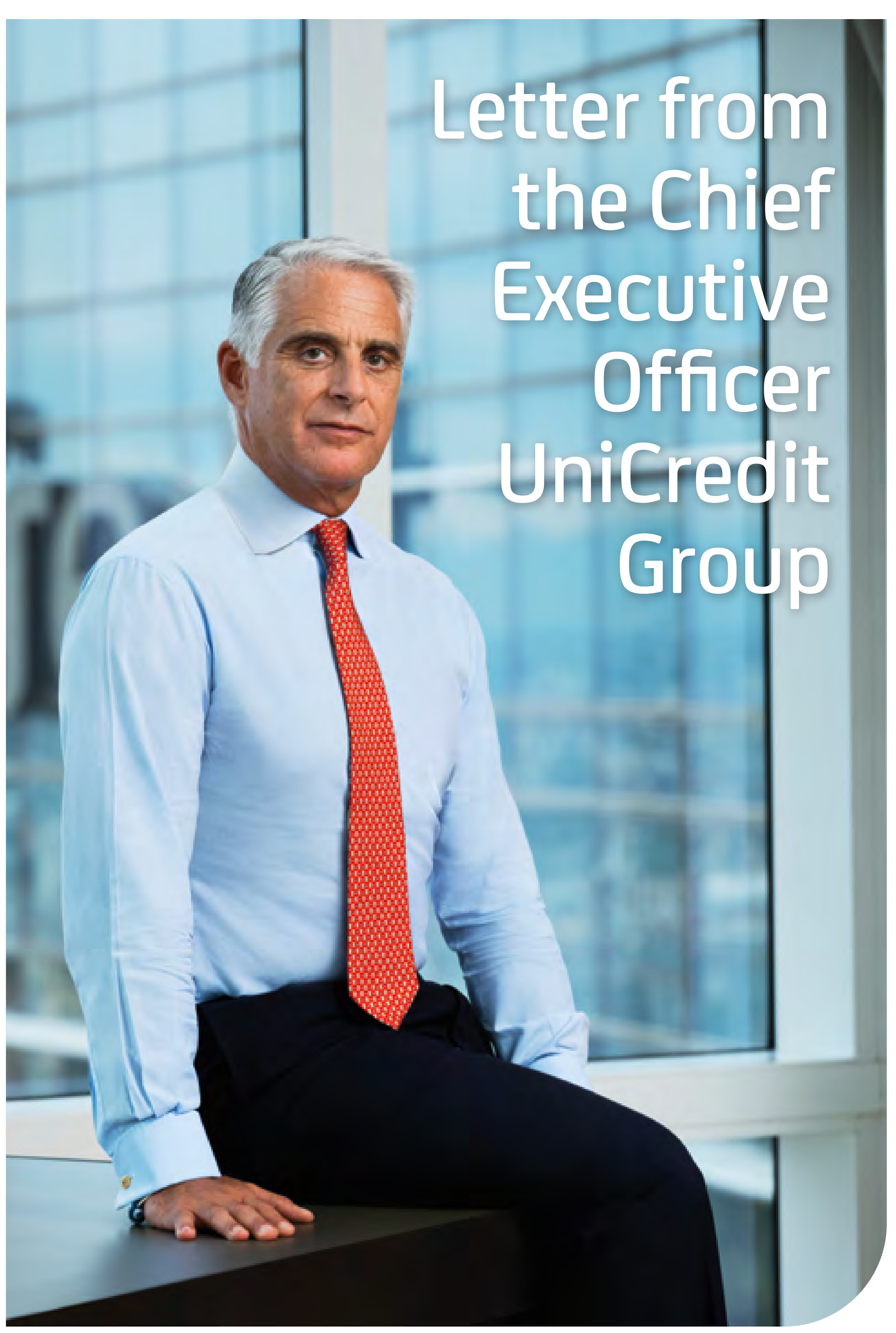
**UniCredit's ambition is to be the bank for Europe's future.** This year, we continued to transform in order to deliver that ambition, **building a better bank** that can act as a benchmark for our industry.

Our strategic plan, **UniCredit Unlocked**, is designed to ensure that we deliver for all our stakeholders: our clients; our people; and our shareholders. The plan is well underway and the foundations for sustainable, long-term success have been laid.

**We are operating as one bank, leveraging our presence across Europe and the strength of our collective to offer the very best to all our stakeholders.** Everything we do is underpinned by a commitment to ESG principles. We are determined to play a part in creating a sustainable future for our planet, and this ambition drives all our actions and decision making.

**This year, we have seen the impact of our transformation, evidenced in our strong financial performance, delivering above all the goals we set out in UniCredit Unlocked.** It is also evidenced in how we have delivered for our stakeholders and, ultimately, on our Purpose of empowering communities to progress.

Photo Andrea Cherchi



# Letter from the Chief Executive Officer UniCredit Group

I am determined that UniCredit is an institution which lives by the principles we have set for ourselves, as we have done throughout 2022. We have confronted challenges head-on and because of the proactive steps we have taken, we are primed to seize all opportunities as they arise.

## Dear Stakeholders,

When we look back on UniCredit's journey, 2022 will be seen as a pivotal year. It was the year that we executed on the fundamental aspects of UniCredit Unlocked that have strengthened our bank further. It was the year we laid the foundations for future successes. And it was the year we transformed our bank.

The UniCredit of today is a different organisation from a year ago. This is not because of a change in any of our bank's fundamentals; it is because of the growth and value we have driven and created from within. The assets that gave us our innate strength and potential a year ago remain today: UniCredit continues to have an extensive talent pool, fantastic clients and a pan-European reach. But we are a different bank.

We are different because of what we have done with those ingredients. UniCredit Unlocked has changed the way we are utilising our bank's fundamental assets. Through 2022, we transformed our operating model, to one which empowers our people and gives our clients what they are asking for. One which unleashes the very best of what our bank has to offer, and one which focuses on growth rather than retrenchment.

Critically, in 2022 UniCredit Unlocked changed our organisation's culture and our mindset. We are now a forward-looking bank, one that is ambitious about the future and achieving sustainable growth. We are winning.

This mindset change is what is driving our ability to serve clients, deliver success for all our stakeholders, and become the bank for Europe's future. We have much more to do before we achieve that ultimate ambition, but we are now a bank that is operationally capable of delivering on such a bold ambition.

As the last year has shown more than ever, the world in which we live is a complicated and rapidly evolving one. The only thing that can be certain is uncertainty itself. As always, but especially in such an environment, we must return, unfailingly, to our principles and values.

I am determined that UniCredit is an institution which lives by the principles we have set for ourselves, as we have done throughout 2022. We have confronted challenges head-on and because of the proactive steps we have taken, we are primed to seize all opportunities as they arise.

This has led to some difficult decisions, but they are decisions guided by integrity and which we would return to again and again.

We are setting a new benchmark for the banking industry, with a focus on long-term value creation, sustainability, resilience and inclusion.

# Strong foundations

At the start of the year, our ambition was deemed too steep by many. Our plan was too difficult. Yet despite all the challenges 2022 provided, it will be remembered as a year we beat all our targets - with a generous margin.

We have moved quickly, outperforming our plan and executing on our industrial transformation in record time, with a team that are motivated by a shared ambition and passion.

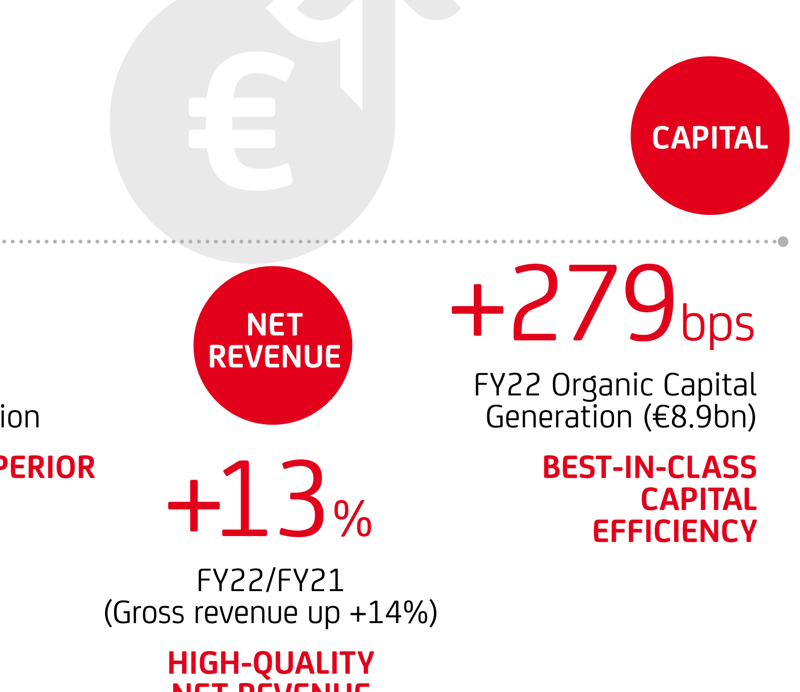
We have strengthened our two best-in-class product factories, which can be leveraged by each of our 13 banks. This is a proven model that is difficult for our competitors to replicate.

We have begun to optimise and update our legacy infrastructure, so that we can build a fully digital and data driven organisation which is fit for the future.

We have delivered on our ESG objectives, and remain steadfast in our commitment to reach 150bn new ESG volumes by 2024, 10bn of which will be social finance, and our plan to reach net zero on financed emissions by 2050 and on our own emissions by 2030. Our ESG commitments are a critical aspect of our ability to set a new benchmark for banking and become a bank for the future, and we are determined to do even more and go further in coming years.

All our actions on industrial transformation are directly connected to our financial performance and financial KPIs through which we manage the three levers of cost, net revenue and capital. Today we are a bank that grows profitably and sustainably, is efficient, generates outsized capital organically, and has a robust balance sheet and capital. We are achieving the best results in UniCredit's history. In Q4, we announced FY22 net profit[1] of 5.2bn and we are now in our eighth quarter of year-over-year growth.

1. Net Profit with UniCredit Unlocked methodology (means the stated net profit adjusted for AT1 and CASHES coupons and impacts from DTAs tax loss carry forward contribution)




**-2%**

FY22/FY21
Targeted reduction

**TARGETED, SUPERIOR OPERATIONAL EXCELLENCE**

**+13%**

FY22/FY21
(Gross revenue up +14%)

**HIGH-QUALITY NET REVENUE GROWTH**

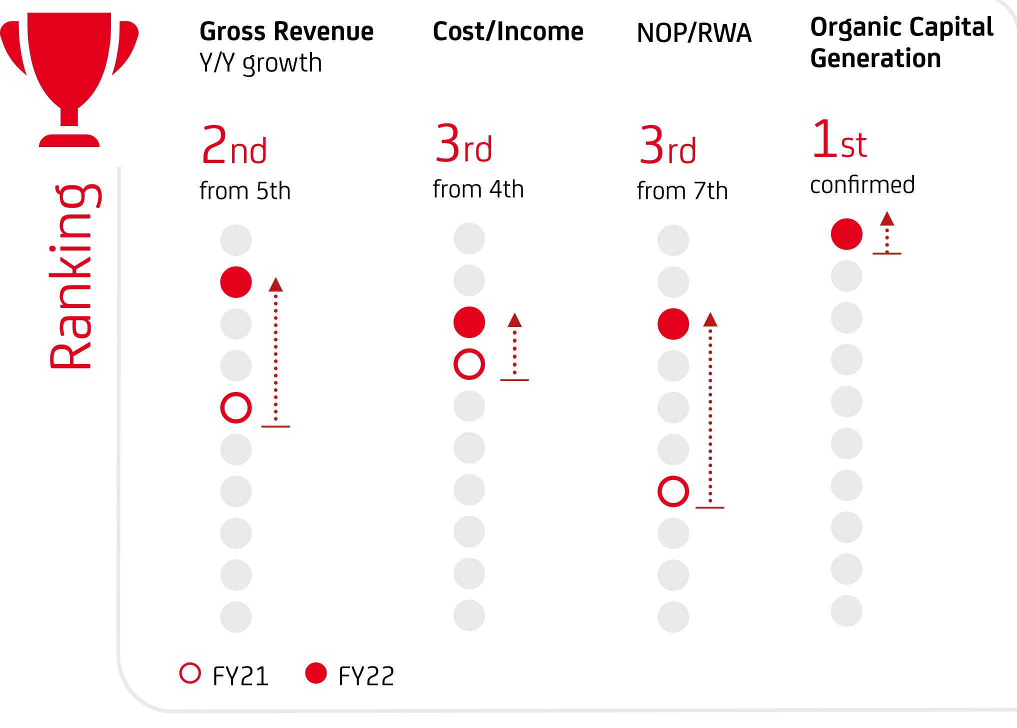
**+279bps**

FY22 Organic Capital Generation (€8.9bn)

**BEST-IN-CLASS CAPITAL EFFICIENCY**

In comparison to our peers, we have top tier top-line growth, operating efficiency, and unrivalled organic capital generation. We have one of the highest CET1 ratios, one of the highest quality credit portfolio and coverage, and the highest forward-looking precautionary overlays.

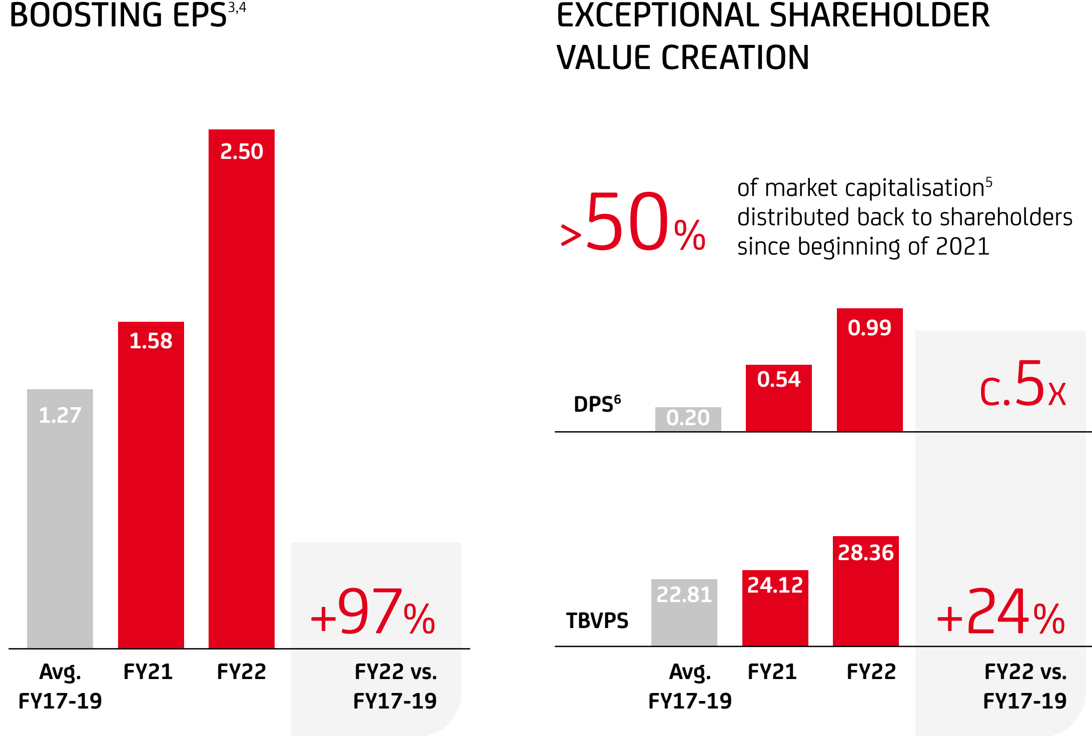
## MOVING AT AN ACCELERATED PACE VS. PEERS ACROSS ALL LEVERS[2]




2. **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

Our results throughout the year are evidence of industrial transformation and execution of strategy across all levers which gives us the ability to withstand shocks and to deliver sustainable and attractive shareholder distributions. Our results, and their quality, allow us to propose a total 2022 shareholder distribution of 5.25 billion euros, up 40% year on year, pending shareholder and supervisory approvals.

At the same time, we are delivering exceptional per-share value creation. Our net profit growth has been enhanced by share buy-backs, nearly doubling EPS versus our historical run-rate, with DPS five times higher, and tangible book value per share up nearly a quarter.




Figures Group including Russia

3. Net Profit with UniCredit Unlocked methodology (for 2022 means the stated net profit adjusted for AT1 and CASHES coupons and impacts from DTAs tax loss carry forward contribution; for 2021 also adjusted for non-operating items); FY17-2019 Group excluding Turkey and Fineco Bank for comparison purposes.
4. EPS is calculated using Net Profit as per the definition above, divided by the average diluted shares in the period.
5. FY22 distribution subject to supervisory and shareholder approvals.
6. FY22 DPS best estimate, please refer to the FY22 results press release for additional details.

# Face the future

It is difficult to predict what is to come in 2023, but the progress we have made this year gives me confidence in our ability not just to face the future, but to capture the opportunities that this environment will present. We have achieved a great deal, but there is so much more value still within our bank that needs to be released. In 2022 we transformed our bank, but I am confident that was just the beginning, and we will go on to achieve much more.

There is no doubt that great challenges lie ahead, for organisations individually, but also for Europe as a whole. If we are to unleash the full potential of Europe as an economic bloc, we must come together more fully than we have done to date. The benefits of greater integration will be exponential and enable us to compete on the world stage – in a way that we are not at the moment.

For us at UniCredit, when we face the challenges ahead, we will return to two things.

The first is our strong foundations, now liberated to thrive and release their potential, as well as the innate strength that comes with being a pan-European bank. Our presence and reach across the continent enables us to leverage the benefits that come with scale. We have seen throughout 2022 how our offering to clients is maximised exponentially when shared across our 13 banks.

The second is our desire to set a new blueprint for banking, one which is guided by principles and values, and determined to create success for all stakeholders for the long-term. This is what we will return to, time and again, when we are carving our path through a challenging time. I firmly believe that if we adhere to these, we will succeed. And more than that, we will win: for our clients, our communities, and our investors.

This is the bank that UniCredit is becoming: a better bank. In 2022, we took incredible steps towards that goal, and I know that much more is to come in 2023.

I extend my sincere thanks to you all for your support on this journey. I am grateful to the Board, our investors, the UniCredit team, as well as our clients and those communities that we serve for staying with us and supporting us as we move into the next phase of our growth, building on what we achieved in 2022.

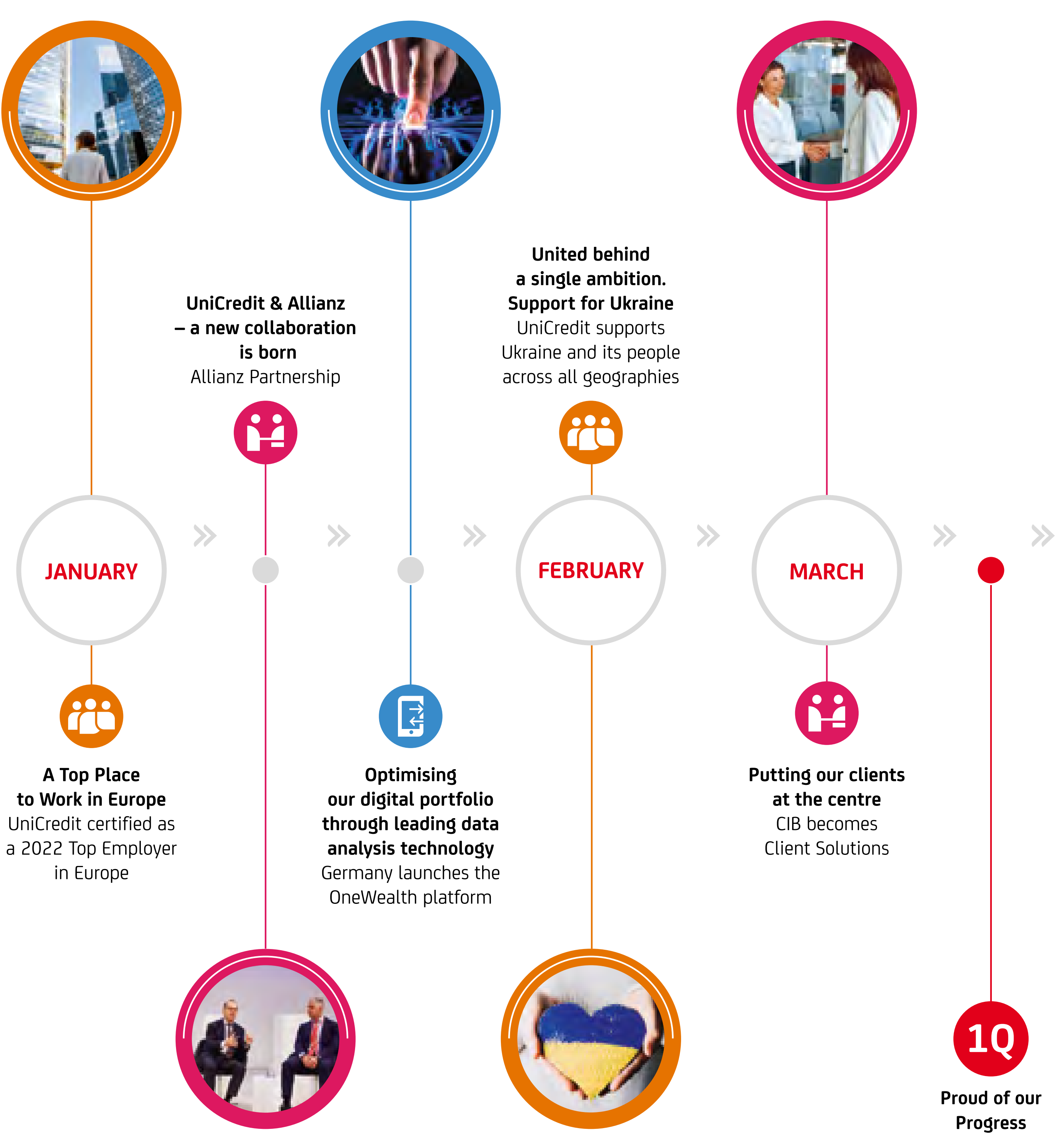
It is the team's commitment that has enabled us to deliver what is not only an incredible organisational transformation, but a better way of operating as an industry for the whole of Europe.

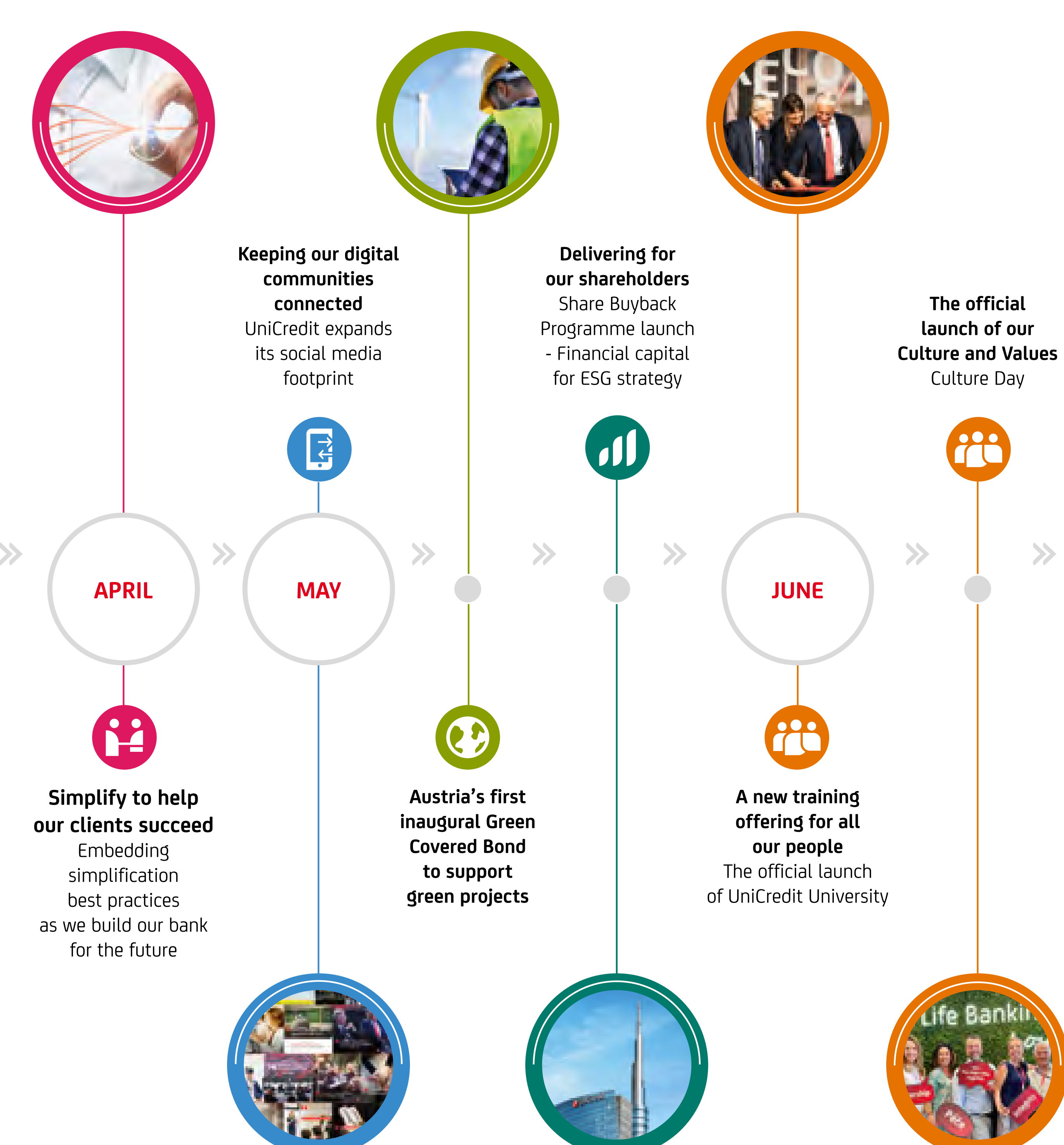
2022 was the year we laid the foundations for this success, and I have no doubt 2023 will be the year we capitalise on them.

Thank you,

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

# Our key 2022 milestones - while delivering record results






**Keeping our digital communities connected**
UniCredit expands its social media footprint

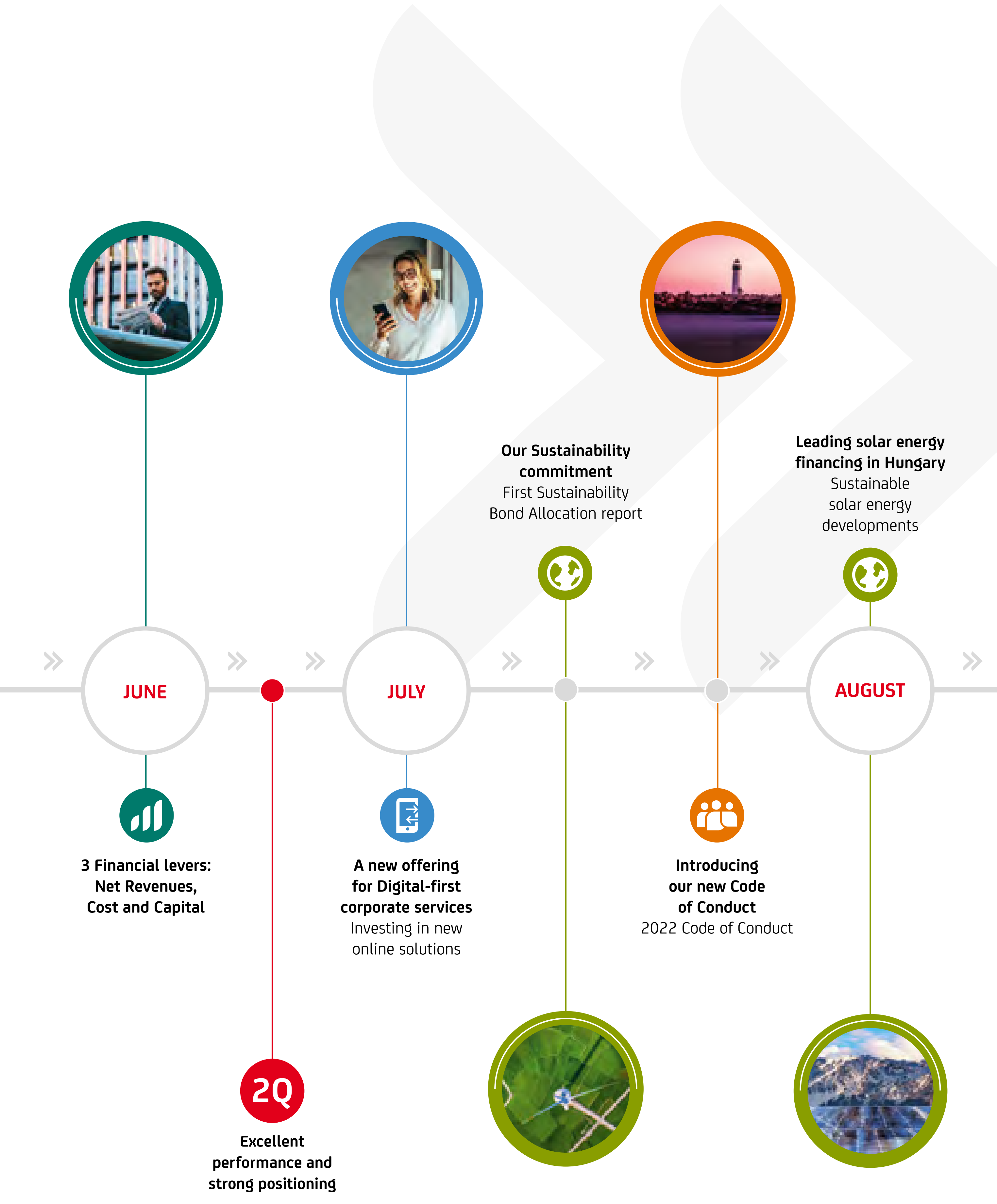
**Delivering for our shareholders**
Share Buyback Programme launch - Financial capital for ESG strategy

**The official launch of our Culture and Values**
Culture Day

**Simplify to help our clients succeed**
Embedding simplification best practices as we build our bank for the future

**Austria's first inaugural Green Covered Bond to support green projects**

**A new training offering for all our people**
The official launch of UniCredit University


JUNE
3 Financial levers:
Net Revenues,
Cost and Capital
2Q
Excellent
performance and
strong positioning
JULY
A new offering
for Digital-first
corporate services
Investing in new
online solutions
Our Sustainability
commitment
First Sustainability
Bond Allocation report
Introducing
our new Code
of Conduct
2022 Code of Conduct
Leading solar energy
financing in Hungary
Sustainable
solar energy
developments
AUGUST

**Empowering our employees with collaboration tools**
A Group-wide Digital transformation through cloud technology

**Reducing our carbon footprint: one ESG commitment at a time**
UniCredit signs up to Sustainable STEEL Principles to promote greener steelmaking

**Investing in our future generations**
Announcing a Partnership with Teach For All

**Our commitment to individuals and SMEs**
UniCredit per l'Italia

**A market leader in financing for renewables**
UniCredit Serbia leads renewable project financing

**3Q**

**Proof of a transformed UniCredit**

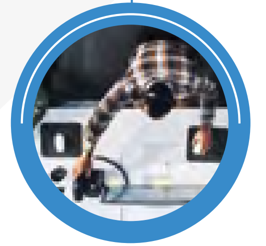
EDGE
ASSESS
CERTIFIED
Living Digital Days
OCTOBER
Prioritising gender equity across our bank
UniCredit obtains EDGE Certification
Another step in our journey to Net Zero
UniCredit is the first bank in Europe to obtain the ESG GRESB scoring on its corporate real estate portfolio
Building an integrated, fast and Digital bank
Living Digital Days
The beginning of a new era for UniCredit
Launching the onemarkets Fund
Empowering Bulgarian corporates and SMEs
First securitisation deal in Bulgaria
Culture Roadshow
Our Culture Manifesto in action
NOVEMBER
Next-generation Wi-Fi for all
Network efficiency across all our premises

**Embedding DE&I in everything we do**
Diversity, Equity & Inclusion Week

**Unlocking the potential of Europe's next generation**
UniCredit Foundation relaunch

**DECEMBER**

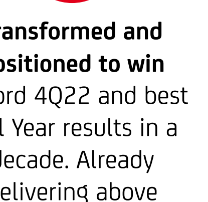
**Data stands behind our improved customer service**
Building a better data-driven bank



**UniCredit & Azimut – a new collaboration is born**
Strengthening competence and driving scale and synergies

**Creating an enhanced Digital experience for our retail clients**
A new approach to doing business

**UniCredit Unlocked one year anniversary: posting a record year, well ahead of UniCredit Unlocked**




**Transformed and positioned to win**
Record 4Q22 and best Full Year results in a decade. Already delivering above UniCredit Unlocked

# Financial Highlights & Milestones

## FY22 confirmed UniCredit Group is already a transformed bank. UniCredit Unlocked the right strategy.

**PEOPLE & ORGANISATION - THE RIGHT WAY TO WIN TOGETHER**

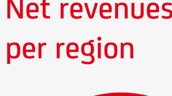
- Building an ecosystem to deliver grow by removing silos and having 2 product factories
- Streamlining processes and empowering people within a clear framework
- Delayering the organisational structure to move closer to the client

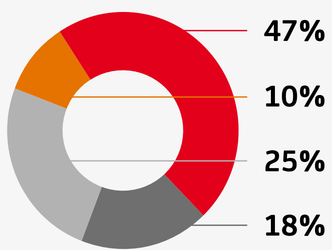
**PRINCIPLES & VALUES**

- Acting with clear Values and embedding our principles, Values and ESG in everything we do
- Support communities and clients in a just and fair transition
- Establish clear KPI's, i.e. NET ZERO set targets on first three priority sectors and accompanying our clients on their transition journey

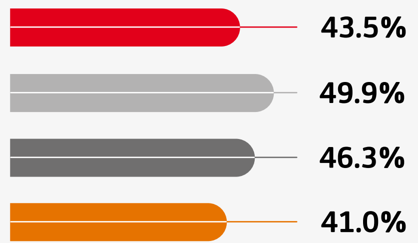
**INVESTORS - ATTRACTIVE BANK DELIVERING 2022 BEST-IN-CLASS SUSTAINABLE RETURNS AND CAPITAL GENERATION**

- +279 bps Organic capital generation
- RoTE above 10.7%
- Risk management - CoR at 41bps
- CET1r (stated) 16.0%

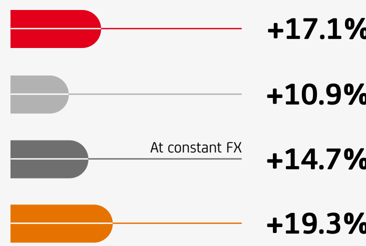


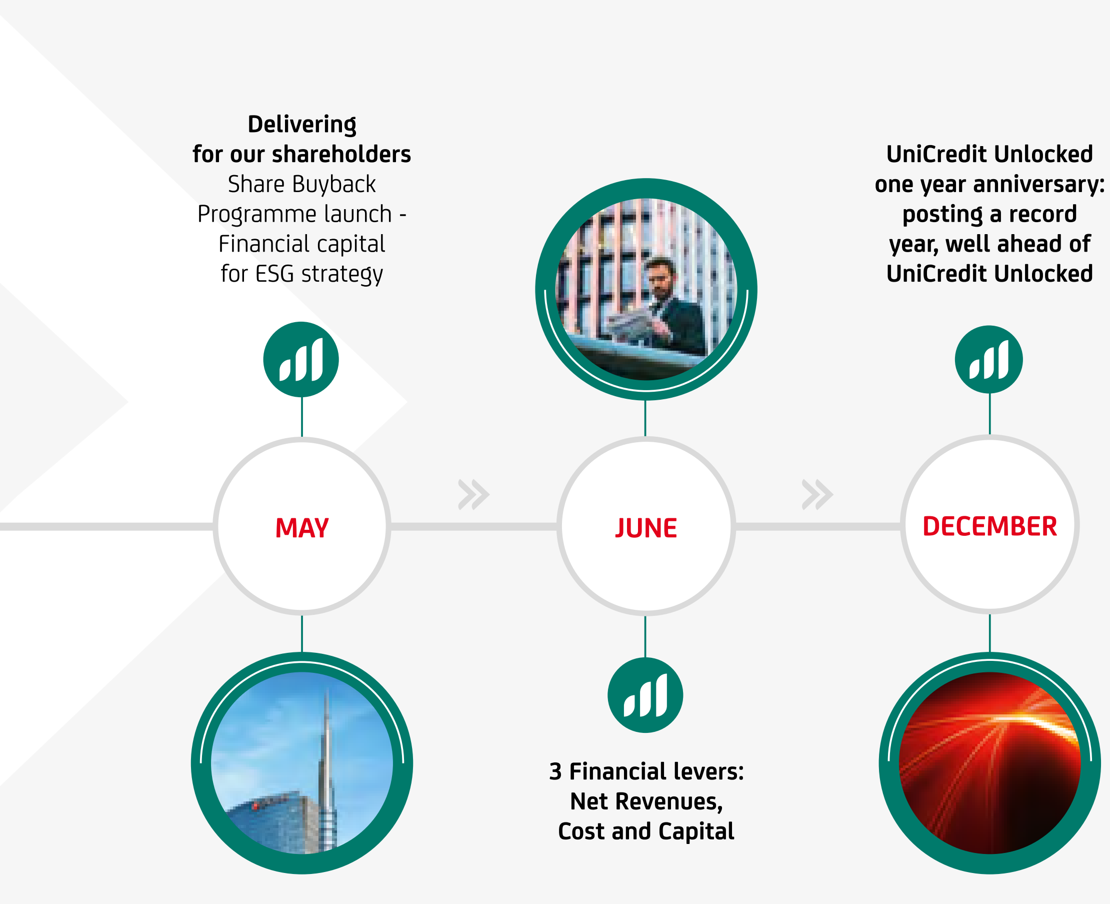

### Cost - CIR (cost income ratio) per region




### RoAC per region




● Italy ● Germany ● Central Europe ● Eastern Europe




# Our financial results.
# Transformed and positioned to win.

**GROW**

18.4bn net revenues. 13% Y/Y

**STRENGTHEN**

FY22 CET1r stated capital up to 16.0%

**DISTRIBUTE**

Proposed distribution for 2022 at 5.25bn[1], up 40%

**OPTIMISE**

Strong cost management with CIR at 47.0%

1. Pending Shareholder and supervisory approval

# Delivering for our shareholders - Sustainable Distribution and Capital strength

During the year, we delivered on our commitment of a 2021 shareholder distribution of 3.75 bn.

Thanks to our strong financial performance in 2022 and the best year in over a decade, we have proposed a total capital distribution of 5.25bn[1], with a 1.91bn cash dividend and 3.34bn share buyback – a 40% growth in distribution. Together with 2021 this already translates to almost 60% of our at least total 16bn capital distribution ambition for 2021-2024.

The distribution is more than comfortably funded by our superior organic capital generation of 279 basis points, well ahead of the plan. Even pro forma for the distribution, our CET1 ratio will be 14.9%, 78 basis points higher versus prior year.

Throughout the year, UniCredit Group produced strong financial results while taking proactive actions during a macroeconomically challenging year to protect our ability to deliver sustainable and attractive distribution to our shareholders while maintaining best-in-class capital strength.

For 2023 we are assuming a mild recession as our base case with UniCredit Group being well-positioned and ready to navigate and continue delivering excellence and growth under any scenario.

1. Pending Shareholder and supervisory approval

# 3 Financial levers - Net Revenues, Cost and Capital

UniCredit Unlocked is a plan rooted in our solid foundation and is built upon capital efficiency.

Our financial ambitions are steered through 3 interconnecting levers – costs, net revenues and capital – being largely under our management control.

The optimisation of our 3 key financial levers will continue to result in profitable growth and organic capital generation.

**COSTS** – our cost base at year-end was 9.6 bn, translating to a 47.0% cost/income ratio. This was the result of our relentless focus on managing expenses, despite the unexpectedly high inflation we faced across our geographic footprint. This is partly thanks to early proactive measures taken. With our cost efficiency, we delivered positive operating leverage while funding investments supporting our digital transformation, hiring over 1,400 FTEs for strategic areas and while also supporting our people through inflation relief.

**NET REVENUES** – our net revenues stood at 18.4bn – increase of 13% Y/Y. This KPI ensures that our growth does not come at the expense of sound risk management and that we increase our focus on capital-light business/fee business, also by leveraging our simplified partnership model (insurance fee business).

**CAPITAL** – Our organic capital generation of 279 basis points is well above our guidance of an annual average of around 150 basis points, and delivered via a net profit of 5.2 bn and through proactive RWA management without impacting revenue growth. Over the course of FY22 we achieved a total of 19bn of RWA reduction via active portfolio management. Efficient capital allocation remains a priority focus to manage RWAs, enhancing return on capital and supporting organic capital generation.

# UniCredit Unlocked - RoTE

UniCredit Unlocked outlined our vision to be the bank for Europe's future. It set a new benchmark for the banking sector and we are confident that this is the right strategy for all our stakeholders. We continue to focus on our transformation to unlock further value from an improved baseline.

Since we launched this plan in December 2021, the bank has already visibly transformed and is a structurally improved bank – we have the right strategy for sustainable growth, a clear path to a stronger RoTE and the ability to meet capital distribution ambitions.

Our best results in over a decade and the eight consecutive quarters of quality growth were achieved despite the challenging macro environment of 2022 and without compromising on our risk management. We have maintained our proactive approach in identifying and addressing emerging risks, e.g. our prudent and decisive response to de-risk our Russia exposure at minimum cost as well as our proactive overlays on sectors impacted by supply chain constraints and high energy prices.

We have a financial ambition of a RoTE of around 10% by FY2024. For FY22 we delivered a RoTE of 10.7% (12.3% RoTE at a 13% CET1 ratio), already above our UniCredit Unlocked target.

Throughout the year we managed to increase the profitability in all our regions to above 10% RoAC - each of them already operating above their cost of equity.

# Our Strategy:

## one year into UniCredit Unlocked

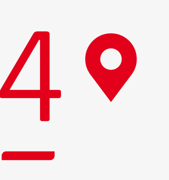
UniCredit is a transformed group, with a clear vision and winning strategy: moving at an unprecedented pace, ready to face and take advantage of the future.

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

# 13 leading Banks with unrivalled distribution power and truly diverse talent

13 Banks[A] Embedded in the fabric of Europe, positioning:

| #2 | #3 | #2 | #1 |
|---|---|---|---|
| Italy | Germany | Central Europe [B] | Eastern Europe [C] |



4

COVERAGE REGIONS

15 MILLION

CUSTOMERS WORLDWIDE

# Unlocking the full potential of the franchise

**UNIQUE AND DIVERSE TALENT BASE**[D]

**International mindset**

33% International presence in BoD

64% International presence in Group Executive Committee

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

**Gender balance**

42% Female presence in BoD

43% Female presence in Group Executive Committee

36% Female presence in Leadership team

A. Refer to the Business Model chapter in the Integrated Report for further information.
B. Central Europe includes Austria, Czech Republic, Hungary, Slovakia and Slovenia.
C. Eastern Europe includes Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Russia and Serbia.
D. Figures related to Board refer to Board members in office as at February 7, 2023.

A year ago we set our Purpose of empowering communities to progress and set out our **UniCredit Unlocked strategic plan**. The goal of our strategy is to unlock the value inherent in UniCredit via an industrial transformation combined with three financial levers of net revenue growth, operational efficiency and capital efficiency.

# Defining a clear vision and winning strategy

**DELIVERING FOR ALL OUR STAKEHOLDERS IS AT THE BASIS OF OUR VISION: TO BE THE BANK FOR EUROPE'S FUTURE**

**COMMUNITIES**
Empowering Communities to Progress.

**PEOPLE**
Win.
The Right Way.
Together.

**INVESTORS**
Quality Growth.
Operational and Capital Excellence.
Best-in-class Sustainable Returns and Capital Generation.

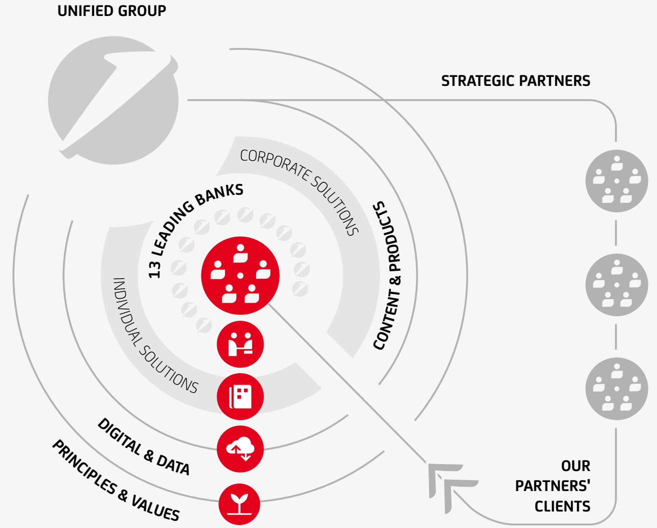
We are deeply embedded in our **Communities**, helping them to deliver their full potential by acting as an engine of individual and collective growth. Our **Clients**, spread across the communities of Europe, are at the heart of our strategy - we exist to serve them.

A reliable partner in life is what our **People** are asking of us. They want an institution they can trust, an environment in which they can flourish as individuals and professionals and a business they feel proud to work for, providing them with the tools to deliver an exceptional service to clients.

We are delivering growing and sustainable returns for our **Investors** and achieving consistently excellent results against clear financial KPIs across our three levers - cost, net revenue and capital.

**UNWAVERING COMMITMENT TO UNICREDIT UNLOCKED, THE RIGHT STRATEGY FOR US AND OUR ANSWER TO THE FUTURE OF BANKING**

# UniCredit Unlocked




Our **strategy is based on our vision** and tailored to our strengths and **complemented** by an **ecosystem** built around five industrial levers.

## CLIENTS

Our clients are our most important asset - 15 million of them, with 14 million retail and a distinctive strength in the value accretive affluent sector. Both for our clients and our best-in-class partners, we represent a gateway to Europe.

**Our ambition:** to increase the number of clients, and serve them cohesively, answering to their needs through best-in-class products and service.

## PEOPLE AND ORGANISATION

Our Bank is built on the strong foundations of 13 local banks. The banks enjoy an unmatched heritage and untapped potential with a solid connection to clients and communities. We respect local banks and their unique identities while we unify them to release the power of this collective, turning UniCredit into something greater than the sum of its parts.

**Our ambition:** to have PROUD, MOTIVATED and EMPOWERED people that act as OWNERS, enabled to best serve our clients by the tools we provide.

## CONTENT AND PRODUCTS

Our Banks can leverage two best-in-class product factories: Corporate and Individual Solutions. Our winning and distinguishing factors are pan-European coverage, a unique cross-border positioning allowing us to attract the best talent and partners and achieve scale.

**Our ambition:** We are reconfiguring the critical, high-value elements of the value chain in each of our core product areas, adding more external partners to our ecosystem to deliver solutions tailored around client needs.

## DIGITAL AND DATA

We are optimising our digital and data infrastructure which has the strong potential of allowing for economies of scale. We are progressively internalising our technology and skillset and continuously strengthening our cyber security and defences.

**Our ambition:** to build a fully digital and data-driven organisation, with digital transformation as a key enabler of clients and people.

## PRINCIPLES AND VALUES

We are striving to change our Culture by shifting the mentality of the organisation based on three core Values of Integrity, Ownership and Caring. Within a clear risk and control framework, we are empowering our people to unite behind a unique, common Purpose and vision.

**Our ambition:** Purpose, Culture and ESG commitments to unite and guide our people towards shared objectives and empowering communities to progress[1].

1. Our ESG Strategy is fully described in a dedicated paragraph of the Integrated Report.

# Executing an ambitious industrial plan

## Optimise today

Ahead of plan and outperforming peers, taking actions against opportunities and challenges.

**LEVERAGING OUR SOLID FOUNDATIONS AND IMPLEMENTING AN INDUSTRIAL TRANSFORMATION: SELECTED HIGHLIGHTS**

**PEOPLE & ORGANISATION**

Lean flexible disciplined group acting as one with clients at the centre

**Simplifying the organisation**

From 5 siloed business divisions to 4 coverage regions

**Delayering the organisation**

**−28%**
structures, moving closer to clients

**Empowering people**

**−60%**
number of managerial committees

**Streamlining processes**

**65%**
delegations with increased thresholds, empowering local decision-making within clear framework

**CONTENT & PRODUCTS**

Strategy with solutions tailored around client needs

**Refocusing CIB**

From siloed CIB to two factories focused on product development providing quality and range unmatched by local players to clients unreached by global players

**Reinforcing factories**

Hiring of key Managing Directors and Graduates in Corporate Solutions

**Creating an ecosystem**

Key milestones in creating an ecosystem of best-in-class partners and internalising high margin products value chain

**Azimut + Allianz + onemarkets Fund + CNP + ZB Invest**

**DIGITAL & DATA**

Internalised technology and skillset, gradually optimising

**Resilient cyber-security**

**−35%**
major security incidents, from an already low level (Y/Y)

**Take back control**

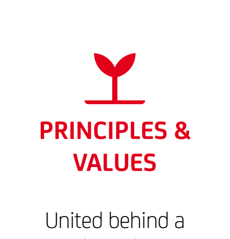
**545**
FY22 digital hires: mainly tech specialists

**New way of working**

**18**
initiatives running in Agile

**Data-driven organisation**

**+20 p.p.**
Group banking processes under unified data governance, improving data quality



**PRINCIPLES & VALUES**

United behind a single ambition and Purpose

**Clear Values embedded in everything we do**

Group Culture Day, Culture Roadshow, Culture Network & Learning, DE&I focus, People listening as concrete steps to make our new Culture a reality.

**Lead by example**

New lending towards high impact / disadvantaged areas

**11.4bn**
**Green**[2]

**4.8bn**
**Social**[2]

**Establish clear KPIs**

Net Zero: set targets on first three priority sectors and accompanying our clients on their transition journey

2. Including ESG-linked lending.

### FINANCIAL PERFORMANCE

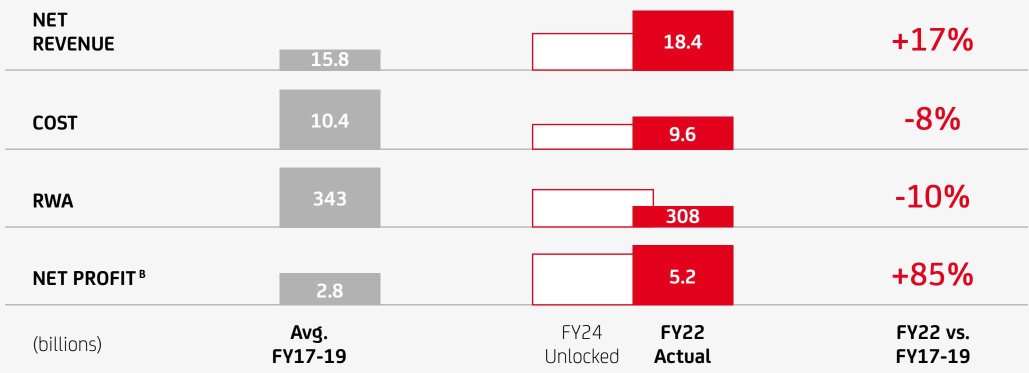
Our actions are directly connected to our financial KPIs through which we manage the three levers of cost, net revenue and capital.

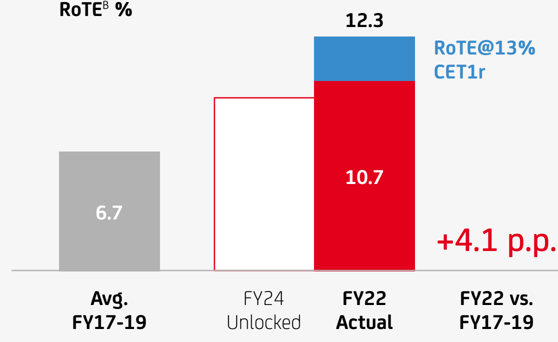
Together, these levers drive RoTE and organic capital generation, giving us the ability to withstand shocks and to deliver sustainable and attractive shareholder distributions.

The laser-focused balance of quality top line growth and capital efficiency combined with operational efficiency drive the foundations of our planned distribution

It is a virtuous circle and a fundamentally different way of assessing financial performance - different from our peers and very different from the UniCredit of the past.

## Consistent performance surpassing targets across all levers[A]




A. Figures Group including Russia; Avg. FY17-19 based on simple average of recasted figures of Group excluding Turkey and Fineco for comparison purposes; 2024 UniCredit Unlocked figures as presented in December 2021.
B. Net Profit and RoTE with UniCredit Unlocked methodology (stated net profit adjusted for AT1 and CASHES coupons and impacts from DTAs tax loss carry forward contribution.).

### EACH REGION IS DELIVERING AHEAD OF THE PLAN AT ACCELERATED PACE

- **Italy:** strong performance despite continued investments and balance sheet strengthening
- **Germany:** continued momentum of a fully transformed, efficient and capital generating bank
- **CE:** profitable franchise with Austria industrially transforming
- **EE:** maintaining highest profitability and top notch cost efficiency, proving resiliency of the franchise

| FY2022 vs FY2021[C] | GROUP | ITALY | GERMANY | CENTRAL EUROPE | EASTERN EUROPE | RUSSIA |
|---|---|---|---|---|---|---|
| **NET REVENUE** | | | | | | |
| **NET REVENUE** | **18.4bn** +13% | **8.7bn** +18% | **4.7bn** +7% | **3.3bn** +22% | **1.8bn** +16% | **0.4bn** -66% |
| o/w Gross revenue | 20.3bn +14% | 9.0bn +7% | 5.0bn +13% | 3.5bn +16% | 2.0bn +11% | 1.3bn +86% |
| **COST** | | | | | | |
| **C/I RATIO** | **47.0%** -7.5 p.p. | **43.5%** -3.8 p.p. | **49.9%** -10.0 p.p. | **46.3%** -8.7 p.p. | **41.0%** -1.6 p.p. | **22.5%** -18.3 p.p. |
| Cost Y/Y growth | -2.0 % | -1.3 % | -5.7 % | -2.9 % | +6.7% | +2.7% |
| **CAPITAL** | | | | | | |
| **ORGANIC CAPITAL GENERATION** | **+279bps €8.9bn** | **+151bps** | **+52bps** | **+43bps** | **+23bps** | **+8bps** |
| **RoAC/RoTE @13% CET1r (Group)** | | | | | | |
| FY2022 | **12.3%** | **17.1%** | **10.9%** | **14.7%** | **19.3%** | |
| FY2021 | 8.6% | 11.1% | 7.7% | 12.0% | 16.5% | |

C. For Central Europe, Eastern Europe and Russia, year on year comparison at constant fx.

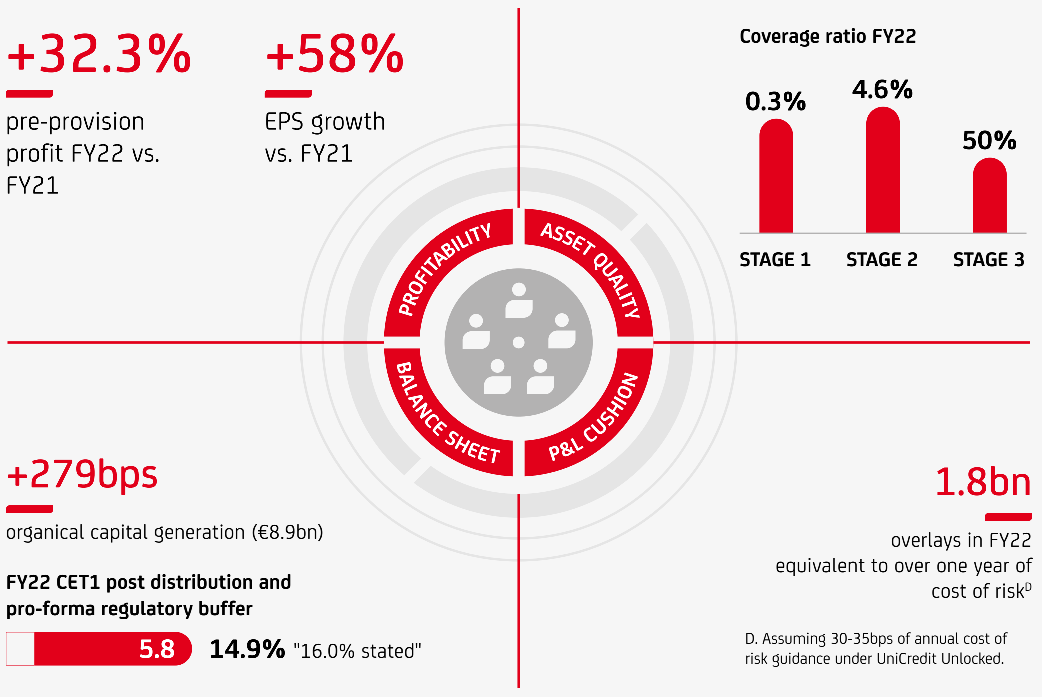
# Laying the foundations to win in an uncertain future

## Build for tomorrow

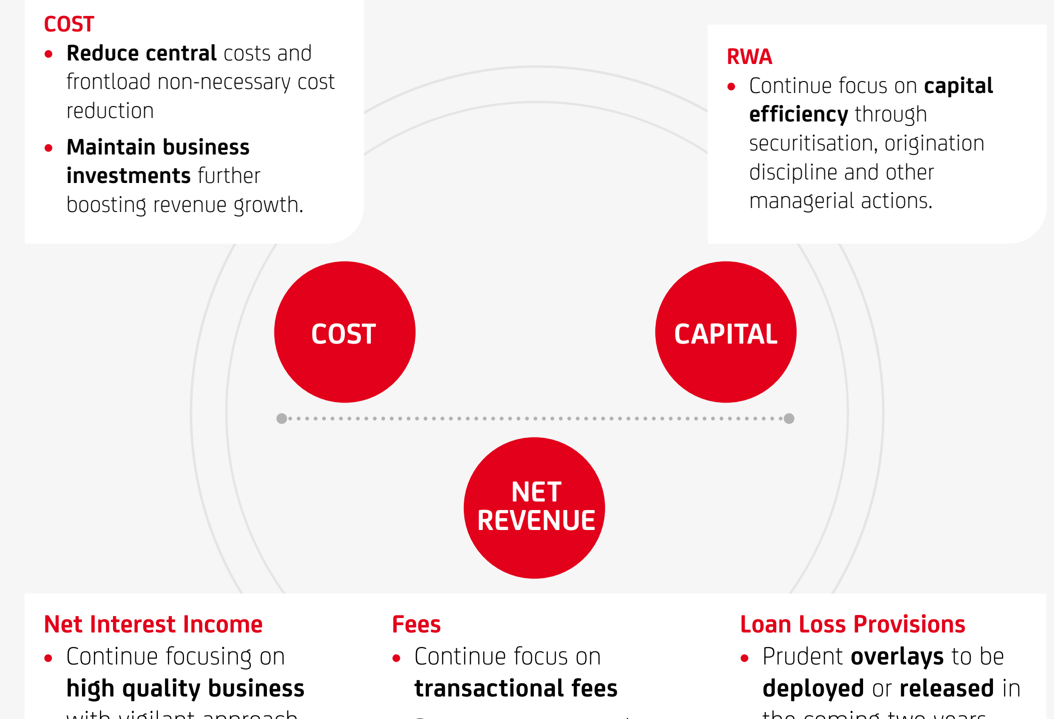
### Ready to accelerate into the future.

**While delivering consistent results quarter after quarter**, we have prudently built robust lines of defence in order to prepare for future and potential macroeconomic impacts:

- portfolio is well-provisioned
- forward looking overlays, increased in 4Q, now at €1.8bn. Equals more than 1 year of cost risk (assumed at 30-35bps in UniCredit Unlocked)
- step change in pre-provision profitability reflecting quality and capital efficiency and operational efficiency
- unmatched capital position.




We continue preparing for an uncertain future with pre-emptive actions across all levers.




**COST**

- **Reduce central** costs and frontload non-necessary cost reduction
- **Maintain business investments** further boosting revenue growth.

**RWA**

- Continue focus on **capital efficiency** through securitisation, origination discipline and other managerial actions.

**Net Interest Income**

- Continue focusing on **high quality business** with vigilant approach on new business
- Benefit from a **robust portfolio** geared to **rising rates**.

**Fees**

- Continue focus on **transactional fees**
- **Boost payment** and **individual solution fees** via ad-hoc initiatives
- **Boost advisory fees** increasing penetration in the SMEs space.

**Loan Loss Provisions**

- Prudent **overlays** to be **deployed** or **released** in the coming two years
- **Reduce exposure to Russia**; focus on orderly de-risk shall continue.

# Unlocking...

# A better bank

## A better world. A better future

In 2021, we began **UniCredit's transformation**, unlocking the potential of the bank and of all its stakeholders. In 2022, the transformation accelerated as we harnessed that potential to continue building **a better bank**. A bank where every action and every ambition has been **your story and our story**. Today UniCredit is **a better bank** thanks to our clients, our people and our communities as together and united we strive **for a better world and for a better future**.

ESG

Navigating the sustainable transition is a key part of empowering our communities to progress. In 2022, UniCredit continued to support its clients and communities in the transition towards a fairer and more sustainable future.

In line with our Net Zero commitment, we became the first bank in Italy to sign a corporate power purchase agreement with a specialist green power producer for our core data centres, and the first bank in Europe to obtain the Global Real Estate Sustainability Benchmark scoring on its corporate portfolio.

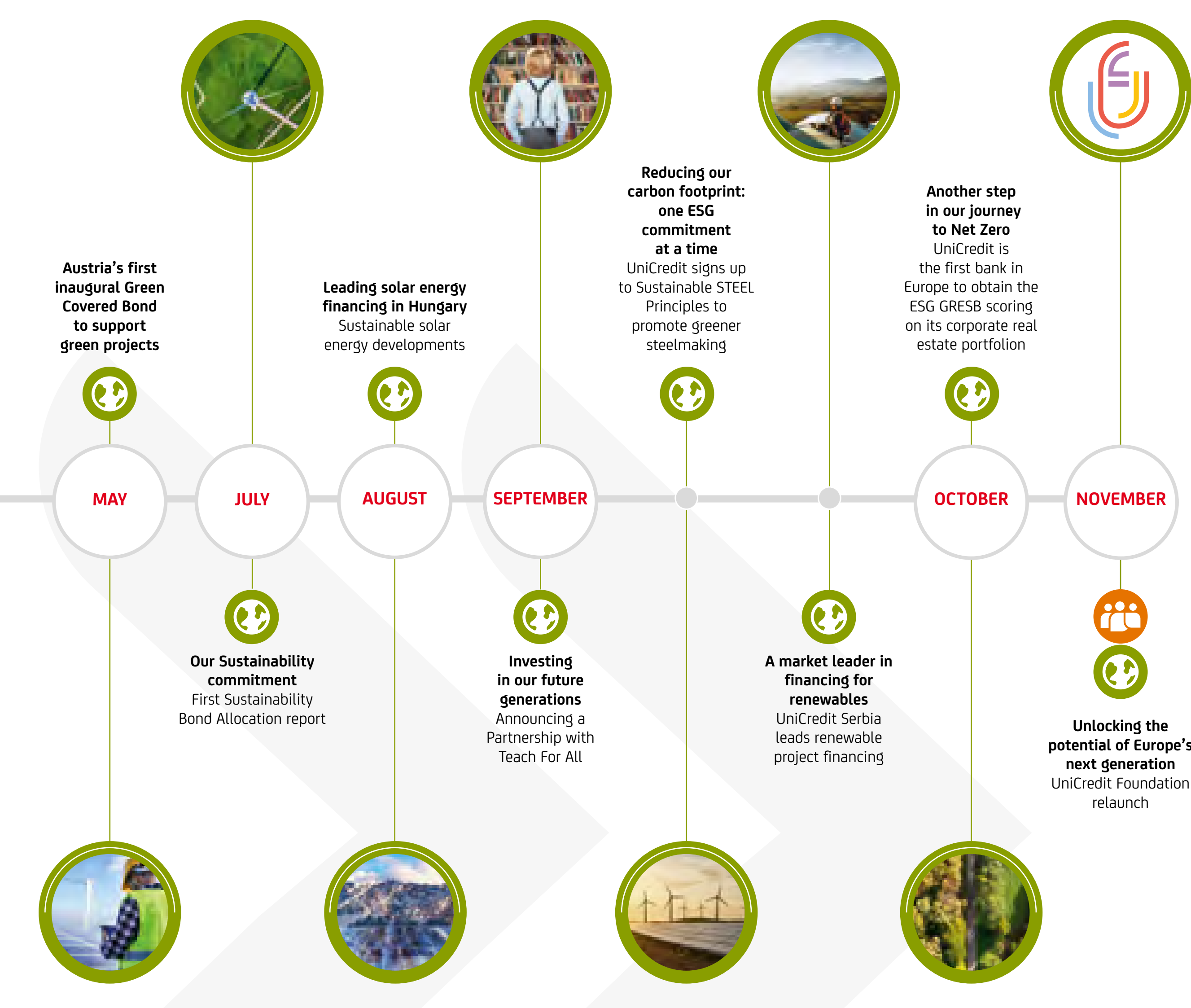
We were also proudly recognised as the Best ESG Bank Italy 2022 by the World Economic Magazine and the Best Social Impact Bank Europe 2022 by Capital Finance International.

Furthermore, we continued to increase the scope of our social activities with a strong commitment to Youth and Education, launching a foundational partnership with Teach For All to elevate education for children across seven of our countries and strengthening our ESG culture with dedicated training programmes for all staff under the UniCredit ESG University.

In addition, we were the first company in Italy to sign up to the Finance for Biodiversity Pledge, further supporting our Net Zero journey and commitment, and our Group also became a member of the Ellen MacArthur Foundation's international charity network to support our approach to accelerating the circular economy transition across our countries.

To follow UniCredit's Sustainability journey in 2022, click on the timeline below and find out more about how we transformed through 2022 in order to fulfil our Purpose: to empower communities to progress.

# Our ESG milestones



# Our Sustainability commitment

## First Sustainability Bond Allocation report

**Values:** Integrity, Ownership

In June 2021, our bank successfully issued its inaugural **Senior Preferred Green Bond** for **€1 billion**. This was followed by the issuance of our first **Retail Social Bond** for **€155 million** in September 2021. Both issuances marked significant milestones in our sustainability journey, allowing the Bank to provide further support to renewable energy and green buildings in Italy while also advancing welfare and social support services in the country.

Both issuances took place under the **Group's Sustainability Bond Framework**, based on the principles and guidelines of the 2021 version of the Green and Social Bond Principles and the Sustainability Bond Guidelines of the **International Capital Market Association (ICMA)**, ensuring the transparent allocation and tracking of proceeds, the details of which were fully disclosed in our inaugural S**ustainability Bond Allocation report** published in July 2022.

Our Group remains committed not only to the green energy transition, but also to ensuring that this is a fair and just transition for all of society. Sustainability is central to how we do business: it underpins our corporate culture and ensures we are always acting in the best interests of all our stakeholders.

As detailed in the Sustainability Bond Allocation report, our full Green Bond proceeds have been dedicated to fund renewable energy, specifically **photovoltaic (€408 million)**, **wind (€293 million)** and **biomass (44 million)** energy sources, as well as green buildings, including the **Top 15% of Mortgages** (rated for energy performance) across **all regions (€228 million)** and **Real Estate (€27 million)** in Italy.

Meanwhile our **Social Bond** proceeds have been allocated to finance projects with a positive social impact. So far, the focus has been on **welfare and social support services (75.1% of allocations)**. Other projects supported include education and training, health and medical assistance and additional social services. The indirect impacts generated through the bond proceeds include a total of **1.52 million beneficiaries (149% of 2021 target)**; the delivery of **2.62 million training hours**, **482 training courses**, 193 **professional internships**, **108 social integration activities**; and **the provision of 1,322 beds in elderly homes**, **1.21 million medical services** and **555 social houses** (mainly in social tourism).

We continue to build on the success of our inaugural Green and Social Bonds, working to create a more sustainable and equitable future for both businesses and individuals. For example, in 2022, we successfully issued Green Covered Bonds also in **Germany (two for €500 million each)**, in **Austria (one with a total volume of €500 million)** and in **Hungary (one for €60 million).**

# Investing in our future generations

## Announcing a Partnership with Teach For All

**Values:** Caring

There is no one single factor that will determine the future success of our continent more than the education and development of our young people. To do so, we understood the need to upskill and support teachers, equipping them with all the tools they need to be the best educators possible.

Last September, UniCredit and **Teach For All** were proud to join forces to advance education for children through the announcement of a foundational pan- European partnership reaching across **seven UniCredit core countries**: **Austria**, **Bulgaria**, **Germany**, **Italy**, **Romania**, **Slovakia**, and **Serbia**. This new alliance leveraged on a common approach, focused on innovation and inclusion to achieve results and to unlock the full potential of European youth.

The collaboration was a significant reinforcement of Teach For All's efforts, providing resources and support in training the teachers involved to further **empower local communities** to reimagine education systems in under-resourced areas, and helping to build more inclusive school environments that offer quality education for all children, year after year.

With the help of these dedicated educators, students gain the knowledge, skills, attitudes and values they need to navigate a changing society and the new world of work. Our Group understands that with the right mindset and skills, our youth will be better positioned to attain financial security and become informed, contributing citizens to our communities. By creating better opportunities for them to realise their full potential, this innovative programme is developing a **new generation of European leaders**.

UniCredit supported the Teach For All network with a donation of nearly **€2 million** to fund activities for the **2022-2023 school year**, as well as engaged employees as volunteers to drive change by contributing their time, knowledge and skills.

> Education plays a vital role in the economic and social wellbeing of any region. For Europe to meet the challenges of this century, there is an urgent need to work in partnership with schools, governments, and families to ensure that every child has the opportunity to fulfil their potential.
>
> **Wendy Kopp**
> CEO and Founder of Teach For All

Our bank's commitment to empowering communities to progress goes beyond providing financial support. Our partnership with Teach For All has helped us to deliver on our commitment to **Social improvement**, in line with our **ESG strategy**. We will leverage UniCredit's presence across the continent to ensure we reach those communities where there is greatest need.

# Reducing our carbon footprint: one ESG commitment at a time

## UniCredit signs up to Sustainable STEEL Principles to promote greener steelmaking

**Values:** Ownership

We remain strongly committed to supporting our clients in achieving their **ESG targets** as a core part of our efforts to drive a just and fair transition to a **low carbon and more inclusive world economy**.

Alongside five other top lenders, we announced our signing of the **Sustainable STEEL Principles**, a climate-aligned finance agreement for the steel sector.

Steel is a fundamental material in the manufacturing industry, used in a wide variety of goods. Due to the sector's reliance on coal, it is the largest source of industrial carbon emissions globally (7%). Designed by a working group comprised of UniCredit, Citi, ING, Société Générale and Standard Chartered, the Sustainable STEEL Principles have been drawn up to tackle this problem head on and **significantly reduce carbon emissions** from steel production.

This agreement amongst lenders, provided a framework for assessing and disclosing the degree to which the emissions associated with their steel loan portfolios are in line with 1.5°C climate targets – providing the necessary tools for client engagement and advocacy. Signatories represent a combined bank loan portfolio of approximately **$23 billion** in lending commitments to the steel sector, for a market share of over **11% of total private sector steel lending**, according to RMI research.

Moreover, for banks like ours with **net zero commitments**, the SSP provide ready-made implementation guidance to achieve these targets. With steel production representing the largest source of industrial carbon emissions globally, the Sustainable STEEL Principles are a key step in the journey towards Net Zero. As a founding signatory, we look forward to deepening our dialogue with clients and industry peers to promote a greener future.

ESG remains a key pillar of our Strategic Plan, **UniCredit Unlocked**, with ambitious targets for all areas of the business, including a total of **€150 billion** in new cumulative ESG volumes by 2024. Furthermore, we continue to work on reducing our own environmental footprint with a **commitment to reach net-zero** on the bank's own emissions by **2030** and on our financed emissions by **2050**.

# Another step in our journey to Net Zero

## UniCredit is the first bank in Europe to obtain the ESG GRESB scoring on its corporate real estate portfolio

**Values:** Integrity, Ownership

UniCredit, in line with the Group's **ESG Strategy** and **Net Zero commitment**, is the first bank in Europe to obtain the **Global Real Estate Sustainability Benchmark (GRESB)** scoring on its corporate real estate portfolio. The total portfolio analysed against GRESB's sustainability criteria included properties owned by the Group across Central and Eastern Europe, with an approximate value of **€5 billion**.

ESG principles are at the core of all our real estate activities, and we continue to strive to evaluate, monitor and consistently improve the ESG performance of our assets and related management processes. In line with the Group's ESG Strategy, which is a key pillar of the **UniCredit Unlocked** business plan, the GRESB project represents a tangible example of our sustainability commitments, further reinforcing our leadership in the implementation of innovative ESG initiatives.

The **GRESB Real Estate Assessment** is a global ESG scoring and benchmarking mechanism for listed real estate companies, privately owned funds, developers, and investors in the real estate sector. In 2021, more than **1,500** property companies, REITs, funds, and developers took part in the Real Estate Assessment, which covers approximately **$5.7 trillion** in assets under management and **117,000** assets in **66** countries.

The initiative represented an important milestone in the Group's sustainable transition journey and showcases UniCredit as a frontrunner on ESG disclosure related to property management. As a specific objective, the GRESB scores will be consolidated over time through continued monitoring of the ESG performance of the Group's properties and the related management processes, and a constant benchmarking of these against the highest market standards.

Furthermore, the Bank continues to adopt energy and space efficiency measures to reduce its carbon footprint, which is a core priority of its ESG Strategy and Strategic Plan targets.

ESG principles are at the core of all our real estate activities, and we continue to strive to evaluate, monitor and consistently improve the ESG performance of our assets and related management processes. The GRESB project represents a tangible example of our sustainability commitments, further reinforcing our leadership in the implementation of innovative ESG initiatives.

**Salvatore Greco**
Head of Group Real Estate

# Unlocking...

**A better bank**
A better world
A better future

Chairman's Statement

# Chairman's message UniCredit Bank CZ&SK

In 2022, UniCredit Bank Czech Republic and Slovakia achieved results of CZK 9.13 billion, which represents a year-on-year increase of 30.8% of the consolidated net profit.

## Dear Shareholders, Business Partners, Ladies, and Gentlemen,

**Banking sector still resilient to the cooling of economic activity**
The cooling of economic activity and the sharp rise in inflation in 2022 have so far left no significant negative impact on the results of the banking sectors in the Czech Republic and Slovakia. This was particularly the case of the Czech banking sector, which, on the contrary, recorded the highest profit in its history thanks to the CNB's sharp interest rate hikes. For both countries, pessimistic expectations of a rise in the NPL ratio did not materialise. Banks have thus avoided the need to increase individual provisions for defaulted loans to a greater extent. Similarly, despite rising inflationary pressures, banks managed to keep the growth of their own operating costs under control.

Credit activity in nominal terms maintained a solid pace in both the Czech Republic and Slovakia, which was probably also due to rising inflation. Only retail loans in the Czech Republic experienced a more significant deceleration of the momentum, reflecting the impact of strongly overvalued real estate prices, rapidly rising mortgage rates and stricter CNB regulation from early April 2022.

**Positive results**
In 2022, UniCredit Bank Czech Republic and Slovakia achieved results of CZK 9.13 billion, which represents a year-on-year increase of 30.8% of the consolidated net profit. Such a significant increase in the results was mainly due to growing volumes of client business in an environment of rising interest rates, the high quality of the Bank's loan portfolio and management of credit risk costs, as well as effective management of operating costs, which grew significantly slower than inflation. The volume of client loans rose by 7.5% year-on-year, and as regards the volume of deposits from clients, UniCredit Bank Czech Republic and Slovakia reported an increase of 7.1% compared to 2021.

In retail banking, 2022 was a year of renewed recovery in client activity. The more than 6% increase in active retail clients was mainly reflected in the growth of the portfolio of primary sources, up by 6.6%. The loan portfolio in the retail segment grew mainly thanks to new consumer credit (+19% year-on-year growth in sales of consumer credit) and loans to the Micro business segment (+50% year-on-year growth in sales of loans to this segment). On the contrary, the decline in the mortgage market in the Czech Republic and, to a lesser extent, in Slovakia was fully reflected in loan sales. Furthermore, in the retail division, our main focus is on service quality and client satisfaction. Helping us to achieve this is the digitisation of our services, backed by 84% digital banking penetration among our active clients, and the rapidly growing penetration of digital sales of selected services.

In corporate banking, we continued to support the Czech and Slovak economy and to strengthen our position in the corporate client market despite the unfavourable external macroeconomic situation strongly influenced by the war in Ukraine and accompanied by high energy prices. We reported growth in the volume of loans, deposits and the number of corporate clients, both in the Czech and Slovak markets. On the one hand, we have focused our attention on supporting and growing in the SME segment, while on the other hand 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 large transactions with our clients and confirmed our role as a leader in these segments.

**Continuing digitisation**

We are making steady progress in digitisation – we sold 50,000 accounts and 8,000 loans through the digital platform in 2022. We saved our bankers 30,000 hours of work and over a million pages of paper. Also successful is our recruitment team and our intelligent chatbot, which has been used by more than 3,500 candidates in interviews. This makes recruitment faster, more flexible and more open to different candidate talents. Moreover, our chatbot is completely unique in the Czech and Slovak market.

We continue to digitise our retail products, and in 2023 we will focus on the ability to take out our investment products online as well. The introduction of a bank identity will save our clients valuable time when communicating with third parties.

**Winning international awards**

In 2022, too, we have won a number of prestigious awards of which we are proud. For the sixth year in a row, UniCredit Group has been certified by the Top Employers Institute for fulfilling its commitments to its employees and for building an inspiring work environment. This is not only innovative and inclusive, but also responds to the specific needs and requirements of employees.

Euromoney magazine, which has been covering banking globally since 1969, has repeatedly awarded UniCredit as the best bank and market leader in cash management services. This was also the case last year. Thank you.

### Meeting and expanding our ESG commitments

There is only one planet on which we live. Therefore, we continue to meet the environmental as well as social commitments we have set for ourselves. At the end of the year, UniCredit Group signed a commitment to finance biodiversity. It is a shared commitment by the financial sector to contribute positively to biodiversity through its activities and investments.

Our efforts have been confirmed by the Corporate Knights award, which ranks the most sustainable companies. This ranking thoroughly evaluates companies with revenues over USD 1 billion, taking into account the evolution of ESG priorities and performance, as well as the size of the gap between sustainability leaders and industry peers globally.

Our efforts are confirmed by the numbers – in 2022, we provided corporate ESG loans of EUR 443 million, i. e., over CZK 11 billion. This volume accounts for almost 20% of the long-term investment loans of our corporate banking business.

In the Czech Republic, a shared ATM alliance agreement has been signed. With this move, UniCredit Bank has joined a project that allows clients to withdraw cash from shared ATMs under the same conditions as from the Bank's own ATMs. Duplicate ATMs of participating banks can thus be moved to places where they have been lacking so far.

### Helping where it is needed

Shortly after we were able to feel relief from the battle with the coronavirus, another ordeal came. A war that we could hardly imagine and that brought fear and uncertainty about the future into our lives. But even that did not weaken our desire to help, quite the opposite. We opened mobile branches in Prague and Brno for refugees from Ukraine and helped them open the necessary accounts. We also organised a fundraiser to help families in Ukraine, raising CZK 5 million.

We have also traditionally supported dozens of non-profit organizations, either directly or through the Gift Matching Program or the Call4Europe initiative. Dozens of our colleagues, including Board members, have participated in financial education for children. In cooperation with TEACH FOR SLOVAKIA, volunteers from among our employees visited primary and secondary schools to give lectures on financial literacy and cybersecurity.

### Thank you for being with us

I believe that whatever 2023 brings, together we will get through it. Our priority remains the prosperity of our clients, but also the satisfaction of our employees. I wish you abundant good health in the new year as well as the ability to keep a cool head in every situation.

**Jakub Dusílek**
Chairman of the Board of Directors and CEO

# Financial Highlights – Consolidated

## (IFRS audited)

| UniCredit Bank Czech Republic and Slovakia, a.s. | 31 Dec 2022 MCZK | 31 Dec 2021 MCZK |
|---|---|---|
| **Operating results** | | |
| Net interest income | 14 584 | 12 981 |
| Net fee and commission income | 3 802 | 3 595 |
| Administrative expenses | (7 577) | (7 288) |
| Profit before income tax | 11 162 | 8 840 |
| Net profit after tax | 9 128 | 6 981 |
| | | |
| **Statement of financial position figures** | | |
| Total assets | 766 412 | 693 464 |
| Receivables from clients | 537 080 | 483 349 |
| Deposits from clients | 503 374 | 470 158 |
| Issued capital | 8 755 | 8 755 |
| | | |
| **Alternative performance indicators*** | | |
| Return on average assets (ROAA) | 1,3 % | 1,0 % |
| Return on average equity (ROAE) | 11,6 % | 8,8 % |
| Assets per employee | 240,6 | 213,9 |
| Administrative expenses per employee | 2,4 | 2,2 |
| Net profit per employee | 2,9 | 2,2 |
| | | |
| **Information about capital and capital adequacy** | | |
| Tier 1 | 79 363 | 78 550 |
| Tier 2 | 147 | 630 |
| **Capital** | **79 510** | **79 180** |
| | | |
| **Capital requirement for credit risk under the standardised approach:** | **3 876** | **3 760** |
| Capital requirements for exposure to central government or central banks | 200 | 152 |
| Capital requirements for exposure to regional government or local authorities | 91 | 77 |
| Capital requirements for exposure to institutions | 5 | 6 |
| Capital requirements for exposure to businesses | 2 018 | 1 847 |
| Capital requirements for retail exposures | 1 167 | 1 265 |
| Capital requirements for exposures secured by real estate | 36 | 26 |
| Capital requirements for exposures at default | 62 | 75 |
| Capital requirements for high risk exposures | 55 | 79 |
| Capital requirements for equity exposures | 160 | 161 |
| Capital requirements for other items | 82 | 72 |
| | | |
| **Capital requirement for credit risk under the IRB approach:** | **20 659** | **21 997** |
| Capital requirements for exposure to central government or central banks | 155 | 114 |
| Capital requirements for exposure to institutions | 464 | 458 |
| Capital requirements for exposure to businesses | 16 700 | 18 004 |
| Capital requirements for retail exposures | 3 039 | 3 012 |
| Capital requirements for other non credit-obligation assets | 301 | 409 |
| | | |
| Capital requirements for position risk | 565 | 638 |
| Capital requirements for currency risk | – | – |
| Capital requirements for settlement risk | – | – |
| Capital requirements for commodity risk | 3 | 3 |
| Capital requirements for operational risk | 2 184 | 2 275 |
| Capital requirements for credit valuation adjustment | 29 | 104 |
| Capital requirement for other risk exposures | 220 | 183 |
| | | |
| CET1 capital ratio | 23,06 % | 21,70 % |
| Tier 1 capital ratio | 23,06 % | 21,70 % |
| Total capital ratio | 23,10 % | 21,87 % |
| | | |
| Average number of employees | 3 185 | 3 242 |
| Number of bank branches | 104 | 104 |

# Reconciliation of equity to regulatory capital (consolidated)

| UniCredit Bank Czech Republic and Slovakia, a.s. | 31 Dec 2022 MCZK | 31 Dec 2021 MCZK |
|---|---|---|
| **Data from the Statement of Financial Position:** | | |
| Share capital | 8 755 | 8 755 |
| Share premium | 3 495 | 3 495 |
| Valuation reserves | (8 825) | (5 994) |
| Retained earnings, reserve funds and other capital funds | 68 869 | 68 644 |
| Profit for the year | 9 128 | 6 981 |
| **Total equity** | **81 422** | **81 881** |
| | | |
| CET1 capital adjustments: | | |
| Profit for the year | (9 128) | (6 981) |
| Reserve from revaluation of hedging instruments | 8 005 | 5 998 |
| Reserve from revaluation of available-for-sale securities | – | – |
| Intangible assets | (2 712) | (2 876) |
| Credit risk adjustments for non-defaulted exposures | 4 578 | 2 906 |
| Anticipated losses for non-defaulted exposures | (2 738) | (2 944) |
| Effect of companies not included in the prudential consolidation group | (446) | (317) |
| Other adjustments | 382 | 883 |
| **Total CET 1** | **79 363** | **78 550** |
| **Total Tier 1 (T1)** | **79 363** | **78 550** |
| | | |
| Credit risk adjustments for exposures at default | 5 825 | 7 071 |
| Anticipated losses for exposures at default | (6 079) | (6 441) |
| Non-deductible surplus above the risk-weighted assets limit | (59) | – |
| Other adjustments | 460 | – |
| **Total Tier 2 (T2)** | **147** | **630** |
| | | |
| **Capital** | **79 365** | **79 180** |

*** 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 = 2022 and X-1 = 2021

# Financial Highlights – Separate

## (IFRS audited)

| UniCredit Bank Czech Republic and Slovakia, a.s. | 31 Dec 2022 MCZK | 31 Dec 2021 MCZK |
|---|---|---|
| **Operating results** | | |
| Net interest income | 13 304 | 11 583 |
| Net fee and commission income | 3 423 | 3 198 |
| Administrative expenses | (7 035) | (6 737) |
| Profit before income tax | 10 683 | 7 705 |
| Net profit after tax | 8 923 | 6 114 |
| | | |
| **Statement of financial position figures** | | |
| Total assets | 756 090 | 680 396 |
| Receivables from clients | 526 838 | 470 318 |
| Deposits from clients | 502 969 | 469 876 |
| Issued capital | 8 755 | 8 755 |
| | | |
| **Alternative performance indicators*** | | |
| Rentability of average assets (ROAA) | 1,2 % | 0,9 % |
| Rentability of average Tier 1 Capital (ROAE) | 11,8 % | 8,0 % |
| Assets per employee | 263,9 | 233,6 |
| General Administrative Expenses per employee | 2,5 | 2,3 |
| Net profit per employee | 3,1 | 2,1 |
| | | |
| **Information about capital and capital adequacy** | | |
| Tier 1 | 75 836 | 74 927 |
| Tier 2 | 190 | 630 |
| **Capital** | **76 026** | **75 557** |
| | | |
| **Capital requirement for credit risk under the standardised approach:** | **807** | **824** |
| Capital requirements for exposure to central government or central banks | 180 | 125 |
| Capital requirements for exposure to regional government or local authorities | 91 | 77 |
| Capital requirements for exposure to institutions | – | – |
| Capital requirements for exposure to businesses | 92 | 163 |
| Capital requirements for retail exposures | – | – |
| Capital requirements for exposures secured by real estate | 14 | 3 |
| Capital requirements for exposures at default | 12 | 15 |
| Capital requirements for high risk exposures | 55 | 79 |
| Capital requirements for equity exposures | 363 | 362 |
| Capital requirements for other items | – | – |
| | | |
| **Capital requirement for credit risk under the IRB approach:** | **23 145** | **23 917** |
| Capital requirements for exposure to central government or central banks | 155 | 114 |
| Capital requirements for exposure to institutions | 464 | 458 |
| Capital requirements for exposure to businesses | 19 194 | 19 972 |
| Capital requirements for retail exposures | 3 039 | 3 012 |
| Capital requirements for other non credit-obligation assets | 293 | 361 |
| | | |
| Capital requirements for position risk | 565 | 638 |
| Capital requirements for currency risk | – | – |
| Capital requirements for settlement risk | – | – |
| Capital requirements for commodity risk | 3 | 3 |
| Capital requirements for operational risk | 1 910 | 2 003 |
| Capital requirements for credit valuation adjustment | 29 | 104 |
| Capital requirement for other risk exposures | 214 | 164 |
| | | |
| CET1 capital ratio | 22,75 % | 21,67 % |
| Tier 1 capital ratio | 22,75 % | 21,67 % |
| Total capital ratio | 22,80 % | 21,86 % |
| | | |
| Average number of employees | 2 865 | 2 913 |
| Number of bank branches | 104 | 104 |

# Reconciliation of equity to regulatory capital (separate)

| UniCredit Bank Czech Republic and Slovakia, a.s. | 31 Dec 2022 MCZK | 31 Dec 2021 MCZK |
|---|---|---|
| **Data from the Statement of Financial Position:** | | |
| Share capital | 8 755 | 8 755 |
| Share premium | 3 495 | 3 495 |
| Valuation reserves | (9 104) | (6 103) |
| Retained earnings, reserve funds and other capital funds | 65 102 | 65 700 |
| Profit for the year | 8 923 | 6 114 |
| **Total equity** | **77 171** | **77 961** |
| | | |
| CET1 capital adjustments: | | |
| Profit for the year | (8 923) | (6 114) |
| Reserve from revaluation of hedging instruments | 8 284 | 6 106 |
| Reserve from revaluation of available-for-sale securities | – | – |
| Intangible assets | (2 495) | (2 629) |
| Credit risk adjustments for non-defaulted exposures | 4 609 | 2 940 |
| Anticipated losses for non-defaulted exposures | (2 835) | (3 031) |
| Other adjustments | 25 | (306) |
| **Total CET 1** | **75 836** | **74 927** |
| **Total Tier 1 (T1)** | **75 836** | **74 927** |
| | | |
| Credit risk adjustments for exposures at default | 5 825 | 7 071 |
| Anticipated losses for exposures at default | (6 079) | (6 441) |
| Other adjustments | 444 | – |
| **Total Tier 2 (T2)** | **190** | **630** |
| | | |
| **Capital** | **76 026** | **75 557** |

*** 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 = 2022 and X-1 = 2021

## 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 customer 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 the environmental and social commitments we have set for ourselves. At the end of the year, UniCredit Group signed a commitment to finance biodiversity. It is a shared commitment by the financial sector to contribute positively to biodiversity through its activities and investments.

Our efforts have been confirmed by the Corporate Knights award, which ranks the most sustainable companies. This ranking thoroughly evaluates companies with revenues over USD 1 billion, taking into account the evolution of ESG priorities and performance, as well as the size of the gap between sustainability leaders and industry peers globally.

In 2022, UniCredit Bank Czech Republic and Slovakia provided corporate ESG loans of CZK 11 billion, including more than CZK 9 billion for projects in the areas of renewable energy and sustainable real estate. Almost CZK 2 billion went to projects with a positive impact on society, namely health care and the construction of nursing homes and centres for the elderly. The share of ESG loans in the portfolio of long-term investment loans reached 18 %.

The inclusion of loans in the ESG portfolio is 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 and the EU Taxonomy.

Owing to the ESG Barometer tool, we help our clients identify whether they are compliant with ESG principles. Based on data collected from a given industry sector, this tool can assess a company in terms of its environmental impact (Environmental), social impact (Social) and corporate governance (Governance) and our clients know how to make their business more sustainable thanks to the ESG Barometer.

As regards our retail activities, we achieved the greatest accomplishment in investment and financing of start-ups, primarily using the MicroCredit product, which we can use if we know only its objective and three months of demonstrable experience. In 2022, we reached a financed volume of more than CZK 269 million. In 2023, we intend to focus in retail banking on strengthening these products and developing other environmentally beneficial activities in the form of mortgages for energy-efficient properties, mortgages for young people or consumer credit for upgrading properties with energy-efficient solutions.

**Social responsibility, sponsorship and charity**

Social and charitable activities play a significant role in our approach to ESG. In 2022, they were largely affected by geopolitical and macroeconomic developments in the world, especially the war in Ukraine.

We continued to develop cooperation with our traditional charity partners such as the Krtek Oncology Fund, the Na kole dětem fund, the Syner Foundation and Konto Bariéry. We have also donated a significant amount of funds to support sports activities in cooperation with our long-standing partners in this area, including Sport2Life, Run Czech, the Prostějov Tennis Club and the Jedlička Institute Sports Club. In addition, the Bank's charitable contributions were directed to the healthcare sector, e.g., to the Institute of Microbiology, IKEM and Spolu Doma (formerly the Home for Hospice Care Plzeň).

In cooperation with UniCredit Foundation and UniCredit Leasing, we organised a fundraiser in early 2022 to support families in Ukraine through the Red Cross. Immediately after announcing the fundraiser, our employees from the Czech Republic and Slovakia spontaneously started to participate. With their contributions, along with other financial support from the bank, leasing, factoring and UniCredit Foundation, an incredible CZK 5 million in total was raised in just two weeks.

UniCredit Bank and UniCredit Leasing in Slovakia in cooperation with Markíza Foundation have been helping together for 8 years. The most important projects supported by UniCredit as a partner include the newly built Day Clinic at the Paediatric Oncology in Bratislava, modernised rooms at the Children's Oncology, modernisation of the Department of Paediatric Psychiatry in Bratislava and the Day Centre at the National Institute of Children's Diseases in Bratislava. In 2022, we provided the League for Mental Health with a EUR 30,000 cheque to support the still taboo but very important issue of children's souls and psyches.

As part of UniCredit Group and its "Call for Europe" initiative, we donated CZK 1.6 million (EUR 80,000) 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 30 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.

This is evidenced by the establishment of cooperation with TEACH FOR ALL in the area of supporting the education of children and improving the qualifications of teachers. This non-profit organisation operates all over the world, including Slovakia, where it is active under the name TEACH FOR SLOVAKIA. This gives our employees the opportunity to participate in the education of young people in Slovakia. For the second year, the Bank is also developing a financial education programme in schools through volunteer trainers from among our employees. The trainings took place in Prague, across the country and also in Slovakia. In 2022 alone, we managed to train 4,325 primary and secondary school students on financial literacy and cybersecurity.

**Environmental protection**
Sustainable growth and environmental protection are an integral part of the ESG strategy. We comply with globally defined environmental rules in all our buildings to minimise their load on the environment. 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 disposable plastics and we also regularly participate in the Earth Hour initiative. 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.

In the Czech Republic, we have signed a shared ATM alliance agreement. With this move, UniCredit Bank has joined a project that allows clients to withdraw cash from shared ATMs under the same conditions as from the Bank's own ATMs. Duplicate ATMs of participating banks can thus be moved to places where they have been lacking so far. We will thus significantly improve people's access to banking services and at the same time be environmentally friendly by removing some of the redundant ATMs.

Our employees also volunteered to help the environment by planting trees and restoring forests after bark beetle calamities. They planted over 2,000 new oak trees in the Vysočina region and will continue this activity.

At the same time, our employees can use two days of paid time off each year for volunteer activities aimed at helping people in need, the environment or non-profit organisations.

**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 key factors for the development of the Czech economy were the energy crisis in Europe, the resumption of services after the pandemic and the Russian military aggression in Ukraine. The first factor contributed substantially to an increase in annual average inflation to 15.1 %. Many companies faced existential uncertainties due to expensive energy and some cut back on energy-intensive production. However, year-on-year growth was recorded in the production of transport equipment thanks to the low base of the previous year.

The resumption of services after the pandemic increased overall private consumption in the first part of the year and translated into higher tourism intensity during the summer. The war in Ukraine has triggered a refugee wave that has brought the Czech economy, on the one hand, some alleviation of labour shortages and, on the other, increased social costs. Demand growth was recorded by companies in the arms industry. The economy's full-year growth was in line with its long-term potential. However, its performance lost momentum over the course of the year as household income growth failed to keep pace with high inflation. The year-on-year slump in real wages reached almost 10 % in part of the year.

The Czech National Bank continued to tighten monetary policy and raised the repo rate to 7 % by mid-year, where it remained unchanged until the end of the year. Macroprudential policy in the banking sector has also been tightened, both in capital requirements and in mortgage lending limits. The consequence was a sharp slowdown in the growth of loans to individuals. Corporate loans grew at a moderate and more stable pace, which was only briefly disrupted by the peak of the energy crisis. Banks boosted their profits as their net interest income increased in a rising interest rate environment, while inflation started to affect the cost side with a time lag. The limited need for provisioning against defaulted loans also helped banks become profitable.

The government's policy actions were almost exclusively related to the dampening of economic shocks. Increased budget expenditures led to two amendments to the State Budget Act during the year. The budget ended in the third-deepest deficit ever, comparable only to the two years of the pandemic. Most of the government measures taken were coordinated with neighbouring countries. Among the most important is the capping of energy prices, which has brought a much-needed degree of certainty to companies and households. For the government, the second half of the year was marked by the presidency of the Council of the EU. The longer-term reforms mentioned in the government statement had not been implemented by the end of the year.

**Slovakia**

The Slovak economy has been affected by the escalation of the war in Ukraine and the resulting energy crisis. Its growth dynamics decelerated, but it was able to maintain growth for most of the year. Industry in particular has been hit by the crisis. In the first phase, the new bottlenecks deepened the decline of the key automotive industry, which further struggled with semiconductor shortages. Consequently, high energy prices gradually shut down part of energy-intensive production. Towards the end of the year, negative impacts on services became more pronounced.

Inflation had climbed to a 28-year high on average, despite still subdued growth in energy prices due to regulatory rules. However, high input prices throughout the production and distribution chain have fully spilled over into other prices. Nominal wages did not keep pace with price growth – real wages fell for the first time since 2012. Households did not initially cut back on consumption, but tapped into their savings – the savings rate fell to historic lows. But as their financial cushions were depleted, the negative effects on consumption became more pronounced. A robust labour market helped partly stabilise consumption. The labour market had withstood the energy shock relatively well, although in the second half of the year the decline in the unemployment rate had already stopped.

Record inflation in the euro area sparked a reaction from the ECB. It has raised key interest rates by 250 basis points in aggregate since July, which has also helped boost the banking sector's interest income growth and profitability. In an inflationary environment, banks were able to keep their costs under control. Conversely, inflation has accentuated risks in the economy. And although default rates have not yet increased, banks have already resumed provisioning. Strong demand for lending persisted. In the first half of the year, the mortgage market was encouraged by the prospect of an early rise in interest rates. This also contributed to the increase in the refinancing rate. The market for new mortgages weakened in the second half of the year. Corporate financing was supported by high inflation, but demand for new loans was shifting from investment to operating loans. Public deposits were reduced by a low savings rate, while corporate deposits continued to grow dynamically.

Several turbulences in the government coalition hampered the approval of reforms and resulted in a vote of no confidence in the government in December. So far, high inflation has not had a negative impact on the general government budget – it has had a greater impact on budget revenues than on budget expenditures.

## Evaluation of Results of UniCredit Bank Czech Republic and Slovakia

The beginning of 2022 was marked by continued recovery from the effects of the Covid-19 pandemic. However, at the end of February 2022, the geopolitical crisis that marked the rest of the year and is still ongoing began, leading to further macroeconomic impacts such as increased inflation, driven by higher energy prices. However, the 2022 results of UniCredit Bank Czech Republic and Slovakia, a.s., were not affected by this situation and recorded a year-on-year increase. Operating income increased year-on-year, both in net interest income, and in fees and commissions. In the case of interest income, we see the impact of higher interest rates. The Bank continued its significant year-on-year growth in customer loans and deposits, both in retail and corporate banking. Total operating expenses decreased year-on-year mainly due to the increase in other operating income and a decrease in depreciation of tangible assets. Due to higher income and lower operating costs, the cost income ratio improved on a year-on-year basis. High quality of loan portfolio and effective credit risk management led to a year-on-year decrease of loan provisions creation.

## Expected Economic and Financial Situation of UniCredit Bank Czech Republic and Slovakia in 2023

The 2023 plan is based on the assumption of deteriorating macroeconomic developments in an environment of higher interest rates and partly decelerating 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 customer loans and deposits and higher interest rates. However, there will be a slowdown in the growth rate of new loans due to lower demand from both households and the corporate sector in view of restrictive monetary policy. Despite the long-term highly efficient management of operating costs, there will be a slight deterioration in the cost income ratio due to higher inflation, which will be reflected in an increase in personnel and non-personnel costs. However, the Bank will continue to invest in digitisation and optimisation of internal processes, which will keep cost growth below the rate of inflation. Thanks to the high quality of the loan portfolio, the deterioration in the macroeconomic environment will only partially translate into a higher need for loan provisioning and the Bank will maintain its expected profitability level. The Bank's capital adequacy and liquidity ratios will traditionally be well above regulatory requirements.

## Corporate Banking

2022 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, namely 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 31 % year-on-year, significantly exceeding the results from previous years.

The division's priority was to increase the volume of loans, with an emphasis on the portfolio's sound risk profile. In 2022, we grew by more than CZK 27 billion year-on-year. We achieved excellent results in the large corporates segment, where we increased our loan volume by more than 21 %, thus continuing to strengthen our traditionally strong position in this group. We were also very successful in the SME segment, where we continued to increase the volume of financing and the number of transactions. Our goal was also to strengthen our position in the field of operational financing, where we continued to develop and innovate our product range and the unique concept of consultancy in the area of managing our clients' working capital.

On the other hand, we also continued to strengthen our position in client deposits, focusing on the Czech koruna and in the second half of the year also on the euro. Despite the strong competitive environment exacerbated by the increased key interest rates in the course of the year, we managed to increase volumes by more than CZK 18 billion, representing a year-on-year increase by more than 7 %.

In line with our long-term strategy in the SME segment, we continued to be very active in 2022 in the financing of operational and investment needs of corporate clients under local and European guarantee programmes. In the Czech Republic, the successful cooperation with the National Development Bank (NDB) continued. In Slovakia, the combination of national programmes from Slovak Investment Holding (SIH) and new European guarantee programmes from the European Investment Fund (EIF) and the European Investment Bank (EIB) has made us a leader in this area with one of the broadest portfolios of programmes on the market. As a result, we have been able to provide discounted financing to small and medium-sized enterprises as well as large corporate clients.

In order to optimise our service model and offer our clients the best possible service, we have switched to a new business segmentation setup as of 1 July 2022. The change was in line with the intention

to harmonise segmentation rules across UniCredit Group. In both the Czech Republic and Slovakia, the SME segment was strengthened, while in Slovakia the international client segment was significantly strengthened.

Following the Group's decision, Trading activities were also centralised into UniCredit Group. The main reason is the concentration of trading activities at a central level, where significant economies of scale can be generated and the associated increase in efficiency and the possibility of achieving better conditions for our clients.

In the area of services and products with higher value-added for clients, especially in the area of structured finance, in 2022 we focused on deepening our strategy to actively help clients with comprehensive solutions to their financial needs, i.e., not to be a mere provider of money, but to be a "structuring 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.

For example, we coordinated the EUR 1.6 billion refinancing of Allwyn Group (formerly Sazka Group), where UniCredit acted as global coordinator, bookrunner and lead arranger. Another major transaction was the financing of Dr. Max Group in the amount of EUR 940 million, where UniCredit coordinated the entire process and acted as facility agent. We also arranged the complete refinancing of Mattoni 1873 Group in the amount of EUR 260 million, which was fully underwritten by UniCredit. 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 or consolidation of bilateral lines into club structures.

In Slovakia, we focused on the energy sector, where the regulatory framework for renewables has changed. This allowed us to increase our lending volumes and at the same time confirm our leading role in the segment. Despite very difficult external macroeconomic conditions, we provided our clients with funds for their operational and investment needs.

In 2022, the Debt Capital Markets department was involved in arranging and distributing several major corporate bond issues in the local market, e.g., for EPH and KKCG groups, despite the complicated conditions caused by rising market interest rates, energy prices, inflation, etc. At the same time, the department focused on its own issuance activity in the form of structured investment products aimed mainly at retail investors. In 2022, the team was also involved in the preparation and issuance of a EUR 500 million benchmark covered bond issue under the Eurobond Covered Bond Programme issued under German law and its successful placement on international markets.

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 – office, retail and industrial real estate, as well as in residential construction.

In Czechia, financing of real estate projects in total volume of more than CZK 25 billion was concluded in 2022. This volume was largely due to loans in the industrial property and office segment. The most significant transaction of 2022 was a EUR 400 million club loan for the refinancing of logistics facilities for CTP Group and the second largest loan was a EUR 275 million club refinancing of a portfolio of office buildings and shopping centres for CPI Property Group. As regards residential projects, we managed to conclude a number of transactions for existing and new clients from among developers and investment groups.

In Slovakia, the volume of loans in the real estate segment continued to grow in 2022. We are a key financial institution supporting the construction of Bratislava's commercial centre, but we also support many investors and developers in their activities across all Slovak regions.

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 renewables and energy, 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 renewables. In 2022 alone, the Bank provided new financing in the amount of CZK 3.5 billion. In the healthcare sector, we continued to support large healthcare institutions by financing investment and operational needs, or by purchasing 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 of approximately 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. This is a particularly important area that we want to further develop. This is one of our commitments of a socially responsible company.

**Markets**
Financial markets were also affected last year by rising inflation and the corresponding reaction of central banks. The CNB was one of the first to respond, moving its key monetary policy rates to an all-time high. This has led to increased volatility in financial markets across products. In the area of the Bank's activity in the interbank market and proprietary trading, the Bank took advantage of the opportunities offered by the markets and achieved excellent results.

2022 was also a very strong year for trading financial market instruments for corporate clients. The Bank achieved its best ever results in this area, where together with our clients we were able to take advantage of the market opportunities that emerged particularly in the first half of the calendar year. On the one hand, it was still possible to implement interest rate hedging at relatively low rates and, on the other hand, in the area of exchange rate hedging, exporters could take advantage of the relatively weaker exchange rate level and the still relatively high interest rate differential between the Czech koruna and the euro at that time. In commodities, 2022 was particularly strong in hedging metal prices, which was related to their high volatility.

**Launching new products**
In Acquiring, UniCredit Bank became the first bank in the Czech Republic and Slovakia to open the Click to Pay payment option on the GP webpay payment gateway for all its clients using the e-commerce service. This payment method was developed with the support of the card companies Mastercard and Visa and is supported by them on a global scale. This is a similar service to Apple Pay and Google Pay, which our e-commerce clients have already activated on their sites.

In Trade Finance, we once again won the Market Leader award in both countries in the Euromoney Trade Finance Survey for 2022, and now we have also won in the second Best Provider category in both markets. Also this year, we were able to conclude several guarantees and documentary credits significant in volume, which considerably increased the Bank's market share compared to last year in both countries.

In Custody, we implemented a new securities custody and management system in the first quarter of 2022. The introduction of the new BaNCS platform was a significant milestone towards digital evolution. This implementation reinforces our ongoing commitment to Custody service excellence in both the short and long term. The system is highly flexible, rules-based, can be customised to meet specific client needs, significantly reduces operational risk and is fully standardized with ISO 20022 standards.

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

**Euromoney**
- Market Leader in Corporate Banking in Slovakia
- Best Cash Service provider
- Best Advisory in CEE region
- Best Transaction Services
- Leading Provider of Cash Management Services
- Best Service Provider for Cash Management

**Capital Finance International magazine**
- Best Social Impact Bank in Europe 2022

**UniCredit Factoring**
In the challenging conditions brought about by 2022, UniCredit Factoring was able to generate its best ever economic results since its establishment. In 2022, we purchased receivables in the amount of CZK 43.5 billion, which represents a year-on-year increase of 23.4 %. The average annual financing volume increased by 22.8 % to CZK 4.6 billion. This success is partly due to the high inflation rate and the rising nominal value of purchased receivables, but above all to record business activity. We have been particularly successful in acquiring new clients from the segment of multinational companies, which often benefit from the advantages of non-recourse and recourse factoring. Excellent business results are also boosted by cooperation with FCI (Factor Chain International), technology companies and commercial insurers.

As in previous years, we were able to maintain a very good quality of the loan portfolio and low operating costs in 2022. Profit before tax amounted to CZK 71.9 million, which corresponds to a year-on-year increase of 15.2 %.

In 2022, we continued to invest in the digitisation, automation and security of our information technology and computer infrastructure. In this area, we were able to transfer some activities from external suppliers to companies within UniCredit Group, thereby achieving significant cost savings and operational synergies. We have also started preparing for an upgrade of our core system, which should bring new functionalities to our clients and improve their customer experience.

**UniCredit Leasing**
In 2022, UniCredit Leasing CZ Group confirmed its stable position of a provider of non-bank financing in both markets. Based on the consolidated results, UniCredit Leasing including its subsidiaries in both markets, financed movable and immovable property in a total volume exceeding CZK 20 billion with a year-on-year increase of 1.2 %. In 2022, the number of newly concluded contracts reached almost 21,000 and new clients accounted for 45 % of all these contracts.

At the beginning of 2022, our business was still affected, albeit in a diminishing way, by the economic impact of the Covid-19

pandemic, particularly the shortage of chips and other materials necessary for the manufacture of passenger cars, commercial vehicles, trucks, machinery and equipment. In February, another major economic uncertainty caused by the war in Ukraine emerged besides the not fully recovered global supply and demand chains. The whole year was then characterised by unprecedentedly high inflation, rising base interest rates, increased overall market uncertainty and high volatility in the financial and energy markets.

Our new financed value of passenger cars and commercial vehicles up to 3.5 tonnes fell by 7.9% year-on-year, while the total market of new passenger cars and commercial vehicles in the Czech Republic, according to SDA statistics, went down by almost 8 % compared to last year and in Slovakia, according to ZAP statistics, grew by less than 3 % in the first 11 months. The sale of freight transport equipment over 3.5 tonnes grew year-on-year together with our volume of new financed value, by more than 14 %. In the machinery and equipment segment, our new business volumes grew by almost 8.5 % overall.

In 2022, we confirmed our long-standing business partnership with the IVECO brand in the Czech Republic by signing a cooperation agreement, thus adding the brand to our brand financing portfolio. In the Czech Republic and Slovakia, we have signed new cooperation agreements with Emil Frey Group for the FCA Group brands. We have also entered into cooperation agreements with the ISUZU brand in both markets.

We continued our long-standing and very good business cooperation with the Corporate Banking division of UniCredit Bank and we further systematically set up cooperation with the Bank's Retail division, which has already yielded tangible results this year.

Throughout the year, we put increased effort into improving our customer relationship management and internal CRM system. We focused mainly on retention activities, lead management and sales campaigns and improved and automated reporting and management of sales activities. We have completed an extensive upgrade of our front-end system. In both markets, we have been involved in drawing on multinational financial resources such as the EIB, CEB and EIF guarantee programmes, always with positive effects for our clients. At the end of the year, we completed product innovations focused on financing the agricultural segment, electromobility and photovoltaic equipment, which we expect to result in new business growth in 2023.

## Retail Banking

The year 2022 has brought new challenges with significant impact for retail and private banking. After two Covid years of systematically introducing new processes to distribute our services, our business was affected by the conflict in Ukraine. In particular, the first half of the year was affected by a number of activities undertaken by the Bank on behalf of clients affected by the war conflict. We have been opening mobile branches in rescue centres, introducing fee-of-charge schemes for transactions of such clients and facilitating KYC procedures. It was also a period of high volatility in the markets, which translated into declining demand for investment products and forced us to introduce and provide new products to cope with this risk. Once again, we have managed to introduce several successful new products, not only in the field of investing.

We consider our key business achievements of 2022 to be the 9 % year-on-year growth in the retail loan portfolio, despite the significant cooling of the Czech mortgage market. Confidence in our Bank was reflected in a 6 % increase in our clients' deposit volumes. As regards private banking, the volume of investments rose by 7 % year-on-year.

On the retail market, 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.

In digital banking, we performed exceptionally well in 2022, increasing the proportion of clients actively using online or mobile banking to 84% and the proportion of digital sales in total sales of products and services to almost 30%.

Last year was also a year of extremely successful new client acquisition for us despite the volatile environment. Our new savings account, available both in branches and digitally in both markets where we operate, has contributed significantly to this. The importance of our strategic focus on digital channels was once again confirmed.

Our goal remains to strengthen our market share in credit, deposit and investment products, which we have achieved and intend to continue to achieve primarily through concentration on selected segments of the retail market and continuous innovation in our product and distribution offering. That is why we have changed our service model by introducing separate Private Premium and Private Wealth client segments in 2022. We also want to serve our clients better through this model.

A positive customer experience remains an absolute priority. We are therefore very pleased with the excellent level of Net Promoter Score that we have achieved in 2022 for individual clients both in the Czech and Slovak markets and within UniCredit's Central Europe division.

The positive customer experience has contributed to a continuing trend of declining client losses within our client portfolio.

Positive results in terms of customer satisfaction are our goal and commitment for the coming years.

**Digital**

In 2022, we continued to implement our strategy based on the multi-channel OPEN concept, which enables easy client access to banking services, as well as remote and paperless service in the areas of current account opening, consumer finance and mortgages. Our clients can still contact us from the comfort of their home or work via our website, mobile app or our call centre. They can also use our wide network of points of sale if needed.

While at the beginning of the year we added more products and options to the Open digital platform in the area of accounts and consumer credit, the rest of the year was already marked by a sharp increase in digital sales, shorter processing times and an overall increase in comfort for clients. Our branches sold 4 times more products through the digital platform than in 2021, the platform saved 1.4 million sheets of paper and tens of thousands of hours of work. Above all, however, clients began to purchase products digitally themselves on the website, in online banking or in the mobile app. At the end of the year, the share of these sales reached almost 30 %. Similarly, sales of loans through the call centre increased by more than 50 % compared to 2021.

At the end of the year, our mobile banking achieved its best ever customer rating. This success is due to the addition of new functionalities that increase customer convenience, but also to the loyalty programme we added to the app and improved communication. Instead of traditional SMS, our mobile app took over the role of a communication centre, which communicated millions of messages to clients during the year with good offers, discounts and campaigns.

The ATM network has seen a significant increase in transactions compared to 2021. Most importantly, we have started to prepare and launch a number of strategic projects that will be completed in the coming year – the renewal of a large part of ATMs, the harmonisation of software and infrastructure between the Czech and Slovak parts of the network, the recycling of banknotes, and the sharing of the ATM network with other Czech banks, which was announced to the public at the end of the year and which will lead to increased availability of ATMs and a reduction in the burden on the environment.

**Consumer credit**

In 2022, the situation in the consumer credit market was significantly more positive than in the case of mortgages. As regards PRESTO Loans, we have seen higher client interest in this product due to the long-term offer of very interesting product parameters, including a favourable interest rate. Clients have the possibility to take out a loan without having to visit a branch, for example in their mobile or internet banking. Through the Open digital platform, the process of granting PRESTO Loans is very simple and convenient.

During the year, we again offered clients the opportunity to take advantage of the PRESTO Loan for a Better Home (PRESTO Loan for Housing) consumer credit, which was expanded to include additional purposes for the modernisation of residential buildings with energy-saving solutions such as heat pumps, solar water heating, home photovoltaics, etc. In the framework of the annual ranking of People in Need by the Responsible Lending Index, we were again successful and ranked first in this ranking.

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.

**Mortgages**

By 2022, economic conditions in both countries have changed dramatically. The war in Ukraine, the energy crisis and the end of quantitative easing by the CNB/ECB have led to an increase in inflation and interest rates. Higher interest rates, combined with high prices of real estate and regulation by national banks, are making mortgages less affordable even for average-income clients.

In the Czech Republic, after a record year in 2021, we observed two different half-years. The first half of the year still reported normal sales, which were discontinued due to the introduction of ratio regulation (DTI/DSTI) by the CNB and a record rise in interest rates, with the average market rate reaching 6 % at the end of the year, twice as high as at the beginning of the year.

At the beginning of 2022, mortgage interest rates in Slovakia began to rise from a level below 1 % p.a. even for a fixation period of 10 years, rising to 3-4 % p.a. by the end of the year, depending on the length of fixation. Interest in new mortgages peaked in Slovakia in the second quarter of 2022, when clients sought to obtain mortgages at even lower interest rates. The average interest rate on our portfolio in Slovakia is thus 2 % below the average interest rates on new loans at the end of the year.

During the year, due to the expected rise in interest rates in Slovakia, we actively offered clients in several waves to refix their mortgage early for a longer fixation period at lower interest rates in order to protect clients from high increases in monthly repayments. Furthermore, in terms of mortgage loan retention, we managed to repeat the record result from last year, when we retained 81 % of mortgage loans with interest rate fixation ending in 2022.

### Current accounts

In 2022, we continued to offer our START, OPEN and TOP accounts for individuals, which we launched in 2021. 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 services in a higher standard and is intended for premium clients. All new accounts are accessible via digital channels.

During the year, we successfully implemented a number of acquisition campaigns, either individually or with our partners. Our acquisition activities began with a campaign to help clients with high energy costs. In the middle of the year, we continued our very successful campaign for a 5.5 % and later 6 % CZK savings account. At the end of the year, we also added a campaign for cinema fans in the Czech Republic and Slovakia.

### Investments and deposits

The basis of our product range still consists 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 geopolitical crisis has also had a major impact on financial markets, initially shaking investor confidence. Particularly in the first half of the year, we saw panic selling of some investors' positions on the markets. On the other hand, we see a significant reversal back to normal in the second half of the year.

Despite this, we continued to make two issues of Amundi Buy and Watch funds in 2022. These funds have a fixed investment horizon of 4 years, investing in select, mainly US, high-yield corporate bonds. The sales success confirmed the great popularity of this investment concept, which we intend to build on next year.

In addition to investments in mutual funds, we continue to confirm our strong position in structured investment products. We have offered several dozens of such products in the Czech Republic and Slovakia. The interest rate environment has also enabled the return of 100 % capital-protected products, with which we have reached clients in all retail banking segments, with great sales success. When selecting innovative underlying assets or investment themes, we always try to bring in the sustainability (ESG) theme.

Within the private banking segment, we continue to apply the open architecture principle, where we offer clients a wide range of investment products of preferred partners with whom we have established long-term cooperation. The private banking offer entails the best and most effective strategies within a given asset class.

We are continuously expanding our Private Invest wealth management app with additional features and functionality. This app is designed exclusively for private clients, enabling continuous monitoring of the securities portfolio, secure communication with bankers and active trade in selected investment products.

### Micro Business

In the Micro Business segment, we have adjusted our service model in 2022 to serve a much larger number of companies and entrepreneurs with a turnover of up to CZK 25 million and at the same time offer them more products at more attractive terms.

On the lending side, we more than doubled the maximum limits on overdrafts and unsecured loans for both existing and new clients. We have also prepared other variants of the business mortgage, which is very popular among clients. And our big news is the launch of credit sales for agricultural clients.

As for accounts and deposits, we have come up with a new feature that will allow clients to choose one of three new account packages to best suit their business needs. We now offer accounts for a thriving large company as well as for budding entrepreneurs and start-ups. At the same time, we have modified the account for specific clients such as apartment buildings and unit owners' associations.

To better meet the needs of our busy clients on the servicing side, we have launched a remote branch model and servicing through remote commercial bankers.

In the segment of liberal professions, which continues to be a high priority for us, we focus on 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

We continue to enhance our product solutions and services to enable clients to use our payment cards in an online environment and without the need to visit a branch. Cardholders have access to various card control functions in mobile banking – PIN display, easy blocking and unblocking of cards, setting payment limits. Cards can be added to ApplePay and GooglePay wallets. We have taken substantial steps towards being able to use the virtual card directly in mobile banking in 2023. We have agreed to form an ATM alliance under which clients who continue to require cash management of

their funds will be able to withdraw (and later deposit) cash at all ATMs of the banks associated in this alliance from February 2023 under the same conditions as at our Bank.

### Bancassurance

In 2022, we continued our strategic partnership with Allianz and Generali ČP, with whom we are constantly innovating our range of insurance products. Besides regular insurance products, we offer, for example, regularly paid investment life insurance, which we have prepared in cooperation with Allianz and Amundi. It is life insurance with an investment component in exclusive Amundi funds. During the year, we also prepared for our clients single-payment investment life insurance with an attractive investment component "Climate Action" in the Czech Republic and "Thematica" in Slovakia.

### Branch distribution network

During 2022, there were no major organisational changes in the branch network. Renovation of selected points of sale and further installation of deposit ATMs in the Czech Republic and Slovakia continued. As a result of progressive digitisation, the share of transactions at branches has consistently fallen below one per cent.

## 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 parameters 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.

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 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 2022 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 has long maintained a high CZK liquidity surplus from internal and client funds over CZK financial assets. The Bank placed that surplus mostly in the form of reverse repurchase transactions in the Czech National Bank and used it partially to finance its subsidiaries. A strong liquidity position in CZK allowed the Bank to maintain low costs of CZK liquidity.

Financial and client assets denominated in euro are refinanced by the Bank largely through client and internal funds and partially through interbank funds, where the most important ones include advantageous financing from the European Central Bank within the so-called TLTRO programme, to which the Bank has access through its Slovak branch. The issuance of its own euro-denominated covered bonds also plays an important role. Subsidiaries also use financing from multinational development banks, such as the European Investment Bank.

The Bank regularly monitors and reports both the regulatory liquidity ratio LCR and the planned ratio NSFR. Sufficient distance of these ratios from the minimum threshold proves the strong and sustainable liquidity position of the Bank.

### Services

The Bank's operating activities in the Czech Republic and Slovakia were stable during 2022. 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.

In October 2022, UniCredit Services S.C.p.A., which supports IT services, merged into UniCredit S.p.A. holding. The model and scope of IT service support has not changed.

In 2022, the products and services offered by the Bank's digital platform, mobile and internet banking were modified and expanded. Projects were launched with a focus on digitisation in corporate banking and the Bank's digital identity. Another phase of harmonisation and optimisation of the environment was also

underway to simplify and streamline the overall architecture and activities to automate and simplify processes. For example, a single HR system was deployed for the Czech Republic and Slovakia, replacing various local applications.

The Bank has successfully implemented systemic changes imposed by the regulatory framework, security and compliance requirements.

**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 2022 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.

In the area of compensation, rising inflation and its impact on our employees was a decisive phenomenon in 2022. The dialogue with our social partners, which resulted in the signing of collective agreements in the Czech Republic and Slovakia, was key to addressing this sensitive issue. The mutual agreement provides for across-the-board wage increases in 2023 for all staff, structured to cover the rate of inflation more for colleagues in lower income groups. On top of the across-the-board wage increase, the Bank paid all employees a one-off bonus in December to cover the increased cost of living, again structured so that lower income groups received higher amounts. In addition to the above measures, the Bank continuously monitors and maintains gender pay equality in comparable positions.

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 we have been on a digitisation trajectory for three years now. In 2022, we began implementing core P&C systems that streamline administration, training and compensation processes.

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 second 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.

Learning and development remains a long-term priority for the Bank. Rapidly changing conditions require faster and more flexible adaptability on the part of both employer and employees. That's why we are constantly updating and adapting development opportunities, enriching them with development activities with an emphasis on acquiring and deepening skills and abilities relevant for the future. We target education on skills such as critical thinking, adaptive thinking, working with data and the art of feedback.

Continuous development therefore remains our priority. This year, we focused on the Bank's talent in three development programmes:

- Leaders for the Future – all 24 talents successfully completed this challenging programme through a final presentation of team projects under the auspices of a sponsor from among the Board members
- Retail Banking Academy – 26 talents have been through a demanding selection process and are developing the skills and competencies important for the role of branch manager.
- Data Academy – is intended for all employees interested in changing or expanding their focus and learning the skills of a data analyst. Twenty-nine participants successfully completed the programme and some of them have already started new careers in data analytics.

We are also paying attention to the manager population and have launched a two-year intensive development programme focusing on the skills of the future. Managers are the carriers of the development culture and it is through them that we develop our Bank as a whole. In the first phase, the *Leading through change* programme was launched for all B-1 managers to create strong, positive and trustworthy leaders.

As part of the transformation of the culture and to encourage open communication, owing to the success of the "Management by You" initiative, we added another format for management to meet with employees called "Speak Up", where a small group of employees have the opportunity to bring any topic that is key to their discussion and discuss it in person with a member of the Board of Directors. The meetings held are very positively evaluated and the employees wish to continue this activity.

The Bank respects human and social rights and pays attention to the needs of its employees. In the long run, we support employees individually with regard to the life situations they have to face (flexible working hours, reduced working hours, working from home, financial support, unpaid leave, etc.). Support for employees in difficult life situations has long been enshrined in the collective agreement.

## 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 2022 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.

7 March 2023

Jakub Dusílek
Chairman of the Board of Directors

Massimo Francese
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 2022 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 worked closely with the Bank's Audit Committee on all major matters falling within the scope of both bodies.

Furthermore, based on the documents provided to the Supervisory Board during 2022, 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.

7 March 2023

## 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 2022, the basis for calculating the contribution to the Guarantee Fund was CZK 695,413,967.42. The contribution to the Guarantee Fund is 2 % of this amount, i.e., CZK 13,908,279.32.

# Unlocking...

**A better bank**

A better world

A better future

Consolidated financial statements

# Consolidated financial statements

## Consolidated Statement of Comprehensive Income for the year ended 31 December 2022

| | Note | 2022 MCZK | 2021 MCZK |
|---|---|---|---|
| Interest income, *of which:* | | 24 090 | 15 305 |
| – interest income calculated using the effective interest method | | 30 403 | 12 722 |
| Interest expense | | (9 506) | (2 324) |
| **Net interest income** | (1) | **14 584** | **12 981** |
| Fee and commision income | | 5 402 | 5 009 |
| Fee and commision expenses | | (1 600) | (1 414) |
| **Net fee and commission income** | (2) | **3 802** | **3 595** |
| Dividend income | (3) | 8 | 4 |
| Net income/(loss) from trading | (4) | 2 032 | 2 111 |
| Net income/(loss) from hedging against risk of changes in fair value | (5) | (2) | (1) |
| Net income/(loss) from the sale or repurchase of: | (6) | 342 | 435 |
| Financial assets at amortised cost | | 107 | 357 |
| Financial assets at fair value through other comprehensive income | | 46 | 94 |
| Financial liabilities | | 189 | (16) |
| Net income/(loss) from financial assets/liabilities at fair value through profit or loss, *of which:* | (7) | (4) | (12) |
| Mandatorily at fair value | | (4) | (12) |
| **Operating income** | | **20 762** | **19 113** |
| Impairment losses on: | (8) | (1 600) | (2 044) |
| Financial assets at amortised cost | | (1 595) | (2 045) |
| Financial assets at fair value through other comprehensive income | | (5) | 1 |
| Administrative expenses | (9) | (7 577) | (7 288) |
| Net provisions for risks and charges: | (27) | 62 | 41 |
| Loan commitments and financial guarantees given | | 65 | 18 |
| Other net provisions | | (3) | 23 |
| Depreciation and impairment of property, equipment and right of use assets | (18) | (951) | (1 064) |
| Amortisation and impairment of intangible assets | (19) | (688) | (676) |
| Other operating income and expenses, *of which:* | (10) | 1 102 | 665 |
| Other operating income | | 1 549 | 1 128 |
| Other operating expenses | | (447) | (463) |
| **Operating expenses** | | **(8 052)** | **(8 322)** |
| Net income/(loss) on property measured at fair value | (18) | – | 2 |
| Share of profit of equity-accounted investees, net of tax | | 54 | 61 |
| Profit/(loss) from the sale of non-financial assets | | (2) | 30 |
| **Profit before income tax** | | **11 162** | **8 840** |
| Income tax | (28) | (2 034) | (1 859) |
| **Profit after tax** | | **9 128** | **6 981** |
| **Net profit attributable to the Group's shareholder** | | **9 128** | **6 981** |
| **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:* | | **4** | **(53)** |
| Change in fair value | | 15 | (51) |
| Transfers to other net equity items | | (10) | (15) |
| Deferred tax | | (1) | 13 |
| **Items that can be subsequently reclassified to profit or loss** | | | |
| Reserve from revaluation of hedging instruments in cash flow hedges, *of which:* | | **(2 007)** | **(6 565)** |
| Change in fair value | | (1 207) | (8 643) |
| Revaluation reclassified to profit or loss | | (1 299) | 532 |
| Deferred tax | | 499 | 1 546 |
| Reserve from revaluation of financial assets at fair value through other comprehensive income, *of which:* | | **(522)** | **29** |
| Change in fair value | | (577) | 89 |
| Revaluation reclassified to profit or loss | | (68) | (53) |
| Deferred tax | | 123 | (7) |
| Foreign exchange rate differences from the consolidation of a foreign branch | | **(332)** | **(709)** |
| **Other comprehensive income, net of tax** | | **(2 863)** | **(7 298)** |
| **Other comprehensive income, net of tax, attributable to the Group's shareholder** | | **(2 863)** | **(7 298)** |
| **Total comprehensive income, net of tax** | | **6 265** | **(317)** |
| **Total comprehensive income, net of tax, attributable to the Group's shareholder** | | **6 265** | **(317)** |

The notes on pages 65–142 form an integral part of these financial statements.

# Consolidated Statement of Financial Position as of 31 December 2022

| | Note | 2022 MCZK | 2021 MCZK |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash balances | (11) | 7 086 | 5 772 |
| Financial assets at fair value through profit or loss, *of which:* | (12) | 53 235 | 35 190 |
| Held for trading | | 52 695 | 34 646 |
| Mandatorily at fair value | | 540 | 544 |
| Financial assets at fair value through other comprehensive income, *of which:* | (13) | 28 319 | 21 802 |
| Provided as collateral | | 5 448 | 6 234 |
| Financial assets at amortised cost, *of which:* | | 645 469 | 605 192 |
| Loans and advances to banks | (14) | 108 389 | 121 843 |
| Loans and advances to customers | (15) | 537 080 | 483 349 |
| Positive fair value of hedging derivatives | (16) | 21 431 | 12 341 |
| Changes in fair value of the portfolio of hedged instruments | | (3 164) | (366) |
| Equity-accounted investees | (17) | 355 | 365 |
| Property, equipment and right of use assets | (18) | 6 443 | 6 511 |
| Intangible assets | (19) | 2 712 | 2 876 |
| Tax receivables, *of which:* | (28) | 3 036 | 2 553 |
| Current income tax | | 10 | 349 |
| Deferred tax | | 3 026 | 2 204 |
| Non-current assets held for sale | | – | 8 |
| Other assets | (20) | 1 490 | 1 220 |
| **Total assets** | | **766 412** | **693 464** |
| | | | |
| **Liabilities** | | | |
| Financial liabilities at fair value through profit or loss, *of which:* | | 52 725 | 35 135 |
| Held for trading | (21) | 52 725 | 35 135 |
| Financial liabilities at amortised cost, *of which:* | | 594 696 | 550 898 |
| Deposits from banks | (22) | 56 910 | 56 874 |
| Deposits from customers and Lease liabilities | (23) | 503 374 | 470 158 |
| Debt securities issued | (24) | 34 412 | 23 866 |
| Negative fair value of hedging derivatives | (25) | 39 799 | 21 755 |
| Changes in fair value of the portfolio of hedged instruments | | (12 656) | (5 395) |
| Tax liabilities, *of which:* | (28) | 1 459 | 998 |
| Current income tax | | 808 | 260 |
| Deferred tax | | 651 | 738 |
| Other liabilities | (26) | 7 703 | 6 827 |
| Provisions for risks and charges | (27) | 1 264 | 1 365 |
| **Total liabilities** | | **684 990** | **611 583** |
| | | | |
| **Equity** | | | |
| Issued capital | (29) | 8 755 | 8 755 |
| Share premium | (29) | 3 495 | 3 495 |
| Reserve funds from revaluation | | (9 029) | (6 141) |
| Retained earnings and reserve funds | (31) | 69 073 | 68 791 |
| Profit for the period | | 9 128 | 6 981 |
| **Total shareholder‘s equity** | | **81 422** | **81 881** |
| **Total liabilities and shareholder‘s equity** | | **766 412** | **693 464** |

The notes on pages 65–142 form an integral part of these financial statements.

# Consolidated Statement of Cash Flows for the year ended 31 December 2022

| | Note | 2022 MCZK | 2021* MCZK |
|---|---|---|---|
| **Profit after tax** | | **9 128** | **6 981** |
| Adjustments for non-monetary items: | | | |
| Impairment losses of: | | 1 600 | 2 044 |
| Financial assets at amortised costs | | 1 595 | 2 045 |
| Financial assets at fair value through other comprehensive income | | 5 | (1) |
| Revaluation of financial instruments | | (461) | 1 358 |
| Net provisions for risks and charges: | | (62) | (41) |
| Loan commitments and financial guarantees given | | (65) | (18) |
| Other net provisions | | 3 | (23) |
| Depreciation and impairment of property, equipment and right of use assets | | 951 | 1 064 |
| Amortisation and impairment of intangible assets | | 688 | 676 |
| Net income/(loss) from the sale or repurchase of: | | (46) | (94) |
| Financial assets at fair value through other comprehensive income | | (46) | (94) |
| Profit/(loss) from equity investments | | 10 | (6) |
| Profit/(loss) from the sale of non-financial assets | | 2 | (30) |
| Taxes | | 2 034 | 1 859 |
| Unrealised foreign currency gains/(losses) | | (300) | (709) |
| Other non-monetary adjustments (FX revaluation, Accruals and Others) | | (995) | (2 225) |
| **Operating profit before change in operating assets and liabilities** | | **12 549** | **10 877** |
| | | | |
| Financial assets at fair value through profit or loss, *of which:* | | (17 682) | (19 482) |
| Held for trading | | (17 516) | (19 466) |
| Mandatorily at fair value | | (166) | (16) |
| Financial assets at amortised cost, *of which:* | | (39 646) | (9 533) |
| Loans and advances to banks | | 13 506 | 12 038 |
| Loans and advances to customers | | (53 152) | (21 571) |
| Other financial instruments * | | 2 181 | (2 236) |
| Other assets | | (278) | 852 |
| Financial liabilities at fair value through profit or loss, *of which:* | | 17 585 | 18 336 |
| Held for Trading | | 17 585 | 18 336 |
| Financial liabilities at amortised cost, *of which:* | | 32 776 | (3 366) |
| Deposits from banks | | 259 | (48 372) |
| Deposits from customers | | 32 517 | 45 006 |
| Other liabilities | | 131 | (3 230) |
| Income tax paid | | (1 436) | (1 291) |
| **Net cash flows from operating activities** | | **6 180** | **(9 073)** |
| | | | |
| (Purchase) of financial assets at fair value through other comprehensive income * | | (11 892) | (11 774) |
| Sale and maturity of financial assets at fair value through other comprehensive income * | | 3 640 | 9 038 |
| Cash proceeds from the sale of property and equipment and intangible assets | | 982 | 1 525 |
| (Acquisition) of property and equipment and intangible assets | | (949) | (895) |
| Dividends received | | 8 | 4 |
| **Net cash flows from investment activities** | | **(8 211)** | **(2 102)** |
| | | | |
| Dividends paid | | (6 662) | (3 299) |
| Financial liabilities at amortised cost – issue of debt securities | (24) | 13 283 | 16 408 |
| Financial liabilities at amortised cost – repayment of issued debt securities | (24) | (2 848) | (3 007) |
| (Payment) of Lease liabilities | (23) | (428) | (362) |
| **Net cash flows from financial activities** | | **3 345** | **9 740** |
| | | | |
| **Cash and cash balances at the beginning of the period** | | **5 772** | **7 207** |
| **Cash and cash balances at the end of the period** | | **7 086** | **5 772** |
| | | | |
| Interest received | | 23 221 | 15 347 |
| Interest paid | | (8 941) | (2 625) |

* In order to better express the nature of the amounts on the line *„Financial assets at fair value through other comprehensive income and other financial instruments"*, the Group decided to include part of this line represented by Other financial instruments in cash flows from operating activities and adjust the comparative period. The remaining part in cash flows from investment activities representing by financial assets at fair value through other comprehensive income was divided between cash flows caused by purchase and sale and maturity.

The notes on pages 65–142 form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity for the year ended 31 December 2022

| 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 | FX differences from consolidation | 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 2021** | **8 755** | **3 495** | **567** | **353** | **250** | **134** | **(47)** | **5 243** | **14 471** | **47 054** | **5 317** | **85 592** |
| | | | | | | | | | | | | |
| **Transactions with owners, contributions from and distributions to owners** | | | | | | | | | | | | |
| AAllocation of the prior year profit | | | | | | | | | | 5 317 | (5 317) | – |
| Dividend payment | | | | | | | | | (2 069) | (1 230) | | (3 299) |
| Consolidation impact | | | | | | | (100) | | | 5 | | (95) |
| | | | | | | | | | | | | |
| **Total comprehensive income for the current period** | | | | | | | | | | | | |
| Net profit for the current period | | | | | | | | | | | 6 981 | 6 981 |
| Other comprehensive | | | (6 565) | 29 | (53) | (709) | | | | | | (7 298) |
| | | | | | | | | | | | | |
| **Balance as of 31 December 2021** | **8 755** | **3 495** | **(5 998)** | **382** | **197** | **(575)** | **(147)** | **5 243** | **12 402** | **51 146** | **6 981** | **81 881** |
| | | | | | | | | | | | | |
| **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** | **3495** | **(8 005)** | **(146)** | **201** | **(875)** | **(204)** | **5 243** | **11 609** | **52 221** | **9 128** | **81 422** |

The notes on pages 65–142 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 2022 and comparatives for 2021 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 2021 and the profit distribution for 2021 were approved by the Shareholder of the Bank on 7 April 2022.

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. Significant 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 2022, the consolidation group includes the Parent Company and the following entities (hereinafter "consolidation entities"):

| Name of the entity | Business activities | Registered office | Owner | Ownership percentage | Consolidation method |
|---|---|---|---|---|---|
| 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 2022**

- the assets of the defunct company HVB Leasing Czech Republic s.r.o. were transferred to UniCredit Leasing CZ, a.s. as the successor company because of the intra-national amalgamation as of 1 January 2022.

**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. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### 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 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 collaterals, is granted to a credit-impaired borrower. The Group identified no POCI assets during 2022, or in 2021.

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. Significant 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 2022 and in 2021 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 (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 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 2022 and in 2021 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. The main triggers include:

- 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 which was measured on a 12-month PD until September 2022. Since October 2022 such measurement is performed with the life-time PD values (so called AP3 approach) – change to AP3 approach caused migration of MCZK 19 900 from stage 1 to stage 2 (in October 2022) and net increase of ECL by MCZK 176;
- Absolute triggers such as backstops required by the regulation (ie 30 days past due);
- Other internal relevant triggers (eg new classifications to Forborne, transfer to Watchlist 2 process or having internal rating 8+ or 8; and
- During 2022 year additional changes were performed in transfer logic rules (relevant to stage 2) like:
    i. introduction of 3-months probation period (May 2022) for which the exposure is still categorized in stage 2 after reasons for reclassification to stage 2 expired;
    ii. additional relative trigger was introduced (3xPD in May 2022) which assigns stage 2 to exposures having current PD higher than triple of the PD at origination;
    iii. low credit risk exemption (LCRE) 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%.

The Group uses the "client default" definition in line with Regulation No. 575/2013 of the European Parliament and of the Council; 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 take 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.

From 1 January 2021, the new definition of default / client failure is valid and as regulated by Final Report Guidelines on the application of the definition of default (EBA/GL/2016/07) the impact of definition of default was analyzed and based on the prudent approach the expected impact was reflected in 2020 financial figures (within loan loss provisions without reassigning specific clients to Stage 3) including the default detection and process changes effect including impact within bank's subsidiaries.

Main changes implemented within above mentioned regulation:

- New thresholds applied, absolute (EUR 100 for retail and EUR 500 for non-retail clients) and relative (1% from the total loan exposure of the client),
- DPD counter start and end rules update,
- Probation rules update,
- Overdue aggregation and joint obligation rules update,
- Distressed restructuring rules update.

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. Significant 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 UniCredit 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 position write-off in an investment fund.

**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 attributable to the risk being hedged is also carried at fair value. 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 (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 a fair-value item hedged 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. 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 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 may 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 cost in the statement of financial position.

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

The item *"Cash and cash balances"* does not include the compulsory minimum reserve which is presented in the item *"Financial assets at amortised cost: Loans and advances to banks"*.

The compulsory minimum reserve held at the Czech National Bank and at the National Bank of Slovakia is a required deposit with restricted drawing which must be held by all commercial banks licensed in the Czech Republic and in Slovakia respectively.

## 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.

Buildings and land used in the business

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, ie 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.

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.

Fair value was determined through the use of external independent expert valuations on semi-annually basis (as of 30 June and 31 December).

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 | 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 *"Other operating income and expenses"*. 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 and expenses"*.

**c) Received Operating 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"* 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 operating leases received under IFRS 16 as of 31 December 2022 and 31 December 2021 is presented in the following tables:

| Consolidated Statement of Comprehensive Income | Point in the section V. Other Notes | 2022 | 2021 |
|---|---|---|---|
| Depreciation of Right of use assets | 18. Property, equipment and right of use assets | (334) | (420) |
| Interest expense | 1. Net interest income | (27) | (12) |

| Consolidated Statement of Financial Position | Point in the section V. Other Notes | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|---|
| Right of use assets | 18. Property, equipment and right of use assets | 2 034 | 2 322 |
| Lease liabilities | 23. Financial liabilities at amortised cost: Deposits from customers | 1 995 | 2 385 |

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"*.

Interest on financial assets and liabilities at FVTPL is calculated using the effective interest rate method.

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 449 as of 31 December 2022 (as of 31 December 2021 MCZK 522).

## 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 IFRS 3 *Business Combinations*** – Reference to the Conceptual Framework with amendments to IFRS 3 – adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 16 *Property, Plant and Equipment*** – Proceeds before Intended Use – adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*** – Onerous Contracts — Cost of Fulfilling a Contract – adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018-2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.)

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, the following amendments to the existing standards were issued by IASB and adopted by the EU and are not yet effective:

- **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. Early application is permitted)
- **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. Early application is permitted)
- **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. Early application is permitted)

The Group has elected not to adopt new standard and amendments to existing standard in advance of their effective dates. The Group anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Group in the period of initial application.

## 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)

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.

# 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 assess the impacts on the European economies and globally. Although the Group has not yet observed a deterioration in the quality of the loan portfolio, it expects that the negative economic consequences of the current situation will affect both individual companies and entire industries. The Group has taken steps that reflect these deteriorated expectations in the risk parameters affecting the financial result.

These circumstances have requested, as of 31 December 2022, a careful evaluation of certain items of financial statements whose recoverability depends on future cash flows projections by re-estimating the cash flows so to incorporate assumptions on the effects of current geopolitical situation.

While evaluations have been made on the basis of information deemed to be reasonable and supportable as at 31 December 2022, the current scenario is affected by level of uncertainty whose outcome is not foreseeable at the moment due to direct impacts as well as indirect impacts such as increased energy prices and supply chain disruptions.

Further details about the Impact of the current geopolitical situation in the Eastern Europe are provided in section V. Other Notes, point 15 k).

***Impact of COVID-19***

The Group monitors the current development of COVID-19 spread and carefully evaluates items of the financial statements, the return of which depends on the future projection of cash flows that may be affected by COVID-19 spread. The evaluations have been made based on information deemed to be reasonable and supportable as at 31 December 2022. Nevertheless, the current scenario is affected by level of uncertainty whose outcome is not foreseeable now due to unknown future development of COVID-19 spread.

***Impact of 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 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"*.

Inclusion of Forward Looking Information (hereinafter "FLI")

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 2022.

The degree of uncertainty of macroeconomic forecasts reduces the so-called multiscenario overlay factor. Through this component sensitivity of Expected Credit Loss ("ECL") evolution to different scenarios is incorporated into the calculation. The process defined to include multiple macroeconomic scenarios is fully consistent with forecast processes used by the Group for additional risk management purposes (for example processes adopted to calculate expected credit losses from macroeconomic forecasts based on EBA stress test and Internal Capital Adequacy Assessment Process ("ICAAP") Framework) and also takes advantage of independent UniCredit Research function. 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% (to previously used 55% is added 5% from eliminated positive scenario), while the negative scenario stays at 40%.

a) IFRS9 Baseline Scenario – "Mild Recession"
The Baseline scenario reflects the decline of Russian gas export, in line with recent recorded trends. It is assumed no material gas rationing in most of countries. 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 high energy prices, weak global trade, and persistent supply shortage, impacting also on food and commodities prices. A restrictive ECB policy is considered.

This scenario considers a deteriorating growth outlook with subdue global growth in 2022 and a still lower growth in 2023. The weakening reflects tighter financial conditions, surging energy bills in Europe and the spillover effect from reduced economic momentum across the US, Europe, and China. The manufacturing sector is under pressure, the boost to services from the reopening of the economy is declining, and consumer confidence is low. Supply constraints have eased but remain elevated compared to before the pandemic. High excess savings and the tight labor market should mean any recession is mild.

Also, in CEE Europe a technical recession in the 1. quarter 2023 caused by high energy prices is expected. A gradual recovery will start in second half of 2023. Most CEE countries will have enough natural gas for an average winter, even if Russia stops exports to Europe.

Inflation is likely to peak during the winter 2022-2023 in all CEE countries. It will remain well above target in 2023 due to higher retail energy prices, resilient domestic demand, and tight labor markets. Most governments are capping energy prices up to certain levels of consumption, but inflation is not impacted only by energy prices but also by a strong consumer demand, which continues to outpace supply not only for energy, but also for other goods and services.

In terms of policy rates, the tightening cycle will stop by the end 2022 and with some cuts during 2023. Monetary policy trend will therefore impact on Interbank rates.

b) IFRS9 Negative Scenario – "Severe Recession"
In the recession scenario a complete stop of Russia gas supply is considered with lower substitutions with other sources, generating disruptions in the supply chain. The scenario severity is consistent with a further escalation of the Russia-Ukraine conflicts. Higher energy prices vs. 'Baseline' (ca. 25%-30% higher oil price on average in 2023-2025), food and other commodities price rise strongly, fueling inflation. High uncertainty, erosion of real incomes and further supply disruption on top of those related to COVID-19 push the European economy in a recession in 2023.

From the macroeconomic point of view, the growth shock will also hit countries of Central and Eastern Europe. Roughly a third of cumulative shocks, on average, will come from the spillovers from the eurozone while the rest owing to the country-specific factors. Higher unemployment rate is assumed in all countries compared to the baseline. Despite the widening of the output gap which should be disinflationary on its own, higher energy prices and currency depreciation will lead to higher inflation in the region in 2023-2025 period compared to the baseline.

From the rates point of view, due to depreciation pressure on the currencies, central banks will need to intervene in the FX market and keep interbank rates higher compared to the baseline in 2023-2025 in most countries. Short-term rates will come down in 2024, as policy rates might be lowered along with the decline in inflation. However, they would remain higher compared to the corresponding 2024 levels of the Base scenario.

Larger budget deficit will be putting upside pressure on bond yields. Falling inflation and recovery in growth could help yields decline in 2024.

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) and yearly change of House Price Index are used within the model.

| | | Baseline scenario (60 %) | | |
|---|---|---|---|---|
| **Country** | **Macroeconomic scenario** | **2023** | **2024** | **2025** |
| Czech Rep. | Real GDP, year to year change in % | (0,3) | 2,7 | 2,8 |
| Czech Rep. | Inflation (CPI), at the end of period | 6,6 | 3,2 | 2,8 |
| Czech Rep. | Inflation (CPI), on average | 9,5 | 4,8 | 3,0 |
| Czech Rep. | Monthly wage, nominal in EUR | 1 575,3 | 1 648,9 | 1 744,0 |
| Czech Rep. | Unemployment rate in % | 4,6 | 3,9 | 3,6 |
| Czech Rep. | Reference rate, at the end of period | 5,50 | 3,75 | 3,25 |
| Czech Rep. | FX rate to EUR, at the end of period | 25,6 | 25,2 | 25,0 |
| Czech Rep. | FX rate to EUR, on average | 25,3 | 25,4 | 25,1 |
| Czech Rep. | Short term interest rate, at the end of period | 5,65 | 3,90 | 3,40 |
| Czech Rep. | Short term interest rate, on average | 6,9 | 4,8 | 3,6 |
| Czech Rep. | Long term interest rate (10 years) | 4,5 | 4,0 | 3,8 |
| Czech Rep. | House Price index, year to year change in % | 1,0 | 1,0 | 1,0 |
| Slovakia | Real GDP, year to year change in % | 0,9 | 2,3 | 2,5 |
| Slovakia | Inflation (CPI), at the end of period | 8,9 | 3,3 | 2,9 |
| Slovakia | Inflation (CPI), on average | 11,2 | 4,5 | 4,0 |
| Slovakia | Monthly wage, nominal in EUR | 1 298,3 | 1 369,5 | 1 428,7 |
| Slovakia | Unemployment rate in % | 7,2 | 6,9 | 6,4 |
| Slovakia | Long term interest rate (10 years) | 2,5 | 2,5 | 2,5 |
| Slovakia | House Price index, year to year change in % | (3,7) | – | 2,1 |
| | | Negative scenario (40 %) | | |
| **Country** | **Macroeconomic scenario** | **2023** | **2024** | **2025** |
| Czech Rep. | Real GDP, year to year change in % | (4,3) | 3,9 | 2,5 |
| Czech Rep. | Inflation (CPI), at the end of period | 10,4 | 4,5 | 3,0 |
| Czech Rep. | Inflation (CPI), on average | 12,3 | 6,0 | 4,1 |
| Czech Rep. | Monthly wage, nominal in EUR | 1 495,0 | 1 631,0 | 1 691,0 |
| Czech Rep. | Unemployment rate in % | 5,5 | 5,0 | 4,1 |
| Czech Rep. | Reference rate, at the end of period | 6,00 | 5,00 | 4,75 |
| Czech Rep. | FX rate to EUR, at the end of period | 26,6 | 25,9 | 25,9 |
| Czech Rep. | FX rate to EUR, on average | 26,0 | 26,2 | 25,9 |
| Czech Rep. | Short term interest rate, at the end of period | 6,1 | 5,1 | 4,9 |
| Czech Rep. | Short term interest rate, on average | 6,9 | 5,6 | 5,0 |
| Czech Rep. | Long term interest rate (10 years) | 5,1 | 4,3 | 4,3 |
| Czech Rep. | House Price index, year to year change in % | (0,7) | 2,0 | 1,0 |
| Slovakia | Real GDP, year to year change in % | (5,2) | 3,2 | 2,7 |
| Slovakia | Inflation (CPI), at the end of period | 9,9 | 4,3 | 3,1 |
| Slovakia | Inflation (CPI), on average | 11,5 | 4,9 | 4,1 |
| Slovakia | Monthly wage, nominal in EUR | 1 217,8 | 1 399,7 | 1 445,1 |
| Slovakia | Unemployment rate in % | 7,8 | 7,1 | 7,1 |
| Slovakia | Long term interest rate (10 years) | 2,5 | 2,5 | 2,5 |
| Slovakia | House Price index, year to year change in % | (3,8) | – | 2,1 |

c) Sensitivity analysis

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

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:
$((1 + \%GDP_{2023})(1 + \%GDP_{2024})(1 + \%GDP_{2025}) - 1)$.

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.** | 5,26 | 1,97 | (3,29) | 3 784 | 4 310 | 13,9% | 4,2% |
| **Slovakia** | 5,87 | 0,55 | (5,32) | 1 671 | 2 001 | 19,7% | 3,7% |

Results show that each 1 GDP point drop in 3-year cumulative GDP would cause increase of ECL by 4,2% on Czech Republic, resp. 3,7% increase on Slovak, portfolio.

2. Inclusion of Specific Factors
Considering actual and expected factors with realization date shortly after the beginning of 2023 financial year, the Group decided already for 2022 to reassess its models for impairment losses on receivables and recognize this impact in the income statement of 2022, 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. Models were developed as cross-country ones, common for both CZ and SK portfolios, using updated time series and defaults according to the new definition as a target. Except for PD Mid Corporate model ECB approval of all other models is still pending, but it is expected to be granted in 2023. In case of PD Mid Corporate model approval was already granted and gradual re-rating of the 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 2022. The total increase of provision amounts to MCZK 196 (split on MCZK 109 on Corporate 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, it has been decided to include for the end of 2022 **specific factor of geo-political uncertainties**. 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 1 801 (split on MCZK 1 534 on Corporate and MCZK 267 on Retail).

c) Based on the ECB finding a **dedicated approach for the Bullet/ Balloon products** was defined. To cope with the characteristics of the mentioned products, a correction to the IFRS9 PD Lifetime is to be 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. 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

| | 2022 | 2021 |
|---|---|---|
| **Interest income** | | |
| Financial assets at amortised cost: | 29 765 | 12 418 |
| Loans and advances to central banks | 11 866 | 2 086 |
| Loans and advances to banks | 948 | 327 |
| Loans and advances to customers: | 17 504 | 10 558 |
| Financial assets at fair value through other comprehensive income | 638 | 304 |
| **Interest income calculated using the effective interest method** | **30 403** | **12 722** |
| | | |
| Hedging derivatives | (7 383) | 1 949 |
| **Effect of hedging derivatives** | **(7 383)** | **1 949** |
| | | |
| Financial assets at amortised cost – finance lease | 553 | 553 |
| Financial assets at fair value through profit or loss: | 9 | 9 |
| Held for trading | 9 | 9 |
| Mandatorily at fair value | – | – |
| Other assets | 508 | 72 |
| **Other interest income** | **1 070** | **634** |
| **Interest income** | **24 090** | **15 305** |
| | | |
| **Interest expense** | | |
| Financial liabilities at amortised cost: | (14 531) | (1 531) |
| Deposits from central banks | (69) | – |
| Deposits from banks | (659) | (216) |
| Deposits from customers | (13 374) | (1 168) |
| Debt securities issued | (429) | (147) |
| Financial liabilities at fair value through profit or loss: | (17) | (21) |
| Held for trading | (17) | (21) |
| Hedging derivatives | 5 069 | (760) |
| Lease liabilities | (27) | (12) |
| **Interest expense** | **(9 506)** | **(2 324)** |
| **Net interest income** | **14 584** | **12 981** |

Negative interest expense from liabilities is reported in interest income in the following lines:

- Loans and advances to central banks – as of 31 December 2022 MCZK 166 (as of 31 December 2021 MCZK 334)
- Loans and advances to banks – as of 31 December 2022 MCZK 86 (as of 31 December 2021 MCZK 223)
- Loans and advances to customers – as of 31 December 2022 MCZK 205 (as of 31 December 2021 MCZK 171)

Negative interest income from assets is reported in interest expense in the following lines:

- Deposits from the central banks – as of 31 December 2022 MCZK (22) (as of 31 December 2021 MCZK (14))
- Deposits from banks – as of 31 December 2022 MCZK (15) (as of 31 December 2021 MCZK (44))
- Deposits from customers – as of 31 December 2022 MCZK (7) (as of 31 December 2021 MCZK (24))

## 2. Net fee and commission income

| | 2022 | 2021 |
|---|---|---|
| **Fee and commission income from** | | |
| Securities transactions | 21 | 14 |
| Management, administration, deposit and custody services | 799 | 838 |
| Loans | 1 314 | 1 283 |
| Payment services | 718 | 659 |
| Account administration | 488 | 514 |
| Payment cards | 1 205 | 946 |
| Other | 295 | 203 |
| **Total fee and commission income from contracts with customers** | **4 840** | **4 457** |
| | | |
| Loan commitments and financial guarantees | 562 | 552 |
| **Fee and commission income** | **5 402** | **5 009** |
| | | |
| **Fee and commission expenses from** | | |
| Securities transactions | (15) | (13) |
| Management, administration, deposit and custody services | (111) | (115) |
| Loans | (394) | (338) |
| Payment services | (55) | (54) |
| Payment cards | (872) | (739) |
| Other | (153) | (155) |
| Fee and commission expenses | **(1 600)** | **(1 414)** |
| **Net fee and commission income** | **3 802** | **3 595** |

## 3. Dividend income

| | 2022 | 2021 |
|---|---|---|
| **Dividend income** | | |
| Financial assets at fair value through profit or loss not held for trading mandatorily at fair value | 5 | 2 |
| Financial assets at fair value through other comprehensive income | 3 | 2 |
| **Total** | **8** | **4** |

## 4. Net income/(loss) from trading

| | 2022 | 2021 |
|---|---|---|
| Net realised and unrealised gain/(loss) from debt instruments held for trading | 129 | 162 |
| Net realised and unrealised gain/(loss) from derivatives held for trading | 348 | (410) |
| Net realised and unrealised gain/(loss) from FX spot transactions and from revaluation of receivables and payables denominated in FX | 1 555 | 2 359 |
| **Net income/loss from trading** | **2 032** | **2 111** |

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

| | 2022 | 2021 |
|---|---|---|
| Hedging instruments | (2 100) | (5 109) |
| Hedged instruments | 2 098 | 5 108 |
| **Net income/loss from hedging against risk of changes in fair value** | **(2)** | **(1)** |

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

| | 2022 | 2021 |
|---|---|---|
| Financial assets at amortised cost: Loans and advances to customers | 107 | 357 |
| Financial assets at fair value through other comprehensive income | 46 | 94 |
| Financial liabilities: Debt securities issued | 189 | (16) |
| **Net income/loss from the sale or repurchase** | **342** | **435** |

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

| | 2022 | 2021 |
|---|---|---|
| Shares | (4) | (12) |
| **Net income/loss from financial assets and liabilities at fair value through profit or loss** | **(4)** | **(12)** |

## 8. Impairment losses

| | 2022 | 2021 |
|---|---|---|
| **Cash and cash balances** | **(93)** | **–** |
| Stage 1 | (93) | – |
| | | |
| **Financial assets at amortised cost, *of which:*** | **(1 502)** | **(2 045)** |
| **Loans and advances to banks** | **(12)** | **(1)** |
| Stage 1 | (8) | (3) |
| Stage 2 | – | 2 |
| Stage 3 | (4) | – |
| | | |
| **Loans and advances to customers** | **(1 490)** | **(2 044)** |
| *Corporate Customers* | **(1 603)** | **(1 289)** |
| Stage 1 | (1 366) | (452) |
| Stage 2 | (1 256) | (831) |
| Stage 3 | 1 019 | (6) |
| *Retail Customers* | **113** | **(755)** |
| Stage 1 | (169) | (535) |
| Stage 2 | 232 | (217) |
| Stage 3 | 49 | (3) |
| | | |
| **Financial assets at fair value through other comprehensive income** | **(5)** | **1** |
| Stage 1 | (5) | 1 |
| **Total** | **(1 600)** | **(2 044)** |

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

| | 2022 | 2021 |
|---|---|---|
| **Personnel expenses** | | |
| Wages and salaries paid to employees | (2 619) | (2 544) |
| Social costs | (1 003) | (976) |
| Other | (306) | (242) |
| | **(3 928)** | **(3 762)** |
| **Other administrative expenses** | | |
| Rent and building maintenance | (341) | (285) |
| Information technologies | (1 536) | (1 597) |
| Promotion and marketing | (236) | (220) |
| Consumables used | (68) | (58) |
| Audit, legal and advisory services | (151) | (167) |
| Administrative and logistic services | (217) | (192) |
| Deposits and transactions insurance | (835) | (744) |
| Other services | (250) | (225) |
| Other | (15) | (38) |
| | **(3 649)** | **(3 526)** |
| **Total** | **(7 577)** | **(7 288)** |

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

| | 2022 | 2021 |
|---|---|---|
| Short-term employee benefits | 179 | 186 |
| Post-employment benefits | – | 1 |
| Other long-term employee benefits | 42 | 31 |
| **Total** | **221** | **218** |

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:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Czech Republic | Slovakia | Czech Republic | Slovakia |
| Employees | 2 188 | 997 | 2 217 | 1 025 |
| 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 | 36 | 2 | 39 | 3 |

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.

## 10. Other operating income and expenses

| | 2022 | 2021 |
|---|---:|---:|
| Income from rent | 623 | 608 |
| Income from rent of investment properties | – | 7 |
| Other income related to the specific service of finance leasing | 58 | 89 |
| Other income | 868 | 424 |
| **Total other operating income** | **1 549** | **1 128** |
| | | |
| Other taxes | (23) | (27) |
| Fines and penalties | (10) | (4) |
| Other expenses related to the specific service of finance leasing | (67) | (94) |
| Other expenses | (347) | (338) |
| | | |
| **Total other operating expenses** | **(447)** | **(463)** |
| **Total** | **1 102** | **665** |

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 |
|---|---:|---:|---:|
| **2022** | | | |
| Cash flows to be received from operating leases | 475 | 650 | 9 |
| **2021** | | | |
| Cash flows to be received from operating leases | 503 | 657 | 1 |

## 11. Cash and cash balances

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---:|---:|
| Cash in hand | 3 758 | 3 612 |
| Balances with central banks | 318 | 250 |
| Other on-demand deposits | 3 010 | 1 910 |
| **Total** | **7 086** | **5 772** |

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

Item *"Other on-demand deposits"* includes current accounts and sight deposits toward banks out of which the vast majority (99,9%) as of 31 December 2022 are classified by credit quality at stage 1 with the total allowance of MCZK 98 (as of 31 December 2021: MCZK 0).

## 12. Financial assets at fair value through profit or loss

### (a) Held for Trading

#### *(i) Based on the Type of Financial Instrument*

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---:|---:|
| Debt securities | 11 | 1 005 |
| Derivatives | 52 684 | 33 641 |
| **Total** | **52 695** | **34 646** |

From debt securities, no securities are provided as collateral as of 31 December 2022 and as of 31 December 2021.

#### *(ii) Based on the Type of Issuer*

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---:|---:|
| **Debt securities** | | |
| Public administration | 11 | 1 004 |
| Other | – | 1 |
| **Total** | **11** | **1 005** |

### (b) Mandatorily at fair value

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---:|---:|
| Shares and Other debt securities | 540 | 544 |
| **Total** | **540** | **544** |

#### *(ii) Based on the Type of Issuer*

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---:|---:|
| **Shares and Other debt securities** | | |
| Other financial institutions | 540 | 544 |
| **Total** | **540** | **544** |

## 13. Financial assets at fair value through other comprehensive income

### (a) Based on the Type of Financial Instrument

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---:|---:|
| Debt securities | 28 301 | 21 782 |
| Shares | 18 | 20 |
| **Total** | **28 319** | **21 802** |

From debt securities, MCZK 5 448 are provided as collateral (as of 31 December 2021: MCZK 6 234).

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 Dec 2022 | 31 Dec 2021 |
|---|---:|---:|
| Debt securities | | |
| Financial institutions | 2 381 | 2 493 |
| Government institutions | 22 563 | 15 463 |
| Other | 3 357 | 3 826 |
| | | |
| Shares | | |
| Other | 18 | 20 |
| **Total** | **28 319** | **21 802** |

All debt securities included in financial assets at fair value through other comprehensive income as of 31 December 2022 are classified by credit quality in stage 1 with the total allowance of MCZK 7 (as of 31 December 2021: MCZK 5).

Out of total amount of debt securities 94% were included within Internal Rating 1 and 6% within Internal Rating 2 and 3 as of 31 December 2022 (as of 31 December 2021 91% within Internal Rating 1 and 9% within Internal Rating 3).

### (c) Participation Interests

| Name | Registered office | Date of acquisition | Acquisition price | Net book value 2022 | Net book value 2021 | Share of the Group at 31 Dec 2022 | Share of the Group at 31 Dec 2021 |
|---|---|---|---|---|---|---|---|
| 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 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Term deposits | 35 620 | 24 027 |
| Reverse repurchase commitments (see section V, point 32) | 72 101 | 84 661 |
| Obligatory minimum reserves with central banks | 668 | 13 155 |
| **Total** | **108 389** | **121 843** |

The vast majority (99,9%) of financial assets at amortised cost – loans and advances to banks as of 31 December 2022 are classified by credit quality at stage 1 with the total allowance of MCZK 11 (as of 31 December 2021: MCZK 7).

Out of total amount financial assets at amortised cost – loans and advances to banks 87% were included within Internal Rating 1, 2% within Internal Rating 2 and 11 % within Internal Rating 3 as of 31 December 2022 (as of 31 December 2021 91% within Internal Rating 1, 1% within Internal Rating 2 and 8% within Internal Rating 3).

### (b) Analysis of Receivables from Banks, by Geographical Sector

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Czech Republic | 84 997 | 100 045 |
| Slovakia | 10 769 | 11 854 |
| Other EU countries | 12 555 | 9 682 |
| Other | 68 | 262 |
| **Total** | **108 389** | **121 843** |

## 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 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.

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

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

| 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* | (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.

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

* The balance also includes unamortized modification loss of MCZK 29.
** The balance also includes unamortized modification loss of MCZK 3.

From financial assets at amortised cost – Loans and advances to customers MCZK 141 912 are provided as collateral (as of 31 December 2021: MCZK 150 734).

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

| | Gross Receivables | | PD |
|---|---|---|---|
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 and 31 Dec 2021 |
| Performing receivables – stage 1 and 2 | | | |
| Internal rating 1 | 37 733 | 16 309 | 0.02% – 0.04% |
| Internal rating 2 | 37 706 | 29 976 | 0.06% – 0.10% |
| Internal rating 3 | 77 091 | 58 372 | 0.14% – 0.26% |
| Internal rating 4 | 153 349 | 147 842 | 0.36% – 0.66% |
| Internal rating 5 | 109 321 | 108 234 | 0.90% – 1.68% |
| Internal rating 6 | 79 636 | 86 050 | 2.29% – 4.25% |
| Other internal rating | 36 695 | 32 856 | 5.80% – 20.00% |
| Receivables without internal rating | 6 618 | 2 428 | 14.67% |
| **Total** | **538 149** | **482 067** | |
| Non-performing receivables – stage 3 | 10 246 | 12 345 | 100% |
| **Total** | **548 395** | **494 412** | |

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

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Financial institutions | 48 193 | 30 679 |
| Non-financial institutions | 285 210 | 277 043 |
| Government sector | 30 245 | 12 338 |
| Individuals and others | 173 432 | 163 289 |
| **Total** | **537 080** | **483 349** |

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

| | Maximum exposure to credit risk | Bank and similar guarantee | Mortgage | Corporate guarantee | Movable assets | Other security | Total collateral | Net exposure |
|---|---|---|---|---|---|---|---|---|
| **31 Dec 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** |
| | | | | | | | | |
| **31 Dec 2021** | | | | | | | | |
| Stage 1 | 434 686 | 2 758 | 117 677 | 10 079 | 37 842 | 4 762 | 173 118 | 261 568 |
| Stage 2 | 44 297 | 227 | 10 404 | 2 300 | – | 1 644 | 14 575 | 29 722 |
| Stage 3 | 4 366 | 73 | 2 199 | 996 | 732 | 199 | 4 199 | 167 |
| **Total** | **483 349** | **3 058** | **130 280** | **13 375** | **38 574** | **6 605** | **191 892** | **291 457** |

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 41 288 (as of 31 December 2021: MCZK 41 307). 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.

If the exposure is fully collateralised, no loss allowance is calculated.

### (e) Analysis of Net Receivables from Customers, by Geographical Sector

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Czech Republic | 367 390 | 326 284 |
| Slovakia | 147 435 | 141 928 |
| Other EU countries | 19 894 | 12 390 |
| Other | 2 361 | 2 747 |
| **Total** | **537 080** | **483 349** |

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

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Real estate services | 82 448 | 76 835 |
| Financial services | 31 183 | 17 781 |
| Wholesale | 33 169 | 28 673 |
| Households (individuals) | 169 415 | 159 236 |
| Retail (entrepreneurs) | 11 273 | 11 757 |
| Leasing and rental | 19 446 | 15 119 |
| Automotive industry | 6 329 | 11 885 |
| Power industry | 25 187 | 22 957 |
| Other | 158 630 | 139 106 |
| **Total receivables from customers** | **537 080** | **483 349** |

### (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 December 2022** | | | | | | | |
| Non-financial institutions | 16 087 | 2 980 | 19 067 | (314) | (2 172) | (2 486) | 16 581 |
| Other financial corporations | – | – | – | – | – | – | – |
| Individuals and others | 595 | 122 | 717 | (22) | (73) | (95) | 622 |
| **Total** | **16 682** | **3 102** | **19 784** | **(336)** | **(2 245)** | **(2 581)** | **17 203** |

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 December 2021** | | | | | | | |
| Non-financial institutions | 19 765 | 3 517 | 23 282 | (301) | (2 476) | (2 777) | 20 505 |
| Other financial corporations | 8 | – | 8 | – | – | – | 8 |
| Individuals and others | 541 | 252 | 793 | (60) | (105) | (165) | 628 |
| **Total** | **20 314** | **3 769** | **24 083** | **(361)** | **(2 581)** | **(2 942)** | **21 141** |

Net balance of forborne receivables represented 3.20% of the total net receivables from customers as of 31 December 2022 (2021: 4.37%).

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 December 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** |
| | | | |
| **31 December 2021** | | | |
| Performing receivables | | | |
| Before due | 19 051 | (318) | 18 733 |
| Past due | 1 263 | (43) | 1 220 |
| Total forborne performing receivables | **20 314** | **(361)** | **19 953** |
| Non-performing receivables | | | |
| Up to 90 days past due | 3 186 | (2 053) | 1 133 |
| 91 to 180 days past due | 220 | (200) | 20 |
| 181 days to 1 year past due | 66 | (52) | 14 |
| Over 1 year past due | 297 | (276) | 21 |
| Total forborne non-performing receivables | **3 769** | **(2 581)** | **1 188** |
| **Total** | **24 083** | **(2 942)** | **21 141** |

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

| | |
|---|---|
| Balance as of 1 January 2021 | 20 256 |
| Transfer to forborne receivables balance | 12 482 |
| Additions | 786 |
| Write-offs | (1) |
| Settled | (2 747) |
| Transfer from forborne receivables balance | (6 849) |
| Other | 156 |
| **Total gross balance of forborne receivables as of 31 December 2021** | **24 083** |
| | |
| 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** |

The table below shows movements in the impairment of forbearance:

| | |
|---|---|
| Balance as of 1 January 2021 | (2 613) |
| Transfer to forborne receivables balance | (1 024) |
| Charge during the current year | (575) |
| Release during the current year | 422 |
| Receivables written off – use | 1 |
| Transfer from forborne receivables balance | 824 |
| Other decreases | 23 |
| **Total impairment of forborne receivables as of 31 December 2021** | **(2 942)** |
| | |
| 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)** |

### (h) Impairment of Receivables from Customers

#### *Movement in Impairment of Receivables from Customers*

| Corporate Customers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Balance as of 1 January 2021 | **(1 235)** | **(978)** | **(7 078)** | **(9 291)** |
| Charge during the current year | (617) | (379) | (3 505) | (4 501) |
| *Of which provided in the respective year* | *(447)* | *(251)* | *(804)* | *(1 502)* |
| Release during the current year | 959 | 407 | 2 286 | 3 652 |
| *Of which repaid in the respective year* | *221* | *80* | *1 102* | *1 403* |
| Receivables written off – use | 13 | 1 | 799 | 813 |
| Transfer between stages | (185) | 217 | (32) | – |
| FX differences | 10 | 4 | 219 | 233 |
| **Total impairment of receivables from customers as of 31 December 2021** | **(1 055)** | **(728)** | **(7 311)** | **(9 094)** |

| Corporate Customers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Balance as of 1 January 2022 | **(1 055)** | **(728)** | **(7 311)** | **(9 094)** |
| Charge during the current year | (1 559) | (1 304) | (1 999) | (4 862) |
| *Of which repaid in the respective year* | *(718)* | *(592)* | *(694)* | *(2 004)* |
| Release during the current year | 639 | 614 | 2 337 | 3 590 |
| *Of which repaid in the respective year* | *196* | *114* | *1 099* | *1 409* |
| Receivables written off – use | 5 | 4 | 718 | 727 |
| Transfer between stages | 31 | (200) | 169 | – |
| FX differences | 3 | 3 | 24 | 30 |
| **Total impairment of receivables from customers as of 31 December 2022** | **(1 936)** | **(1 611)** | **(6 062)** | **(9 609)** |

| Retail Customers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Balance as of 1 January 2021 | **(311)** | **(370)** | **(1 017)** | **(1 698)** |
| Charge during the current year | (318) | (645) | (223) | (1 186) |
| *Of which provided in the respective year* | *(148)* | *(184)* | *(70)* | *(402)* |
| Release during the current year | 263 | 130 | 252 | 645 |
| *Of which repaid in the respective year* | *78* | *62* | *97* | *237* |
| Receivables written off – use | 5 | 1 | 251 | 257 |
| Transfer between stages | (122) | 63 | 59 | – |
| FX differences | 2 | 1 | 10 | 13 |
| **Total impairment of receivables from customers as of 31 December 2021** | **(481)** | **(820)** | **(668)** | **(1 969)** |
| | | | | |
| Balance as of 1 January 2022 | **(481)** | **(820)** | **(668)** | **(1 969)** |
| Charge during the current year | (331) | (805) | (199) | (1 335) |
| *Of which provided in the respective year* | *(86)* | *(243)* | *(53)* | *(382)* |
| Release during the current year | 509 | 702 | 219 | 1 430 |
| *Of which repaid in the respective year* | *24* | *54* | *79* | *157* |
| Receivables written off – use | 1 | 8 | 158 | 167 |
| Transfer between stages | 13 | (20) | 7 | – |
| FX differences | – | – | 1 | 1 |
| **Total impairment of receivables from customers as of 31 December 2022** | **(289)** | **(935)** | **(482)** | **(1 706)** |

### *Movement of Gross Amount of Receivables from Customers*

| Corporate Customers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **2022** | | | | |
| Transfer of the gross amount of receivables from Stage 1 | (29 752) | 27 917 | 1 835 | – |
| Transfer of the gross amount of receivables from Stage 2 | 4 418 | (5 631) | 1 213 | – |
| Transfer of the gross amount of receivables from Stage 3 | 91 | 169 | (260) | – |
| | | | | |
| **2021** | | | | |
| Transfer of the gross amount of receivables from Stage 1 | (22 573) | 19 453 | 3 120 | – |
| Transfer of the gross amount of receivables from Stage 2 | 7 503 | (9 428) | 1 925 | – |
| Transfer of the gross amount of receivables from Stage 3 | 98 | 1 142 | (1 240) | – |

If the change in the identification of existing individual receivables occurs (reposting between different accounts / loans of the given client), such receivables are reported as new exposures, which are added from the movement point of view to existing exposures migrating from the stage 1. The same procedure is applied in all categories of the migration matrix.

| Retail Customers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **2022** | | | | |
| Transfer of the gross amount of receivables from Stage 1 | (31 887) | 31 574 | 313 | – |
| Transfer of the gross amount of receivables from Stage 2 | 4 145 | (4 355) | 210 | – |
| Transfer of the gross amount of receivables from Stage 3 | 66 | 302 | (368) | – |

| Retail Customers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **2021** | | | | |
| Transfer of the gross amount of receivables from Stage 1 | (8 059) | 7 758 | 301 | – |
| Transfer of the gross amount of receivables from Stage 2 | 2 219 | (2 486) | 267 | – |
| Transfer of the gross amount of receivables from Stage 3 | 113 | 161 | (274) | – |

### 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 2022 was MCZK 2 945 (as of 31 December 2021: MCZK 2 704).

### j) Receivables from Finance Leases

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| | Cash Flow to be received (gross receivables from finance lease) | |
| Receivables from finance leases: | | |
| Within 1 year | 4 826 | 5 449 |
| From one year to two years | 3 866 | 4 273 |
| From two years to three years | 2 620 | 3 048 |
| From three years to four years | 1 623 | 1 858 |
| From four years to five years | 727 | 985 |
| More than five years | 695 | 860 |
| Total cash flows to be received from finance leases | 14 357 | 16 473 |
| Unearned finance income | (1 075) | (997) |
| **Lease receivables** | **13 282** | **15 476** |

### 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 (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 1 377 which represents approx. 0.26% of Group'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 507 from a credit risk management point of view represent approximately 0.1% of the Group'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 302 as of 31 December 2022.

## 16. Positive fair value of hedging derivatives

### Based on the Hedging Purpose

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Fair value hedging | 6 628 | 2 370 |
| Cash flow hedging | 14 803 | 9 971 |
| **Total** | **21 431** | **12 341** |

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 2022** | | | | | | |
| RCI Financial Services, s.r.o. (50%) | 2 640 | 2 028 | 612 | 180 | 108 | 355 |
| **Total** | | | | | | **355** |
| | | | | | | |
| **31 December 2021** | | | | | | |
| RCI Financial Services, s.r.o. (50%) | 2 977 | 2 343 | 634 | 211 | 121 | 365 |
| **Total** | | | | | | **365** |

### Changes in Investments in Associates

| | 2022 | 2021 |
|---|---|---|
| Balance at 1 January | 365 | 359 |
| Change in the income statement | 54 | 61 |
| Dividend | (64) | (55) |
| **Total at 31 December** | **355** | **365** |

## 18. Property, equipment and right of use assets

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Property and equipment for operations** | | |
| Buildings and land | 868 | 826 |
| Leasehold improvements of rent buildings | 233 | 217 |
| Fixtures and fittings | 33 | 27 |
| IT equipment | 57 | 68 |
| Assets provided under operating leases | 2 847 | 2 767 |
| Other | 371 | 284 |
| | | |
| **Right of use assets** | | |
| Buildings and land | 2 034 | 2 322 |
| **Total** | **6 443** | **6 511** |

### (a) Movements in Property and Equipment Held for Operations

| | Buildings and land | Leasehold improvements of rent buildings | Fixtures and fittings | IT equipment | Operating leases | Other | Total |
|---|---|---|---|---|---|---|---|
| **Fair Value (Buildings and land) / Cost at 1 January 2021** | 2 682 | 1 021 | 173 | 650 | 3 857 | 697 | 9 080 |
| Accumulated depreciation and impairment at 1 January 2021 | (1 822) | (830) | (144) | (580) | (1 169) | (254) | (4 799) |
| **Net Book Value at 1 January 2021** | **860** | **191** | **29** | **70** | **2 688** | **443** | **4 281** |
| | | | | | | | |
| Increases in fair value | 21 | – | – | – | – | – | 21 |
| Reductions in fair value | (56) | – | – | – | – | – | (56) |
| Additions | 78 | 64 | 11 | 29 | 1 062 | 70 | 1 314 |
| Disposals | – | – | – | – | (434) | (162) | (596) |
| Depreciation charges | (33) | (37) | (9) | (32) | (513) | (20) | (644) |
| Transfer to the item *“Non-current assets held for sale”* | (8) | – | – | – | – | – | (8) |
| Other and FX rate gains or losses | (36) | (1) | (4) | 1 | (36) | (47) | (123) |
| **Net Book Value at 31 December 2021** | **826** | **217** | **27** | **68** | **2 767** | **284** | **4 189** |
| | | | | | | | |
| Fair Value (Buildings and land) / Cost at 31 December 2021 | 2 542 | 1 050 | 148 | 630 | 3 889 | 498 | 8 757 |
| Accumulated depreciation and impairment at 31 December 2021 | (1 716) | (833) | (121) | (562) | (1 122) | (214) | (4 568) |

| | Buildings and land | Leasehold improvements of rent buildings | Fixtures and fittings | IT equipment | Operating leases | 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 | 78 | 1 308 |
| Disposals | – | – | – | – | (431) | 300 | (131) |
| Depreciation charges | (34) | (39) | (5) | (28) | (498) | (13) | (617) |
| Transfer to the item *"Non-current assets held for sale"* | | | | | | | |
| Other and FX rate gains or losses | (17) | (8) | (2) | (1) | (54) | (278) | (360) |
| **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) |

Operating leases properties are mainly represented by vehicles.

### (b) Movements in Right of Use Assets

| | Buildings and land | Total |
|---|---|---|
| **Net Book Value at 1 January 2021** | **2 598** | **2 598** |
| Additions | 313 | 313 |
| Disposals | (169) | (169) |
| Depreciation | (420) | (420) |
| Other and FX rate gains or losses | – | – |
| **Net Book Value at 31 December 2021** | **2 322** | **2 322** |
| | | |
| Cost at 31 December 2021 | 3 410 | 3 410 |
| Accumulated depreciation and impairment at 31 December 2021 | (1 088) | (1 088) |
| | | |
| **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) |

## 19. Intangible assets

### Movements in Intangible Assets

| | Software | Total |
|---|---|---|
| **Cost at 1 January 2021** | 4 914 | 4 914 |
| Accumulated amortisation and impairment at 1 January 2021 | (2 306) | (2 306) |
| **Net Book Value at 1 January 2021** | **2 608** | **2 608** |
| | | |
| Additions | 846 | 846 |
| Amortisation charges | (676) | (676) |
| Other | 98 | 98 |
| **Net Book Value at 31 December 2021** | **2 876** | **2 876** |
| | | |
| Cost at 31 December 2021 | 5 571 | 5 571 |
| Accumulated amortisation and impairment at 31 December 2021 | (2 695) | (2 695) |
| | | |
| **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) |

## 20. Other assets

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Deferred expenses and accrued income | 572 | 523 |
| Trade receivables | 219 | 190 |
| Receivables from securities | 4 | 7 |
| Clearing and settlement accounts | 466 | 357 |
| Other | 236 | 152 |
| **Total** | **1 497** | **1 229** |
| | | |
| Impairment losses on other assets | (7) | (9) |
| **Net other assets** | **1 490** | **1 220** |

## 21. Financial liabilities held for trading

### Based on the Type of Financial Instrument

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Liabilities from short sales | – | 1 065 |
| Derivatives | 52 725 | 34 070 |
| **Total** | **52 725** | **35 135** |

## 22. Financial liabilities at amortised cost – deposits from banks

### Analysis of Deposits from Banks by Type

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Deposits from central banks | 37 776 | 39 223 |
| Current accounts | 8 086 | 9 495 |
| Loans | 5 659 | 7 811 |
| Term deposits | 538 | 345 |
| Sale and repurchase agreements (see section V, point 32) | 4 851 | – |
| **Total** | **56 910** | **56 874** |

Item "Deposits from central banks" includes as of 31 December 2022 MCZK 37 776 of funding from Targeted Longer-Term Refinancing Operations (hereinafter "TLTRO"), namely TLTRO III.4 which was drawn by the Bank in June 2020 and TLTRO III.7 drawn in March 2021 (as of 31 December 2021: MCZK 39 223).

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 2022 Bank recognized, a Net Interest Income contribution from TLTRO equal to MCZK 97 (2021: MCZK 334).

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

### Analysis of Deposits from Customers by Type

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Current accounts | 394 021 | 430 960 |
| Term deposits | 99 875 | 34 204 |
| Lease Liabilities | 1 995 | 2 385 |
| Other | 7 483 | 2 609 |
| **Total** | **503 374** | **470 158** |

| **Movements in Lease Liabilities** | **2022** | **2021** |
|---|---|---|
| As at 1 January | **2 385** | **2 646** |
| Additions | 46 | 144 |
| Accretion of interest | 27 | 12 |
| Lease payments | (428) | (362) |
| Other and FX rate gains or losses | (35) | (55) |
| **Total at 31 December** | **1 995** | **2 385** |

The Group had total cash outflows for leases of MCZK 495 in 2022, incl. those leases that are not in-scope of IFRS 16 (in 2021: MCZK 399).

## 24. Financial liabilities at amortised cost – issued debt securities

### Analysis of Issued Debt Securities

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Mortgage bonds | 16 793 | 5 860 |
| Structured bonds | 1 372 | 1 246 |
| Other issued debt securities | 16 247 | 16 760 |
| **Total** | **34 412** | **23 866** |

| **Movements in Issued Debt Securities** | **2022** | **2021** |
|---|---|---|
| As at 1 January | **23 866** | **10 473** |
| Issue | 13 283 | 16 408 |
| Repayment of principal | (2 848) | (3 007) |
| Accretion of interest | 429 | 147 |
| Repayment of interest | (318) | (155) |
| **Total at 31 December** | **34 412** | **23 866** |

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 1 291 (at 31 December 2021: MCZK 1 205). The positive fair value of these derivatives of MCZK 384 is reported under "Financial assets held for trading" (at 31 December 2021: MCZK 23); the negative fair value of these derivatives of MCZK (128) is recognised under "Financial liabilities held for trading" (at 31 December 2021: MCZK 204).

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 with option to call the bond after 5 years. The only investor is UniCredit S.p.A. The total value as of 31 December 2022 is MCZK 15 967 (at 31 December 2021: MCZK 16 418).

## 25. Negative fair value of hedging derivatives

### Based on the Hedging Purpose

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Fair value hedging | 14 576 | 5 855 |
| Cash flow hedging | 25 223 | 15 900 |
| **Total** | **39 799** | **21 755** |

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

## 26. Other liabilities

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Deferred income and accrued expenses | 1 430 | 1 497 |
| Trade payables | 415 | 768 |
| Payables to employees | 597 | 455 |
| Unsettled security transactions | 373 | 2 |
| Clearing and settlement accounts | 4 481 | 3 638 |
| Other | 407 | 467 |
| **Total** | **7 703** | **6 827** |

## 27. Provisions for risks and charges

Provisions for risks and charges include the following items:

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Provisions for off-balance sheet credit exposures | 1 150 | 1 230 |
| a. Stage 1 | 324 | 202 |
| b. Stage 2 | 244 | 136 |
| c. Stage 3 | 582 | 892 |
| Legal disputes | 89 | 81 |
| Provision for restructuring | 1 | 15 |
| Other | 24 | 39 |
| **Total** | **1 264** | **1 365** |

### (a) Provisions for Off-Balance Sheet Credit Exposures

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Balance at 1 January 2021 | 179 | 346 | 768 | 1 293 |
| Charge during the year | 185 | 187 | 577 | 949 |
| Release during the year | (155) | (387) | (425) | (967) |
| Other – FX rate gains or losses | (7) | (10) | (28) | (45) |
| **Total provisions for off-balance sheet credit items at 31 December 2021** | **202** | **136** | **892** | **1 230** |
| | | | | |
| 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** |

### (b) Other Provisions

| | Legal disputes | Restructuring provision | Other | Total |
|---|---|---|---|---|
| Balance at 1 January 2021 | 88 | 69 | 51 | **208** |
| Charge during the year | 4 | 2 | 22 | **28** |
| Usage during the year | (7) | (20) | (23) | **(50)** |
| Release of redundant provisions and other | (4) | (36) | (11) | **(51)** |
| **Total other provisions at 31 December 2021** | **81** | **15** | **39** | **135** |
| | | | | |
| 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** |

## 28. Income tax

### (a) Tax in the Income Statement

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Current tax payable | (2 361) | (1 898) |
| Prior year tax | 19 | (17) |
| Deferred tax | 308 | 56 |
| **Total income tax** | **(2 034)** | **(1 859)** |

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:

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Profit for the year before income tax | 11 162 | 8 840 |
| Tax calculated using the tax rate of 19% | (2 121) | (1 680) |
| Changes in estimates relating to prior years | 22 | (17) |
| Non-taxable income | 277 | 11 |
| Tax non-deductible expenses | (165) | (108) |
| Impact of prior years on the deferred tax | (4) | 5 |
| Impact of a higher Slovak tax rate | (22) | (54) |
| Recognition of previously unrecognised deferred tax | (7) | 18 |
| Other | (14) | (34) |
| **Total income tax** | **(2 034)** | **(1 859)** |

The effective tax rate of the Group is 18.22% (2021: 21.03%).

### (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 2022 based on the current and anticipated future level of taxable profits.

### *(i) Deferred Tax Asset*

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Tax non-deductible provisions | 131 | 130 |
| Impairment of loans and off-balance sheet items | 965 | 829 |
| Differences arising from the net book values of tangible assets | 29 | 33 |
| Reserve from revaluation of hedging instruments * | 1 979 | 1 435 |
| Reserve from revaluation of financial assets at fair value through other comprehensive income * | 54 | 4 |
| Other | 202 | 166 |
| Offsetting against deferred tax liability | (334) | (393) |
| **Net deferred tax asset** | **3 026** | **2 204** |

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

### *(ii) Deferred Tax Liability*

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Impairment of loans and off-balance sheet items | 558 | 32 |
| Differences arising from the net book values of tangible assets | 122 | 99 |
| Differences arising from the net book values of intangible assets | 161 | 153 |
| Reserve from revaluation of hedging instruments * | 70 | 25 |
| Reserve from revaluation of financial assets at fair value through other comprehensive income * | 20 | 93 |
| Reserve from revaluation of property measured at fair value * | 52 | 51 |
| Other | 2 | 678 |
| Offsetting against deferred tax asset | (334) | (393) |
| **Net deferred tax liability** | **651** | **738** |

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

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 (2021: MCZK 11) and by UniCredit Leasing Slovakia, a.s. of MCZK 29 (2021: MCZK 22) and from tangible assets by UniCredit Leasing CZ, a.s. of MCZK 18 (2021: 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 2022 and 2021.

### (a) Shareholder Structure

| Entity | Registered office | Nominal value of shares in MCZK | Share premium in MCZK | Ownership percentage |
|---|---|---|---|---|
| **At 31 Dec 2022** | | | | |
| UniCredit S.p.A | Italy | 8 755 | 3 495 | 100.00 |
| **Total** | | **8 755** | **3 495** | **100.00** |
| | | | | |
| **At 31 Dec 2021** | | | | |
| UniCredit S.p.A | Italy | 8 755 | 3 495 | 100.00 |
| **Total** | | **8 755** | **3 495** | **100.00** |

### (b) Capital Breakdown

| | 31 Dec 2022 Number of shares | 31 Dec 2022 MCZK | 31 Dec 2021 Number of shares | 31 Dec 2021 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 2022 and 31 December 2021, 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 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Reserve funds | 5 243 | 5 243 |
| Special-purpose reserve fund | 11 609 | 12 402 |
| Retained earnings | 52 221 | 51 146 |
| **Total** | **69 073** | **68 791** |

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 4 387 were transferred into a Special-purpose reserve fund denominated in EUR. This part of the Special-purpose reserve fund in total amount of MCZK 11 611 from cross-border merger can only be used to settle the loss of the Bank.

## 32. Borrowings and lending of securities, repurchase and reverse repurchase transactions

### (a) Reverse Repurchase Transactions

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Loans and advances to banks | 72 101 | 84 661 |
| Fair value of securities received | 70 740 | 84 661 |

No securities received as collateral as part of reverse repurchase transactions are further provided as collateral under repurchase transactions as of 31 December 2022 and as of 31 December 2021.

### (b) Repurchase Transactions

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Deposits from banks | 4 851 | – |
| Fair value of securities provided | 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 2022, 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 2022, the aggregate provisions amounted to MCZK 1 150 (as of 31 December 2021: MCZK 1 230), see section V. Other Notes, point 27. Provisions (a).

|  | Gross amount | Provisions for risks and charges | Net amount |
|---|---|---|---|
| **31 Dec 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** |
| | | | |
| **31 Dec 2021** | | | |
| Letters of credit and financial guarantees | **47 833** | **(656)** | **47 177** |
| – Stage 1 | 45 263 | (103) | 45 160 |
| – Stage 2 | 1 936 | (82) | 1 854 |
| – Stage 3 | 634 | (471) | 163 |
| Other contingent liabilities (undrawn credit facilities) | **165 928** | **(574)** | **165 354** |
| – Stage 1 | 156 460 | (99) | 156 361 |
| – Stage 2 | 8 745 | (54) | 8 691 |
| – Stage 3 | 723 | (421) | 302 |
| **Total** | **213 761** | **(1 230)** | **212 531** |

**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 |
|---|---|---|---|
|  | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 and 31 Dec 2021 |
| **Performing receivables – stage 1 and 2** | | | |
| Internal rating 1 | 18 071 | 13 523 | 0.02% - 0.04% |
| Internal rating 2 | 34 713 | 23 421 | 0.06% - 0.10% |
| Internal rating 3 | 55 757 | 35 974 | 0.14% - 0.26% |
| Internal rating 4 | 52 518 | 58 480 | 0.36% - 0.66% |
| Internal rating 5 | 28 736 | 50 515 | 0.90% - 1.68% |
| Internal rating 6 | 17 216 | 25 977 | 2.29% - 4.25% |
| Other internal rating | 3 855 | 4 412 | 5.80% - 20.00% |
| Receivables without internal rating | 144 | 102 | 14.67% |
| **Total** | **211 010** | **212 404** | |
| | | | |
| **Non-performing receivables – stage 3** | 1 128 | 1 357 | 100% |
| **Total** | **212 138** | **213 761** | |

### (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 226.2 (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 Dec 2022** | | | |
| **Trading instruments – interbank market (OTC)** | | | |
| Options | 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** | **1 253 464** | **52 684** | **52 725** |
| | | | |
| **Trading instruments – stock exchange** | | | |
| Futures | – | – | – |
| **Total trading instruments** | **–** | **–** | **–** |
| | | | |
| **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** |

| | Nominal value | Positive fair value | Negative fair value |
|---|---|---|---|
| **31 Dec 2021** | | | |
| **Trading instruments – interbank market (OTC)** | | | |
| Options | 110 800 | 1 504 | 1 514 |
| Interest rate swap contracts | 780 444 | 24 801 | 25 539 |
| Forward rate agreements (FRA) | 6 820 | – | 17 |
| Cross currency swap contracts | 184 672 | 3 966 | 3 161 |
| Foreign exchange forwards and swaps | 47 979 | 273 | 798 |
| Other instruments | 5 037 | 3 063 | 3 041 |
| **Total** | **1 135 752** | **33 607** | **34 070** |
| | | | |
| **Trading instruments – stock exchange** | | | |
| Futures | 505 | 34 | – |
| **Total trading instruments** | **1 136 257** | **33 641** | **34 070** |
| | | | |
| **Hedging instruments** | | | |
| Interest rate swap contracts | 659 526 | 10 244 | 20 868 |
| Cross currency swap contracts | 121 925 | 2 097 | 887 |
| **Total hedging instruments** | **781 451** | **12 341** | **21 755** |

*(ii) Residual Maturity of Financial Derivatives Concluded on the Interbank Market*

| | Up to 1 year | 1 – 5 years | Over 5 years | Total |
|---|---|---|---|---|
| **31 Dec 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** |
| | | | | |
| **31 Dec 2021** | | | | |
| **Trading instruments** | | | | |
| Interest rate instruments | 119 128 | 440 970 | 250 733 | 810 831 |
| Equity instruments | 1 329 | 1 202 | – | 2 531 |
| Currency instruments | 213 468 | 95 609 | 8 276 | 317 353 |
| Other | 4 149 | 888 | – | 5 037 |
| **Total** | **338 074** | **538 669** | **259 009** | **1 135 752** |
| | | | | |
| **Hedging instruments** | | | | |
| Interest rate instruments | 120 211 | 332 154 | 207 161 | 659 526 |
| Currency instruments | 33 760 | 25 774 | 62 391 | 121 925 |
| **Total** | **153 971** | **357 928** | **269 552** | **781 451** |

## 34. Segment reporting

The Group presents the segment information based on performance criteria as disclosed in section III. Significant Accounting Policies, point 20. Segment reporting.

In the first half of 2022, the Group adjusted the segments classification. In accordance with IFRS 8 Operating segments, the values reported in the Segment Information by client category as of 31 December 2021 were restated in order to maintain the comparability of the reported values.

### (a) Segment Information by Client Category

| | Retail and private banking | Corporate and investment banking, leases | Other | Total |
|---|---|---|---|---|
| **31 Dec 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** |
| 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** |

| | Retail and private banking | Corporate and investment banking, leases | Other | Total |
|---|---|---|---|---|
| **31 Dec 2021** | | | | |
| Net interest and dividend income | 3 205 | 8 309 | 1 471 | **12 985** |
| Net fee and commission income | 1 064 | 2 578 | (47) | **3 595** |
| Other net income | 594 | 2 945 | (278) | **3 261** |
| | | | | |
| Depreciation/impairment of property and equipment and intangible assets | – | (203) | (1 537) | **(1 740)** |
| Impairment loss | (790) | (1 269) | 15 | **(2 044)** |
| Segment expenses | (3 643) | (4 381) | 807 | **(7 217)** |
| Profit before tax | 495 | 7 874 | 471 | **8 840** |
| Income tax | – | – | (1 859) | **(1 859)** |
| Result of segment | **495** | **7 874** | **(1 388)** | **6 981** |
| | | | | |
| Segment assets | 171 234 | 507 265 | 14 965 | **693 464** |
| Segment liabilities | 220 234 | 365 112 | 26 237 | **611 583** |

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 Dec 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** |

| | Czech Republic | Slovakia | Total |
|---|---|---|---|
| **31 Dec 2021** | | | |
| Net interest and dividend income | 10 102 | 2 883 | **12 985** |
| Net fee and commission income | 2 429 | 1 166 | **3 595** |
| Other net income | 2 649 | 612 | **3 261** |
| | | | |
| Depreciation/impairment of property and equipment and intangible assets | (1 227) | (513) | **(1 740)** |
| Impairment loss | (1 541) | (503) | **(2 044)** |
| Segment expenses | (5 140) | (2 077) | **(7 217)** |
| Profit before tax | 7 272 | 1 568 | **8 840** |
| Income tax | (1 455) | (404) | **(1 859)** |
| Result of segment | **5 817** | **1 164** | **6 981** |
| | | | |
| Segment assets | 541 027 | 152 437 | **693 464** |
| Segment liabilities | 470 359 | 141 224 | **611 583** |

## 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:

| | 2022 | 2021 |
|---|---|---|
| Cash and cash balances | 7 086 | 5 772 |
| Financial assets at fair value through profit or loss, *of which:* | 53 235 | 35 190 |
| Held for trading | 52 695 | 34 646 |
| Mandatorily at fair value | 540 | 544 |
| Financial assets at fair value through other comprehensive income | 28 319 | 21 802 |
| Financial assets at amortised cost, *of which:* | 645 469 | 605 192 |
| Loans and advances to banks | 108 389 | 121 843 |
| Loans and advances to customers | 537 080 | 483 349 |
| Positive fair value of hedging derivatives | 21 431 | 12 341 |
| Changes in fair value of the portfolio of hedged instruments | (3 164) | (366) |
| Other assets | 1 490 | 1 220 |
| **Total** | **753 866** | **681 151** |

The table below presents the maximum credit risk exposure related to off-balance sheet items. Maximum credit risk exposure excludes impact received collateral:

| | 2022 | 2021 |
|---|---|---|
| Letters of credit and financial guarantees | 51 811 | 47 177 |
| Other contingent liabilities (undrawn credit facilities) | 159 177 | 165 354 |
| **Total** | **210 988** | **212 531** |

#### *(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 amount to MCZK 0 as of 31 December 2022 represented by Non-financial corporations exposures (31 December 2021: MCZK 0).

***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 2022. 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 2022 | Average for 2022 | At 31 Dec 2021 | Average for 2021 |
|---|---|---|---|---|
| VaR of Financial assets at fair value through profit or loss Held for trading | 10,83 | 26,51 | 16,74 | 13,27 |
| VaR of Financial assets at fair value through other comprehensive income | 168,57 | 140,11 | 98,85 | 70,93 |

*Value at Risk*

The fiscal year 2021 was affected by the fading of COVID-19. Due to the VaR calculation method used, where a historical period of 250 days is used, the VaR volatility of the early 2021 started to decrease since second quarter of this year. The fiscal year 2022 is affected by different events from the point of view of Financial assets at fair value through profit or loss Held for trading, when the trading book was centralized into the UniCredit Group and in accordance with the change in this strategy the position on this book was reduced, and from the perspective of Financial assets at fair value through other comprehensive income, when in accordance with the Bank's strategy there was an increase in the position of government bonds.

***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") Limits.

*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 Bank's EVE results. The Bank uses the euro as the base currency for stress testing results.

| 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 Limit (31/12/2022) | –13,70% | –13,70% | –13,70% | –13,70% | –13,70% | –13,70% | –13,70% | –13,70% |

| Economic Value of Equity 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Stress test based on EBA (% impact on Equity) 2021 | | SOT test (% impact on Tier 1) 2021 | | | | | |
| | EV+200 | EV–200 | Parallel up | Parallel down | Flattening | Steepening | Rates up | Rates down |
| Maximal impact of the stress test | –6,80% | 5,40% | –6,80% | 5,40% | –0,90% | 2,40% | –3,00% | 2,60% |
| Minimal impact of the stress test | –11,70% | 2,30% | –11,70% | 2,40% | –3,80% | –0,20% | –5,90% | 1,90% |
| Average impact of the stress test | –9,70% | 3,90% | –9,80% | 4,00% | –2,10% | 1,10% | –4,50% | 2,20% |
| RAF Limit (31/12/2021) | –12,50% | –12,50% | –12,50% | –12,50% | –12,50% | –12,50% | –12,50% | –12,50% |

*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) 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 Limit | –11,50% | –11,50% | – | – |
| | | | | |
| **Net interest income (% impact on NII budget) 2021** | | | | |
| Maximal impact of the stress test | 18,50% | 17,20% | 5,80% | 6,20% |
| Minimal impact of the stress test | 10,80% | –8,40% | 3,70% | –3,40% |
| Average impact of the stress test | 14,50% | 1,90% | 4,80% | 2,10% |
| RAF Limit | –9,00% | –9,00% | – | – |

***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 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) |
| | | | | |
| **31 Dec 2021** | | | | |
| **Fair Value Hedge** | | | | |
| ***Micro fair value hedges*** | | | | |
| Interest rate risk – see "A" below | 34 776 | 4 911 | 1 426 | (58) |
| ***Portfolio fair value hedges*** | | | | |
| Interest rate risk – see "B" below | 10 572 | 99 564 | 366 | (5 395) |

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 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) | – |
| | | | |
| **31 Dec 2021** | | | |
| **Fair Value Hedge** | | | |
| ***Micro fair value hedges*** | | | |
| Interest rate risk | (1 529) | 1 529 | – |
| ***Portfolio fair value hedges*** | | | |
| Interest rate risk | 6 624 | (6 624) | – |

*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.

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 – 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.
- Fair value test – Sensitivity to future interest rates movements is calculated for both underlying and Hedged 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 Hedged 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 Hedged 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 2022** | | | | | |
| **Cash Flow Hedge** | | | | | |
| ***Portfolio cash flow hedges*** | | | | | |
| Interest rate risk – see "A" below | (9 924) | 10 | (2 506) | (2 506) | – |
| | | | | | |
| **31 Dec 2021** | | | | | |
| **Cash Flow Hedge** | | | | | |
| ***Portfolio cash flow hedges*** | | | | | |
| Interest rate risk – see "A" below | (7 343) | (65) | (8 111) | (8 111) | – |

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:

| | 2022 | 2021 |
|---|---|---|
| **Cash Flow Hedging Reserve** | | |
| *Interest rate risk* | | |
| As at 1 January | (5 998) | 567 |
| Change in fair value | (1 207) | (8 643) |
| Revaluation reclassified to profit or loss | (1 299) | 532 |
| Deferred tax | 499 | 1 546 |
| **Total at 31 December** | **(8 005)** | **(5 998)** |

***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 are deemed to be 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 will update 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 has not made any amendments to its hedge documentation in the reporting period relating to IBOR reform.

- Hedges of groups of items:

The Group has not needed to amend hedges for groups of items during the reporting period.

- Retrospective effectiveness test:

During the period, the Group has not reset to zero the cumulative fair value changes of the hedged item and hedging instrument in any of its hedges.

- Risk components:

The Group is permitted to designate an alternative benchmark rate as a non-contractually specified risk component, even if it is not separately identifiable at the date when it is designated, provided that the Group reasonably expects that it will meet the requirements within 24 months of the first designation and the risk component is reliably measurable. The 24-month period applies separately to each alternative benchmark rate which the Group might designate.

During the period, the Group has not designated any risk components of alternative benchmark rates in any hedge relationships.

Group's contract involving other IBORs are represented by those with USD LIBOR settings that will cease to be published after 30 June 2023 (i.e., the overnight and the one-, three-, six- and 12-month settings) and therefore there is no impact for the fiscal year ended 31 December 2021 as there are no hedge transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2022 and 2021.

The Group's hedge relationships with interest rate benchmark affected by IBOR reform (i.e. USD LIBOR settings as mentioned above) whose

- notional value represents 2,1% of total notional value and
- fair value represents 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.

Impact of the Interest Rate Benchmark Reform on the Group's Financial instruments measured at amortised cost and lease liabilities
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 (as of 31 December 2021 MCZK 1 085).
- Financial liabilities at amortised cost – deposits from customers and banks of MCZK 1 (as of 31 December 2021 MCZK 4 637).

***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 2022** | | | | | | |
| Cash and cash balances | 2 830 | 3 337 | 465 | 40 | 414 | 7 086 |
| 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 *of which:* | 329 550 | 314 263 | 1 104 | 25 | 527 | 645 469 |
| Loans and advances to banks | 91 818 | 16 560 | 11 | – | – | 108 389 |
| 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 |
| Non-current assets held for sale | – | – | – | – | – | – |
| 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 *of which:* | 331 100 | 246 397 | 13 231 | 891 | 3 077 | 594 696 |
| 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 |

| | CZK | EUR | USD | CHF | Other | Total |
|---|---|---|---|---|---|---|
| **At 31 Dec 2021** | | | | | | |
| Cash and cash balances | 1 845 | 2 842 | 568 | 44 | 473 | 5 772 |
| Financial assets at fair value through profit or loss, *of which:* | 34 020 | 626 | 544 | – | – | 35 190 |
| Held for trading | 34 020 | 626 | – | – | – | 34 646 |
| Mandatorily at fair value | – | – | 544 | – | – | 544 |
| Financial assets at fair value through other comprehensive income | 10 236 | 11 566 | – | – | – | 21 802 |
| Financial assets at amortised cost *of which:* | 327 304 | 275 555 | 2 218 | 7 | 108 | 605 192 |
| Loans and advances to banks | 103 409 | 18 238 | 196 | – | – | 121 843 |
| Loans and advances to customers | 223 895 | 257 317 | 2 022 | 7 | 108 | 483 349 |
| Positive fair value of hedging derivatives | 12 342 | (1) | – | – | – | 12 341 |
| Changes in fair value of the portfolio of hedged instruments | (366) | – | – | – | – | (366) |
| Equity-accounted investees | 365 | – | – | – | – | 365 |
| Non-current assets held for sale | – | 8 | – | – | – | 8 |
| Other assets | 737 | 452 | 17 | – | 14 | 1 220 |
| **Total exposure – assets** | **386 483** | **291 048** | **3 347** | **51** | **595** | **681 524** |
| | | | | | | |
| Financial liabilities at fair value through profit or loss, *of which:* | 35 134 | 1 | – | – | – | 35 135 |
| Held for trading | 35 134 | 1 | – | – | – | 35 135 |
| Financial liabilities at amortised cost *of which:* | 312 533 | 221 478 | 12 571 | 602 | 3 714 | 550 898 |
| Deposits from banks | 6 027 | 50 827 | 20 | – | – | 56 874 |
| Deposits from customers | 298 974 | 154 317 | 12 551 | 602 | 3 714 | 470 158 |
| Debt securities issued | 6 031 | 17 835 | – | – | – | 23 866 |
| Negative fair value of hedging derivatives | 21 761 | (6) | – | – | – | 21 755 |
| Changes in fair value of the portfolio of hedged instruments | (5 652) | 257 | – | – | – | (5 395) |
| Other liabilities | 2 754 | 3 475 | 416 | 4 | 178 | 6 827 |
| Provisions for risks and charges | 607 | 695 | 29 | 9 | 25 | 1 365 |
| **Total exposure – liabilities** | **365 636** | **227 401** | **13 016** | **615** | **3 917** | **610 585** |
| Gap | 20 847 | 63 647 | (9 669) | (564) | (3 322) | 70 939 |

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 2022 | Average for 2022 | At 31 Dec 2021 | Average for 2021 |
|---|---|---|---|---|
| VaR of Financial assets at fair value through profit or loss Held for trading | 8,46 | 17,07 | 7,70 | 4,21 |

### *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 2022** | | | | | | | |
| Cash and cash balances | 7 086 | 7 087 | 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:* | 645 469 | 715 776 | 158 197 | 78 798 | 231 695 | 244 518 | 2 568 |
| Loans and advances to banks | 108 389 | 108 552 | 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 | – | – | – | 3 979 | (3 624) |
| Non-current assets held for sale | – | – | – | – | – | – | – |
| Other assets | 1 490 | 1 490 | 1 134 | 356 | – | – | – |
| | | | | | | | |
| 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 |
| | | | | | | | |
| Undrawn loan facilities | 52 405 | 52 405 | 52 405 | – | – | – | – |
| Bank guarantees | 159 733 | 159 733 | 159 733 | – | – | – | – |

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.

| | Carrying amount | Net cash flow | Up to 3 months | 3 months – 1 year | 1–5 year | Over 5 years | Unspecified. |
|---|---|---|---|---|---|---|---|
| **At 31 Dec 2021** | | | | | | | |
| Cash and cash balances | 5 772 | 5 772 | 5 558 | – | – | 211 | 3 |
| Financial assets at fair value through profit or loss, *of which:* | 35 190 | 35 255 | 2 788 | 3 137 | 14 029 | 15 301 | – |
| – held for trading debt and equity instruments | 1 005 | 1 070 | 3 | 28 | 416 | 623 | – |
| – held for trading derivatives | 33 641 | 39 121 | 3 075 | 4 092 | 17 135 | 14 819 | – |
| – mandatorily at fair value | 544 | 544 | – | – | – | 544 | – |
| Financial assets at fair value through other comprehensive income | 21 802 | 23 227 | 73 | 2 120 | 7 739 | 13 295 | – |
| Financial assets at amortised cost *of which:* | 605 192 | 648 359 | 170 641 | 72 488 | 198 438 | 203 809 | 2 983 |
| Loans and advances to banks | 121 843 | 121 918 | 118 048 | 105 | 3 765 | – | – |
| Loans and advances to customers | 483 349 | 526 441 | 52 593 | 72 383 | 194 673 | 203 809 | 2 983 |
| Positive fair value of hedging derivatives | 12 341 | 24 142 | 2 002 | 4 371 | 10 045 | 7 724 | – |
| Changes in fair value of the portfolio of hedged instruments | (366) | (366) | (366) | – | – | – | – |
| Equity-accounted investees | 365 | 365 | – | – | – | 3 979 | (3 614) |
| Non-current assets held for sale | 8 | 8 | 8 | – | – | – | – |
| Other assets | 1 220 | 1 220 | 216 | 1 004 | – | – | – |
| | | | | | | | |
| Financial liabilities at fair value through profit or loss, *of which:* | 35 135 | 35 135 | 4 145 | 3 344 | 13 580 | 14 066 | – |
| – held for trading debt instruments | 1 065 | 1 065 | 1 065 | – | – | – | – |
| – held for trading derivatives | 34 070 | 45 394 | 4 874 | 6 944 | 18 510 | 15 066 | – |
| Financial liabilities at amortised cost *of which:* | 550 898 | 552 237 | 465 139 | 17 112 | 50 922 | 18 920 | 144 |
| Deposits from banks | 56 874 | 56 413 | 9 822 | 2 742 | 42 522 | 1 184 | 143 |
| Deposits from customers, *of which:* | 470 158 | 470 327 | 455 012 | 12 966 | 1 283 | 1 065 | 1 |
| *Lease liabilities* | 2 385 | 2 568 | 165 | 261 | 1 123 | 1 019 | – |
| *Other than lease liabilities* | 467 773 | 467 759 | 454 847 | 12 705 | 160 | 46 | 1 |
| Debt securities issued | 23 866 | 25 497 | 305 | 1 404 | 7 117 | 16 671 | – |
| Negative fair value of hedging derivatives | 21 755 | 28 664 | 386 | 2 368 | 13 611 | 12 299 | – |
| Changes in fair value of the portfolio of hedged instruments | (5 395) | (5 395) | (5 395) | – | – | – | – |
| Other liabilities | 6 827 | 6 827 | 5 079 | 1 748 | – | – | – |
| Provisions for risks and charges | 1 365 | 1 365 | 117 | 169 | 584 | 377 | 118 |
| | | | | | | | |
| Undrawn loan facilities | 47 833 | 47 833 | 47 833 | – | – | – | – |
| Bank guarantees | 165 928 | 165 928 | 165 928 | – | – | – | – |

**(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 Operational Risk 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 2022 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 2022, 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 Operational Risk 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 2022 and as of 31 December 2021 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.

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

### (a) Transactions with the parent company

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Assets** | | |
| Cash and cash balances | 1 357 | 522 |
| Loans and advances to banks | 12 032 | 9 315 |
| Financial assets held for trading | 28 744 | 18 592 |
| Positive fair value of hedging derivatives | 7 343 | 4 768 |
| **Total** | **49 476** | **33 197** |

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Liabilities** | | |
| Deposits from banks | 461 | 1 557 |
| Debt instruments | 15 967 | 16 418 |
| Financial liabilities held for trading | 28 476 | 18 584 |
| Negative fair value of hedging derivatives | 19 130 | 12 560 |
| **Total** | **64 034** | **49 119** |

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Off-balance sheet items** | | |
| Issued guarantees | 778 | 564 |
| Irrevocable credit facilities | 1 222 | 1 107 |
| **Total** | **2 000** | **1 671** |

| | 2022 | 2021 |
|---|---|---|
| Interest income | 633 | 641 |
| Interest expense | (4 037) | (4) |
| | | |
| Fee and commission income | 4 | 1 |
| Fee and commission expenses | (44) | (2) |
| | | |
| Net profit/loss from financial assets and liabilities held for trading | (706) | (1 044) |
| Net profit/loss from hedging of the risk of change in fair values | (282) | (3 257) |
| Administrative expenses | (905) | (62) |
| **Total** | **(5 337)** | **(3 727)** |

### (b) Transactions with key management members

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Assets** | | |
| Loans and advances to customers | 151 | 174 |
| *of which:* | | |
| Board of Directors | 29 | 33 |
| Other management members | 122 | 141 |
| **Total** | **151** | **174** |

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Liabilities** | | |
| Payables to customers | 165 | 117 |
| *of which:* | | |
| Board of Directors | 59 | 26 |
| Other management members | 106 | 91 |
| **Total** | **165** | **117** |

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Off-balance sheet items** | | |
| Irrevocable credit facilities | 7 | 4 |
| *of which:* | | |
| Board of Directors | 1 | 1 |
| Other management members | 6 | 3 |
| **Total** | **7** | **3** |

## (c) Transactions with other related parties

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Assets** | | |
| Cash and cash balances | 722 | 334 |
| *of which:* | | |
| UniCredit Bank Austria AG | 409 | 291 |
| AO UniCredit Bank | 120 | 12 |
| | | |
| Financial assets held for trading | 11 712 | 5 279 |
| *of which:* | | |
| UniCredit Bank AG | 11 712 | 5 279 |
| | | |
| Loans and advances to banks | 6 | 54 |
| *of which:* | | |
| UniCredit Bank Austria AG | – | – |
| AO UniCredit Bank | 6 | 54 |
| | | |
| Loans and advances to customers | 1 045 | 1 507 |
| *of which:* | | |
| UCTAM SVK, s.r.o | – | 397 |
| RCI Financial Services, s.r.o. | 1 045 | 1 110 |
| | | |
| Positive fair value of hedging derivatives | 11 254 | 5 691 |
| *of which:* | | |
| UniCredit Bank AG | 11 254 | 5 691 |
| **Total** | **24 739** | **12 865** |

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Liabilities** | | |
| Deposits from banks | 5 351 | 5 896 |
| *of which:* | | |
| UniCredit Bank Austria AG | 1 058 | 3 017 |
| UniCredit Bank AG | 4 198 | 2 795 |
| UniCredit Bank Hungary Zrt. | 55 | 28 |
| | | |
| Deposits from customers | 54 | 168 |
| *of which:* | | |
| UniCredit Services S.C.p.A. | 54 | 67 |
| | | |
| Financial liabilities held for trading | 4 698 | 3 920 |
| *of which:* | | |
| UniCredit Bank AG | 4 698 | 3 920 |
| | | |
| Negative fair value of hedging derivatives | 14 931 | 5 005 |
| *of which:* | | |
| UniCredit Bank AG | 14 931 | 5 005 |
| **Total** | **25 034** | **14 989** |

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Off-balance sheet items** | | |
| Issued guarantees | 3 820 | 3 457 |
| *of which:* | | |
| UniCredit Bank AG | 1 884 | 3 065 |
| UniCredit Bank Austria AG | 1 421 | 163 |
| UniCredit Bank Hungary Zrt. | 10 | 11 |
| AO UniCredit Bank | 85 | 109 |
| | | |
| Irrevocable credit facilities | 6 448 | 5 399 |
| *of which:* | | |
| UniCredit Bank AG | 4 045 | 3 342 |
| UniCredit Bank Austria AG | 1 333 | 1 070 |
| RCI Financial Services, s.r.o. | 1 005 | 940 |
| **Total** | **10 268** | **8 856** |

| | 2022 | 2021 |
|---|---|---|
| Interest income | 3 103 | 541 |
| *of which:* | | |
| UniCredit Bank AG | 3 053 | 503 |
| UniCredit Bank Austria AG | 14 | 3 |
| RCI Financial Services, s.r.o. | 33 | 25 |
| | | |
| Interest expense | (175) | (71) |
| *of which:* | | |
| UniCredit Bank AG | (41) | (3) |
| UniCredit Bank Austria AG | (126) | (62) |
| | | |
| Fee and commission income | 93 | 63 |
| *of which:* | | |
| UniCredit Bank AG | 73 | 43 |
| UniCredit Bank Hungary Zrt. | 2 | 2 |
| UniCredit Bank Austria AG | 12 | 15 |
| | | |
| Fee and commission expenses | (6) | (10) |
| *of which:* | | |
| UniCredit Bank Austria AG | (4) | (5) |
| | | |
| Net profit/loss from financial assets and liabilities held for trading | 5 576 | 1 203 |
| *of which:* | | |
| UniCredit Bank AG | 5 576 | 1 203 |
| | | |
| Net profit/loss from hedging against risk of changes in fair value | (1 188) | (578) |
| *of which:* | | |
| UniCredit Bank AG | (1 188) | (578) |
| | | |
| Administrative expenses | (35) | (942) |
| *of which:* | | |
| UniCredit Bank Austria AG | (7) | (11) |
| UniCredit Services S.C.p.A. | – | (922) |
| **Total** | **7 368** | **206** |

## 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 Dec 2022** | | | | |
| Debt securities | 11 | – | – | 11 |
| Derivatives | 1 | 52 530 | 153 | 52 684 |
| **Total** | **12** | **52 530** | **153** | **52 695** |
| | | | | |
| **31 Dec 2021** | | | | |
| Debt securities | 756 | 248 | 1 | 1 005 |
| Derivatives | 34 | 33 360 | 247 | 33 641 |
| **Total** | **790** | **33 608** | **248** | **34 646** |

***Mandatorily at fair value***

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **31 Dec 2022** | | | | |
| Shares and Other debt securities | – | 405 | 135 | 540 |
| **Total** | **–** | **405** | **135** | **540** |
| | | | | |
| **31 Dec 2021** | | | | |
| Shares and Other debt securities | – | 277 | 267 | 544 |
| **Total** | **–** | **277** | **267** | **544** |

***Financial assets at fair value through other comprehensive income***

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **31 Dec 2022** | | | | |
| Debt securities | 23 507 | 4 548 | 246 | 28 301 |
| Shares | – | – | 18 | 18 |
| **Total** | **23 507** | **4 548** | **264** | **28 319** |
| | | | | |
| **31 Dec 2021** | | | | |
| Debt securities | 16 974 | 4 747 | 61 | 21 782 |
| Shares | – | – | 20 | 20 |
| **Total** | **16 974** | **4 747** | **81** | **21 802** |

***Positive fair value of hedging derivatives***

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **31 Dec 2022** | | | | |
| Fair value hedging | – | 6 628 | – | 6 628 |
| Cash flow hedging | – | 14 803 | – | 14 803 |
| **Total** | **–** | **21 431** | **–** | **21 431** |
| | | | | |
| **31 Dec 2021** | | | | |
| Fair value hedging | – | 2 370 | – | 2 370 |
| Cash flow hedging | – | 9 971 | – | 9 971 |
| **Total** | **–** | **12 341** | **–** | **12 341** |

### *Financial liabilities held for trading*

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **31 Dec 2022** | | | | |
| Liabilities from short sales | – | – | – | – |
| Derivatives | – | 52 568 | 157 | 52 725 |
| **Total** | **–** | **52 568** | **157** | **52 725** |
| | | | | |
| **31 Dec 2021** | | | | |
| Liabilities from short sales | 1 065 | – | – | 1 065 |
| Derivatives | – | 33 818 | 252 | 34 070 |
| **Total** | **1 065** | **33 818** | **252** | **35 135** |

### *Negative fair value of hedging derivatives*

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **31 Dec 2022** | | | | |
| Fair value hedging | – | 14 576 | – | 14 576 |
| Cash flow hedging | – | 25 223 | – | 25 223 |
| **Total** | **–** | **39 799** | **–** | **39 799** |
| | | | | |
| **31 Dec 2021** | | | | |
| Fair value hedging | – | 5 855 | – | 5 855 |
| Cash flow hedging | – | 15 900 | – | 15 900 |
| **Total** | **–** | **21 755** | **–** | **21 755** |

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 Dec 2022** | | | | | |
| **Financial assets** | | | | | |
| Loans and advances to banks | 108 389 | 108 210 | – | 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 | – |

| | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| **31 Dec 2021** | | | | | |
| **Financial assets** | | | | | |
| Loans and advances to banks | 121 843 | 121 838 | – | 98 792 | 23 046 |
| Loans and advances to customers | 483 349 | 463 911 | 1 455 | 191 270 | 271 186 |
| | | | | | |
| **Financial liabilities** | | | | | |
| Deposits from banks | 56 874 | 57 348 | – | 42 503 | 14 845 |
| Deposits from customers | 470 158 | 470 133 | – | 528 | 469 605 |
| Debt securities issued | 23 866 | 23 292 | – | 23 292 | – |

For the year ended 31 December 2022 and 31 December 2021, no financial assets reported at fair value were transferred between Levels 1 and 2.

For the years ended 31 December 2022 and 31 December 2021, 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 2021** | **217** | **263** | **71** | **1 220** | **1 771** |
| Revaluation gains and losses | | | | | |
| In the income statement | – | (12) | – | 2 | (10) |
| In other comprehensive income | – | – | 1 | (37) | (36) |
| Purchases | 132 | – | 13 | 78 | 223 |
| Sales/maturity | (49) | – | – | (360) | (409) |
| Transfers from/to other levels | (115) | – | – | – | (115) |
| Depreciation | n/a | n/a | n/a | (33) | (33) |
| Other | 63 | 16 | (4) | (44) | 31 |
| **Closing balance at 31 Dec 2021** | **248** | **267** | **81** | **826** | **1 422** |
| | | | | | |
| Total revaluation gains and losses included in the income statement for the period: | | | | | (10) |
| *Of which:* Total revaluation gains and losses included in the income statement for the period arising from financial assets held at the period end | | | | | (10) |

| | 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 | (135) | – | (57) | – | (192) |
| Depreciation | – | – | – | (34) | (34) |
| Other | – | 19 | (3) | (18) | (2) |
| **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 | | | | | – |

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 2021** | **224** | **–** | **224** |
| Revaluation gains and losses | | | |
| In the income statement | – | – | – |
| In other comprehensive income | – | – | – |
| Issue | 131 | – | 131 |
| Sales/maturity | (49) | – | (49) |
| Transfers from/to other levels | (115) | – | (115) |
| Other | 61 | – | 61 |
| **Closing balance at 31 Dec 2021** | **252** | **–** | **252** |
| | | | |
| 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 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 | | | – |

## 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 2022** | | | | | | |
| Derivatives | 8 069 | – | 8 069 | 1 001 | – | 7 068 |
| | | | | | | |
| **31 Dec 2021** | | | | | | |
| Derivatives | 45 900 | – | 45 900 | 33 258 | – | 12 642 |

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 2022** | | | | | | |
| Derivatives | 2 200 | – | 2 200 | 1 001 | – | 1 199 |
| | | | | | | |
| **31 Dec 2021** | | | | | | |
| Derivatives | 35 342 | – | 35 342 | 33 258 | – | 2 084 |

## 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 7 March 2023.

The financial statements were signed on behalf of the Board of Directors by:

Jakub Dusílek
Chairman of the Board of Directors

Massimo Francese
Member of the Board of Directors

Individual in charge of the accounting records

Lea Branecká

Individual in charge of the financial statements

Alena Večerníková

# Unlocking...

**A better bank**
A better world
A better future

Separate financial statements

# Separate financial statements

## Statement of comprehensive income for the year ended 31 December 2022

| | Note | 2022 MCZK | 2021 MCZK |
|---|---|---|---|
| Interest income, *of which:* | | 22 777 | 13 863 |
| interest income calculated using the effective interest method | | 29 642 | 11 828 |
| Interest expense | | (9 473) | (2 280) |
| **Net interest income** | (1) | **13 304** | **11 583** |
| Fee and commission income | | 4 919 | 4 494 |
| Fee and commission expenses | | (1 496) | (1 296) |
| **Net fee and commission income** | (2) | **3 423** | **3 198** |
| Dividend income | (3) | 658 | 4 |
| Net income/(loss) from trading | (4) | 2 023 | 2 108 |
| Net income/(loss) from hedging against risk of changes in fair value | (5) | (2) | (1) |
| Net income/(loss) from the sale or repurchase of: | (6) | 347 | 423 |
| Financial assets at amortised cost | | 112 | 345 |
| Financial assets at fair value through other comprehensive income | | 46 | 94 |
| Financial liabilities | | 189 | (16) |
| Net income/(loss) from financial assets/liabilities at fair value through profit or loss, *of which:* | (7) | (4) | (12) |
| Mandatorily at fair value | | (4) | (12) |
| **Operating income** | | **19 749** | **17 303** |
| Impairment losses on: | (8) | (1 482) | (1 870) |
| Financial assets at amortised cost | | (1 477) | (1 871) |
| Financial assets at fair value through other comprehensive income | | (5) | 1 |
| Administrative expenses | (9) | (7 035) | (6 737) |
| Net provisions for risks and charges: | (27) | 73 | 53 |
| Loan commitments and financial guarantees given | | 65 | 23 |
| Other net provisions | | 8 | 30 |
| Depreciation and impairment of property, equipment and right of use assets | (18) | (452) | (523) |
| Amortisation and impairment of intangible assets | (19) | (624) | (623) |
| Other operating income and expenses, *of which:* | (10) | 456 | 73 |
| Other operating income | | 483 | 92 |
| Other operating expenses | | (27) | (19) |
| **Operating expenses** | | **(7 582)** | **(7 757)** |
| Net income/(loss) on property measured at fair value | (18) | – | 2 |
| Profit/(loss) from the sale of non-financial assets | | (2) | 27 |
| **Profit before income tax** | | **10 683** | **7 705** |
| Income tax | (28) | (1 760) | (1 591) |
| **Profit after tax** | | **8 923** | **6 114** |
| **Items that cannot be subsequently reclassified to profit or loss** | | | |
| Reserve from revaluation of equity instruments designated at fair value through other comprehensive income, *of which:* | | **(6)** | **–** |
| Change in fair value | | (7) | – |
| Deferred tax | | 1 | – |
| Reserve from revaluation of property measured at fair value, *of which:* | | **4** | **(53)** |
| Change in fair value | | 15 | (51) |
| Transfers to other net equity items | | (10) | (15) |
| Deferred tax | | (1) | 13 |
| **Items that can be subsequently reclassified to profit or loss** | | | |
| Reserve from revaluation of hedging instruments in cash flow hedges, *of which:* | | **(2 177)** | **(6 682)** |
| Change in fair value | | (1 422) | (8 787) |
| Revaluation reclassified to profit or loss | | (1 299) | 532 |
| Deferred tax | | 544 | 1 573 |
| Reserve from revaluation of financial assets at fair value through other comprehensive income, *of which:* | | **(522)** | **29** |
| Change in fair value | | (577) | 89 |
| Revaluation reclassified to profit or loss | | (68) | (53) |
| Deferred tax | | 123 | (7) |
| Foreign exchange rate differences from the consolidation of a foreign branch | | **(332)** | **(709)** |
| **Other comprehensive income, net of tax** | | **(3 033)** | **(7 415)** |
| **Total comprehensive income, net of tax** | | **5 890** | **(1 301)** |

The notes on pages 149–224 form an integral part of these financial statements.

# Statement of financial position as of 31 December 2022

| | Note | 2022<br>MCZK | 2021<br>MCZK |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash balances | (11) | 7 067 | 5 747 |
| Financial assets at fair value through profit or loss, *of which:* | (12) | 53 235 | 35 190 |
| Held for trading | | 52 695 | 34 646 |
| Mandatorily at fair value | | 540 | 544 |
| Financial assets at fair value through other comprehensive income, *of which:* | (13) | 28 319 | 21 802 |
| Provided as collateral | | 5 448 | 6 234 |
| Financial assets at amortised cost, *of which:* | | 635 227 | 592 156 |
| Loans and advances to banks | (14) | 108 389 | 121 838 |
| Loans and advances to customers | (15) | 526 838 | 470 318 |
| Positive fair value of hedging derivatives | (16) | 21 692 | 12 502 |
| Changes in fair value of the portfolio of hedged instruments | | (3 164) | (366) |
| Equity investments | (17) | 3 979 | 3 979 |
| Property, equipment and right of use assets | (18) | 3 281 | 3 437 |
| Intangible assets | (19) | 2 495 | 2 629 |
| Tax receivables, *of which:* | (28) | 2 919 | 2 399 |
| Current income tax | | – | 341 |
| Deferred tax | | 2 919 | 2 058 |
| Non-current assets held for sale | | – | 8 |
| Other assets | (20) | 1 040 | 913 |
| **Total assets** | | **756 090** | **680 396** |
| | | | |
| **Liabilities** | | | |
| Financial liabilities at fair value through profit or loss, *of which:* | | 52 725 | 35 135 |
| Held for trading | (21) | 52 725 | 35 135 |
| Financial liabilities at amortised cost, *of which:* | | 589 313 | 543 316 |
| Deposits from banks | (22) | 51 932 | 49 902 |
| Deposits from customers and Lease liabilities | (23) | 502 969 | 469 876 |
| Debt securities issued | (24) | 34 412 | 23 538 |
| Negative fair value of hedging derivatives | (25) | 40 441 | 22 065 |
| Changes in fair value of the portfolio of hedged instruments | | (12 656) | (5 395) |
| Tax liabilities, *of which:* | (28) | 692 | 45 |
| Current income tax | | 692 | 45 |
| Deferred tax | | – | – |
| Other liabilities | (26) | 7 175 | 5 937 |
| Provisions for risks and charges | (27) | 1 229 | 1 332 |
| **Total liabilities** | | **678 919** | **602 435** |
| | | | |
| **Equity** | | | |
| Issued capital | (29) | 8 755 | 8 755 |
| Share premium | (29) | 3 495 | 3 495 |
| Reserve funds from revaluation | | (9 104) | (6 103) |
| Retained earnings and reserve funds | (31) | 65 102 | 65 700 |
| Profit for the period | | 8 923 | 6 114 |
| **Total shareholder's equity** | | **77 171** | **77 961** |
| **Total liabilities and shareholder's equity** | | **756 090** | **680 396** |

The notes on pages 149–224 form an integral part of these financial statements.

# Statement of cash flows for the year ended 31 December 2022

| | Note | 2022 MCZK | 2021* MCZK |
|---|---|---|---|
| **Profit after tax** | | **8 923** | **6 114** |
| Adjustments for non-monetary items: | | | |
| Impairment losses of: | | 1 482 | 1 870 |
| Financial assets at amortised costs | | 1 477 | 1 871 |
| Financial assets at fair value through other comprehensive income | | 5 | (1) |
| Revaluation of financial instruments | | (461) | 1 357 |
| Net provisions for risks and charges: | | (66) | (55) |
| Loan commitments and financial guarantees given | | (65) | (23) |
| Other net provisions | | (1) | (32) |
| Depreciation and impairment of property, equipment and right of use assets | | 452 | 523 |
| Amortisation and impairment of intangible assets | | 624 | 623 |
| Net income/(loss) from the sale or repurchase of: | | (46) | (94) |
| Financial assets at fair value through other comprehensive income | | (46) | (94) |
| Profit/(loss) from the sale of non-financial assets | | 2 | (27) |
| Taxes | | 1 760 | 1 591 |
| Unrealised foreign currency gains/(losses) | | (300) | (709) |
| Other non-monetary adjustments (FX revaluation, Accruals and Others) | | 109 | (1 217) |
| **Operating profit before changes in operating assets and liabilities** | | **12 479** | **9 976** |
| | | | |
| Financial assets at fair value through profit or loss, *of which:* | | (17 682) | (19 481) |
| Held for trading | | (17 516) | (19 465) |
| Mandatorily at fair value | | (166) | (16) |
| Financial assets at amortised cost, *of which:* | | (42 329) | (11 639) |
| Loans and advances to banks | | 13 501 | 12 045 |
| Loans and advances to customers | | (55 830) | (23 684) |
| Other financial instruments * | | 2 001 | (2 439) |
| Other assets | | (785) | 1 215 |
| Financial liabilities at fair value through profit or loss, *of which:* | | 17 585 | 18 336 |
| Held for Trading | | 17 585 | 18 336 |
| Financial liabilities at amortised cost, *of which:* | | 34 647 | 174 |
| Deposits from banks | | 2 253 | (44 775) |
| Deposits from customers | | 32 394 | 44 949 |
| Other liabilities | | 1 238 | (2 780) |
| Income tax paid | | (981) | (1 067) |
| **Net cash flows from operating activities** | | **6 173** | **(7 705)** |
| | | | |
| (Purchase) of financial assets at fair value through other comprehensive income * | | (11 892) | (11 774) |
| Sale and maturity of financial assets at fair value through other comprehensive income * | | 3 640 | 9 038 |
| Cash proceeds from the sale of property and equipment and intangible assets | | 14 | 68 |
| (Acquisition) of property and equipment and intangible assets | | (949) | (895) |
| Dividends received | | 658 | 4 |
| **Net cash flows from investment activities** | | **(8 529)** | **(3 559)** |
| | | | |
| Dividends paid | | (6 662) | (3 299) |
| Financial liabilities at amortised cost – issue of debt securities | (24) | 13 283 | 16 408 |
| Financial liabilities at amortised cost – repayment of issued debt securities | (24) | (2 520) | (2 920) |
| (Payment) of Lease liabilities | (23) | (425) | (358) |
| **Net cash flows from financial activities** | | **3 676** | **9 831** |
| | | | |
| **Cash and cash balances at the beginning of the period** | | **5 747** | **7 180** |
| **Cash and cash balances at the end of the period** | | **7 067** | **5 747** |
| | | | |
| Interest received | | 21 908 | 13 905 |
| Interest paid | | (8 907) | (2 581) |

* In order to better express the nature of the amounts on the line *„Financial assets at fair value through other comprehensive income and other financial instruments"*, the Bank decided to include part of this line represented by Other financial instruments in cash flows from operating activities and adjust the comparative period. The remaining part in cash flows from investment activities representing by financial assets at fair value through other comprehensive income was divided between cash flows caused by purchase and sale and maturity.

The notes on pages 149–224 form an integral part of these financial statements.

# Statement of changes in equity for the year ended 31 December 2022

| MCZK | Issued capital | Share premium | Reserve from revaluation of: hedging instruments | financial assets at fair value through other compr. income | property measured at fair value | exchange rate gains/ (losses) of a foreign branch | Retained earnings and reserve funds: Reserve fund and other capital funds | Special purpose reserve fund | Retained earnings | Profit for the period | Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance as of 1 January 2021** | **8 755** | **3 495** | **575** | **353** | **250** | **134** | **3 372** | **14 471** | **45 972** | **5 162** | **82 539** |
| | | | | | | | | | | | |
| **Transactions with owners, contributions from and distributions to owners** | | | | | | | | | | | |
| Allocation of the prior year profit | | | | | | | | | 5 162 | (5 162) | – |
| Dividend payment | | | | | | | | (2 069) | (1 230) | | (3 299) |
| Other | | | | | | | | | 22 | | 22 |
| | | | | | | | | | | | |
| **Total comprehensive income for the current period** | | | | | | | | | | | |
| Net profit for the current period | | | | | | | | | | 6 114 | 6 114 |
| Other comprehensive | | | (6 682) | 29 | (53) | (709) | | | | | (7 415) |
| | | | | | | | | | | | |
| **Balance as of 31 December 2021** | **8 755** | **3 495** | **(6 107)** | **382** | **197** | **(575)** | **3 372** | **12 402** | **49 926** | **6 114** | **77 961** |
| | | | | | | | | | | | |
| **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) |
| Other | | | | | | 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** |

The notes on pages 149–224 form an integral part of these financial statements.

# Notes to the financial statements (separate)

Year ended 31 December 2022

## 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

### 1. Statement of compliance
The Separate financial statements of the Bank (hereinafter also "Financial Statements") for 2022 and comparatives for 2021 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 2021 and the profit distribution for 2021 were approved by the Shareholder of the Bank on 7 April 2022.

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. Significant 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.

### 2. 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. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### 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 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 collaterals, is granted to a credit-impaired borrower. The Bank identified no POCI assets during 2022, or in 2021.

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. Significant 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 2022 and in 2021 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 (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 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 2022 and in 2021 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. The main triggers include:

- 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 which was measured on a 12-month PD until September 2022. Since October 2022 such measurement is performed with the life-time PD values (so called AP3 approach) – change to AP3 approach caused migration of MCZK 19 900 from stage 1 to stage 2 (in October 2022) and net increase of ECL by MCZK 176;
- Absolute triggers such as backstops required by the regulation (ie 30 days past due);
- Other internal relevant triggers (eg new classifications to Forborne, transfer to Watchlist 2 process or having internal rating 8+ or 8; and
- During 2022 year additional changes were performed in transfer logic rules (relevant to stage 2) like:
  i. introduction of 3-months probation period (May 2022) for which the exposure is still categorized in stage 2 after reasons for reclassification to stage 2 expired;
  ii. additional relative trigger was introduced (3xPD in May 2022) which assigns stage 2 to exposures having current PD higher than triple of the PD at origination;
  iii. low credit risk exemption (LCRE) 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%.

The Bank uses the "client default" definition in line with Regulation No. 575/2013 of the European Parliament and of the Council; 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 take 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.

From 1 January 2021, the new definition of default / client failure is valid and as regulated by Final Report Guidelines on the application of the definition of default (EBA/GL/2016/07) the impact of definition of default was analyzed and based on the prudent approach the expected impact was reflected in 2020 financial figures (within loan loss provisions without reassigning specific clients to Stage 3) including the default detection and process changes effect including impact within bank's subsidiaries.

Main changes implemented within above mentioned regulation:

- New thresholds applied, absolute (EUR 100 for retail and EUR 500 for non-retail clients) and relative (1% from the total loan exposure of the client),
- DPD counter start and end rules update,
- Probation rules update,
- Overdue aggregation and joint obligation rules update,
- Distressed restructuring rules update.

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. Significant 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 UniCredit 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 position write-off in an investment fund.

**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 attributable to the risk being hedged is also carried at fair value. 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 (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 a fair-value item hedged 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 may 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 cost in the statement of financial position.

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

The item *"Cash and cash balances"* does not include the compulsory minimum reserve which is presented in the item *"Financial assets at amortised cost: Loans and advances to banks"*.

The compulsory minimum reserve held at the Czech National Bank and at the National Bank of Slovakia is a required deposit with restricted drawing which must be held by all commercial banks licensed in the Czech Republic and in Slovakia respectively.

## 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, ie 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.

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.

Fair value was determined through the use of external independent expert valuations on semi-annually basis (as of 30 June and 31 December).

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 *"Other operating income and expenses"*. 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 of 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 and expenses"*.

#### c) Received Operating 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"* 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 operating leases received under IFRS 16 as of 31 December 2022 and 31 December 2021 is presented in the following tables:

| Statement of Comprehensive Income | Point in the section V. Other Notes | 2022 | 2021 |
|---|---|---|---|
| Depreciation of Right of use assets | 18. Property, equipment and right of use assets | (335) | (411) |
| Interest expense | 1. Net interest income | (26) | (12) |
| | | | |
| **Statement of Financial Position** | **Point in the section V. Other Notes** | **31 Dec 2022** | **31 Dec 2021** |
| Right of use assets | 18. Property, equipment and right of use assets | 1 914 | 2 187 |
| Lease liabilities | 23. Financial liabilities at amortised cost: Deposits from customers | 1 882 | 2 254 |

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 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"*.

Interest on financial assets and liabilities at FVTPL is calculated using the effective interest rate method.

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 449 as of 31 December 2022 (as of 31 December 2021 MCZK 522).

## 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 nd 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 IFRS 3 Business Combinations** – Reference to the Conceptual Framework with amendments to IFRS 3 – adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 16 Property, Plant and Equipment** – Proceeds before Intended Use – adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets** – Onerous Contracts –– Cost of Fulfilling a Contract – adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018-2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or

after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated.)

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

- **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. Early application is permitted)
- **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. Early application is permitted)
- **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. Early application is permitted)

The Bank has elected not to adopt new standard and amendments to existing standard in advance of their effective dates. The Bank anticipates that the adoption of these standards and amendments to existing standards will have no material impact on the financial statements of the Bank in the period of initial application.

## 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)

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.

## 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 assess the impacts on the European economies and globally. Although the Bank has not yet observed a deterioration in the quality of the loan portfolio, it expects that the negative economic consequences of the current situation will affect both individual companies and entire industries. The 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 2022, a careful evaluation of certain items of financial statements whose recoverability depends on future cash flows projections by re-estimating the cash flows so to incorporate assumptions on the effects of current geopolitical situation.

While evaluations have been made on the basis of information deemed to be reasonable and supportable as at 31 December 2022, the current scenario is affected by level of uncertainty whose outcome is not foreseeable at the moment due to direct impacts as well as indirect impacts such as increased energy prices and supply chain disruptions.

Further details about the Impact of the current geopolitical situation in the Eastern Europe are provided in section V. Other Notes, point 15 k).

***Impact of COVID-19***

The Bank monitors the current development of COVID-19 spread and carefully evaluates items of the financial statements, the return of which depends on the future projection of cash flows that may be affected by COVID-19 spread. The evaluations have been made based on information deemed to be reasonable and supportable as at 31 December 2022. Nevertheless, the current scenario is affected by level of uncertainty whose outcome is not foreseeable now due to unknown future development of COVID-19 spread.

***Impact of 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"*.

Inclusion of Forward Looking Information (hereinafter "FLI")

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 2022.

The degree of uncertainty of macroeconomic forecasts reduces the so-called multiscenario overlay factor. Through this component sensitivity of Expected Credit Loss ("ECL") evolution to different scenarios is incorporated into the calculation. The process defined to include multiple macroeconomic scenarios is fully consistent with forecast processes used by the Bank for additional risk management purposes (for example processes adopted to calculate expected credit losses from macroeconomic forecasts based on EBA stress test and Internal Capital Adequacy Assessment Process ("ICAAP") Framework) and also takes advantage of independent UniCredit Group Research function. 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% (to previously used 55% is added 5% from eliminated positive scenario), while the negative scenario stays at 40%.

a) IFRS9 Baseline Scenario –"Mild Recession"

The Baseline scenario reflects the decline of Russian gas export, in line with recent recorded trends. It is assumed no material gas rationing in most of countries. 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 high energy prices, weak global trade, and persistent supply shortage, impacting also on food and commodities prices. A restrictive ECB policy is considered.

This scenario considers a deteriorating growth outlook with subdue global growth in 2022 and a still lower growth in 2023. The weakening reflects tighter financial conditions, surging energy bills in Europe and the spill over effect from reduced economic momentum across the US, Europe, and China. The manufacturing sector is under pressure, the boost to services from the reopening of the economy is declining, and consumer confidence is low. Supply constraints have eased but remain elevated compared to before the pandemic. High excess savings and the tight labor market should mean any recession is mild.

Also, in CEE Europe a technical recession in the 1. quarter 2023 caused by high energy prices is expected. A gradual recovery will

start in second half of 2023. Most CEE countries will have enough natural gas for an average winter, even if Russia stops exports to Europe.

Inflation is likely to peak during the winter 2022-2023 in all CEE countries. It will remain well above target in 2023 due to higher retail energy prices, resilient domestic demand, and tight labor markets. Most governments are capping energy prices up to certain levels of consumption, but inflation is not impacted only by energy prices but also by a strong consumer demand, which continues to outpace supply not only for energy, but also for other goods and services.

In terms of policy rates, the tightening cycle will stop by the end 2022 and with some cuts during 2023. Monetary policy trend will therefore impact on Interbank rates.

b) IFRS9 Negative Scenario – "Severe Recession"
In the recession scenario a complete stop of Russia gas supply is considered with lower substitutions with other sources, generating disruptions in the supply chain. The scenario severity is consistent with a further escalation of the Russia-Ukraine conflicts. Higher energy prices vs. 'Baseline' (ca. 25%-30% higher oil price on average in 2023-2025), food and other commodities price rise strongly, fuelling inflation. High uncertainty, erosion of real incomes and further supply disruption on top of those related to COVID-19 push the European economy in a recession in 2023.

From the macroeconomic point of view, the growth shock will also hit countries of Central and Eastern Europe. Roughly a third of cumulative shocks, on average, will come from the spill overs from the eurozone while the rest owing to the country-specific factors. Higher unemployment rate is assumed in all countries compared to the baseline. Despite the widening of the output gap which should be disinflationary on its own, higher energy prices and currency depreciation will lead to higher inflation in the region in 2023-2025 period compared to the baseline.

From the rates point of view, due to depreciation pressure on the currencies, central banks will need to intervene in the FX market and keep interbank rates higher compared to the baseline in 2023-2025 in most countries. Short-term rates will come down in 2024, as policy rates might be lowered along with the decline in inflation. However, they would remain higher compared to the corresponding 2024 levels of the Base scenario.

Larger budget deficit will be putting upside pressure on bond yields. Falling inflation and recovery in growth could help yields decline in 2024.

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) and yearly change of House Price Index are used within the model.

| | | Baseline scenario (60 %) | | |
|---|---|---|---|---|
| **Country** | **Macroeconomic scenario** | **2023** | **2024** | **2025** |
| Czech Rep. | Real GDP, year to year change in % | (0,3) | 2,7 | 2,8 |
| Czech Rep. | Inflation (CPI), at the end of period | 6,6 | 3,2 | 2,8 |
| Czech Rep. | Inflation (CPI), on average | 9,5 | 4,8 | 3,0 |
| Czech Rep. | Monthly wage, nominal in EUR | 1 575,3 | 1 648,9 | 1 744,0 |
| Czech Rep. | Unemployment rate in % | 4,6 | 3,9 | 3,6 |
| Czech Rep. | Reference rate, at the end of period | 5,50 | 3,75 | 3,25 |
| Czech Rep. | FX rate to EUR, at the end of period | 25,6 | 25,2 | 25,0 |
| Czech Rep. | FX rate to EUR, on average | 25,3 | 25,4 | 25,1 |
| Czech Rep. | Short term interest rate, at the end of period | 5,65 | 3,90 | 3,40 |
| Czech Rep. | Short term interest rate, on average | 6,9 | 4,8 | 3,6 |
| Czech Rep. | Long term interest rate (10 years) | 4,5 | 4,0 | 3,8 |
| Czech Rep. | House Price index, year to year change in % | 1,0 | 1,0 | 1,0 |
| Slovakia | Real GDP, year to year change in % | 0,9 | 2,3 | 2,5 |
| Slovakia | Inflation (CPI), at the end of period | 8,9 | 3,3 | 2,9 |
| Slovakia | Inflation (CPI), on average | 11,2 | 4,5 | 4,0 |
| Slovakia | Monthly wage, nominal in EUR | 1 298,3 | 1 369,5 | 1 428,7 |
| Slovakia | Unemployment rate in % | 7,2 | 6,9 | 6,4 |
| Slovakia | Long term interest rate (10 years) | 2,5 | 2,5 | 2,5 |
| Slovakia | House Price index, year to year change in % | (3,7) | – | 2,1 |
| | | | | |
| | | Negative scenario (40 %) | | |
| **Country** | **Macroeconomic scenario** | **2023** | **2024** | **2025** |
| Czech Rep. | Real GDP, year to year change in % | (4,3) | 3,9 | 2,5 |
| Czech Rep. | Inflation (CPI), at the end of period | 10,4 | 4,5 | 3,0 |
| Czech Rep. | Inflation (CPI), on average | 12,3 | 6,0 | 4,1 |
| Czech Rep. | Monthly wage, nominal in EUR | 1 495,0 | 1 631,0 | 1 691,0 |
| Czech Rep. | Unemployment rate in % | 5,5 | 5,0 | 4,1 |
| Czech Rep. | Reference rate, at the end of period | 6,00 | 5,00 | 4,75 |
| Czech Rep. | FX rate to EUR, at the end of period | 26,6 | 25,9 | 25,9 |
| Czech Rep. | FX rate to EUR, on average | 26,0 | 26,2 | 25,9 |
| Czech Rep. | Short term interest rate, at the end of period | 6,1 | 5,1 | 4,9 |
| Czech Rep. | Short term interest rate, on average | 6,9 | 5,6 | 5,0 |
| Czech Rep. | Long term interest rate (10 years) | 5,1 | 4,3 | 4,3 |
| Czech Rep. | House Price index, year to year change in % | (0,7) | 2,0 | 1,0 |
| Slovakia | Real GDP, year to year change in % | (5,2) | 3,2 | 2,7 |
| Slovakia | Inflation (CPI), at the end of period | 9,9 | 4,3 | 3,1 |
| Slovakia | Inflation (CPI), on average | 11,5 | 4,9 | 4,1 |
| Slovakia | Monthly wage, nominal in EUR | 1 217,8 | 1 399,7 | 1 445,1 |
| Slovakia | Unemployment rate in % | 7,8 | 7,1 | 7,1 |
| Slovakia | Long term interest rate (10 years) | 2,5 | 2,5 | 2,5 |
| Slovakia | House Price index, year to year change in % | (3,8) | – | 2,1 |

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.

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:

$((1 + \%GDP_{2023})(1 + \%GDP_{2024})(1 + \%GDP_{2025}) - 1)$.

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.** | 5,26 | 1,97 | (3,29) | 2 942 | 3 350 | 13,9% | 4,2% |
| **Slovakia** | 5,87 | 0,55 | (5,32) | 1 213 | 1 495 | 23,3% | 4,4% |

Results show that each 1 GDP point drop in 3-year cumulative GDP would cause increase of ECL by 4,2% on Czech Republic, resp. 4,4% increase on Slovak, portfolio.

2. Inclusion of Specific Factors

Considering actual and expected factors with realization date shortly after the beginning of 2023 financial year, the Group decided already for 2022 to reassess its models for impairment losses on receivables and recognize this impact in the income statement of 2022, 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. Models were developed as cross-country ones, common for both CZ and SK portfolios, using updated time series and defaults according to the new definition as a target. Except for PD Mid Corporate model ECB approval of all other models is still pending, but it is expected to be granted in 2023. In case of PD Mid Corporate model approval was already granted and gradual re-rating of the 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 2022. The total increase of provision amounts to MCZK 196 (split on MCZK 109 on Corporate 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, it has been decided to include for the end of 2022 **specific factor of geo-political uncertainties**. 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 1 801 (split on MCZK 1 534 on Corporate and MCZK 267 on Retail).

**c)** Based on the ECB finding a **dedicated approach for the Bullet/Balloon products** was defined. To cope with the characteristics of the mentioned products, a correction to the IFRS9 PD Lifetime is to be 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. 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 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

| | 2022 | 2021 |
|---|---|---|
| **Interest income** | | |
| Financial assets at amortised cost: | 29 004 | 11 524 |
| Loans and advances to central banks | 11 866 | 2 086 |
| Loans and advances to banks | 935 | 306 |
| Loans and advances to customers | 16 203 | 9 132 |
| Financial assets at fair value through other comprehensive income | 638 | 304 |
| **Interest income calculated using the effective interest method** | **29 642** | **11 828** |
| | | |
| Hedging derivatives | (7 383) | 1 953 |
| **Effect of hedging derivatives** | **(7 383)** | **1 953** |
| | | |
| Financial assets at fair value through profit or loss: | 9 | 9 |
| Held for trading | 9 | 9 |
| Mandatorily at fair value | – | – |
| Other assets | 509 | 73 |
| **Other interest income** | **518** | **82** |
| **Interest income** | **22 777** | **13 863** |
| | | |
| **Interest expense** | | |
| Financial liabilities at amortised cost: | (14 369) | (1 484) |
| Deposits from central banks | (69) | – |
| Deposits from banks | (527) | (153) |
| Deposits from customers | (13 360) | (1 187) |
| Debt securities issued | (413) | (144) |
| Financial liabilities at fair value through profit or loss: | (17) | (21) |
| Held for trading | (17) | (21) |
| Lease liabilities | (26) | (12) |
| Hedging derivatives | 4 939 | (763) |
| **Interest expense** | **(9 473)** | **(2 280)** |
| **Net interest income** | **13 304** | **11 583** |

Negative interest expense from liabilities is reported in interest income in the following lines:
- Loans and advances to central banks – as of 31 December 2022 MCZK 166 (as of 31 December 2021 MCZK 334).
- Loans and advances to banks – as of 31 December 2022 MCZK 86 (as of 31 December 2021 MCZK 224).
- Loans and advances to customers– as of 31 December 2022 MCZK 205 (as of 31 December 2021 MCZK 171).

Negative interest income from assets is reported in interest expense in the following lines:
- Deposits from the central banks – as of 31 December 2022 MCZK (22) (as of 31 December 2021 MCZK (14)).
- Deposits from banks – as of 31 December 2022 MCZK (15) (as of 31 December 2021 MCZK (32)).
- Deposits from customers – as of 31 December 2022 MCZK (9) (as of 31 December 2021 MCZK (39)).

## 2. Net fee and commission income

| | 2022 | 2021 |
|---|---|---|
| **Fee and commission income from** | | |
| Securities transactions | 21 | 14 |
| Management, administration, deposit and custody services | 816 | 849 |
| Loans | 822 | 767 |
| Payment services | 729 | 676 |
| Account administration | 488 | 514 |
| Payment cards | 1 205 | 934 |
| Other | 276 | 188 |
| **Total fee and commission income from contracts with customers** | **4 357** | **3 942** |
| | | |
| Loan commitments and financial guarantees | 562 | 552 |
| **Fee and commission income** | **4 919** | **4 494** |
| | | |
| **Fee and commission expenses from** | | |
| Securities transactions | (14) | (13) |
| Management, administration, deposit and custody services | (111) | (115) |
| Loans | (394) | (339) |
| Payment services | (41) | (39) |
| Payment cards | (872) | (739) |
| Other | (64) | (51) |
| **Fee and commission expenses** | **(1 496)** | **(1 296)** |
| **Net fee and commission income** | **3 423** | **3 198** |

## 3. Dividend income

| | 2022 | 2021 |
|---|---|---|
| **Dividend income** | | |
| Ownership interests | 651 | – |
| Financial assets at fair value through profit or loss not held for trading mandatorily at fair value | 4 | 2 |
| Financial assets at fair value through other comprehensive income | 3 | 2 |
| **Total** | **658** | **4** |

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

| | 2022 | 2021 |
|---|---|---|
| Net realised and unrealised gain/(loss) from debt instruments held for trading | 128 | 163 |
| Net realised and unrealised gain/(loss) from derivatives held for trading | 348 | (409) |
| Net realised and unrealised gain/(loss) from FX spot transactions and from revaluation of receivables and payables denominated in FX | 1 547 | 2 354 |
| **Net income/loss from trading** | **2 023** | **2 108** |

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

| | 2022 | 2021 |
|---|---|---|
| Hedging instruments | (2 100) | (5 109) |
| Hedged instruments | 2 098 | 5 108 |
| **Net income/loss from hedging against risk of changes in fair value** | **(2)** | **(1)** |

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

| | 2022 | 2021 |
|---|---|---|
| Financial assets at amortised cost: Loans and advances to customers | 112 | 345 |
| Financial assets at fair value through other comprehensive income | 46 | 94 |
| Financial liabilities: Debt securities issued | 189 | (16) |
| **Net income/loss from the sale or repurchase** | **347** | **423** |

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

| | 2022 | 2021 |
|---|---|---|
| Shares | (4) | (12) |
| Debt securities | – | – |
| **Net income/loss from financial assets and liabilities at fair value through profit or loss** | **(4)** | **(12)** |

## 8. Impairment losses

| | 2022 | 2021 |
|---|---|---|
| **Cash and cash balances** | **(93)** | **–** |
| Stage 1 | (93) | – |
| | | |
| **Financial assets at amortised cost, *of which:*** | **(1 384)** | **(1 871)** |
| **Loans and advances to banks** | **(12)** | **(1)** |
| Stage 1 | **(8)** | **(3)** |
| Stage 2 | – | 2 |
| Stage 3 | (4) | – |
| | | |
| **Loans and advances to customers** | **(1 372)** | **(1 870)** |
| *Corporate Customers* | **(1 403)** | **(1 198)** |
| Stage 1 | (1 372) | (404) |
| Stage 2 | (863) | (844) |
| Stage 3 | 832 | 49 |
| *Retail Customers* | **31** | **(672)** |
| Stage 1 | (169) | (478) |
| Stage 2 | 160 | (220) |
| Stage 3 | 40 | 27 |
| | | |
| **Financial assets at fair value through other comprehensive income** | **(5)** | **1** |
| Stage 1 | (5) | 1 |
| **Total** | **(1 482)** | **(1 870)** |

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

| | 2022 | 2021 |
|---|---|---|
| **Personnel expenses** | | |
| Wages and salaries paid to employees | (2 382) | (2 291) |
| Social costs | (919) | (888) |
| Other | (272) | (213) |
| | **(3 573)** | **(3 392)** |
| Other administrative expenses | | |
| Rent and building maintenance | (323) | (266) |
| Information technologies | (1 468) | (1 533) |
| Promotion and marketing | (221) | (207) |
| Consumables used | (66) | (54) |
| Audit, legal and advisory services | (131) | (142) |
| Administrative and logistic services | (179) | (160) |
| Deposits and transactions insurance | (835) | (743) |
| Other services | (225) | (205) |
| Other | (14) | (35) |
| | **(3 462)** | **(3 345)** |
| **Total** | **(7 035)** | **(6 737)** |

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

| | 2022 | 2021 |
|---|---|---|
| Short-term employee benefits | 179 | 186 |
| Post-employment benefits | – | 1 |
| Other long-term employee benefits | 42 | 31 |
| **Total** | **221** | **218** |

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:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Czech Republic** | **Slovakia** | **Czech Republic** | **Slovakia** |
| Employees | 2 005 | 860 | 2 024 | 889 |
| 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 | 36 | 2 | 39 | 3 |

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

| | 2022 | 2021 |
|---|---|---|
| Income from rent | 49 | 45 |
| Other income | 434 | 47 |
| **Total other operating income** | **483** | **92** |
| | | |
| Other taxes | (6) | (13) |
| Fines and penalties | (5) | (1) |
| Other | (16) | (5) |
| **Total other operating expenses** | **(27)** | **(19)** |
| | | |
| **Total** | **456** | **73** |

## 11. Cash and cash balances

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Cash in hand | 3 758 | 3 612 |
| Balances with central banks | 318 | 250 |
| Other on-demand deposits | 2 991 | 1 885 |
| **Total** | **7 067** | **5 747** |

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 2022 are classified by credit quality at stage 1 with the total allowance of MCZK 98 (as of 31 December 2021: MCZK 0).

## 12. Financial assets at fair value through profit or loss

### (a) Held for Trading

#### *(i) Based on the Type of Financial Instrument*

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Debt securities | 11 | 1 005 |
| Derivatives | 52 684 | 33 641 |
| **Total** | **52 695** | **34 646** |

From debt securities, no securities are provided as collateral as of 31 December 2022 and 31 December 2021.

#### *(ii) Based on the Type of Issuer*

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Debt securities** | | |
| Public administration | 11 | 1 004 |
| Other | – | 1 |
| **Total** | **11** | **1 005** |

### (b) Mandatorily at fair value

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Shares and Other debt securities | 540 | 544 |
| **Total** | **540** | **544** |

*(ii) Based on the Type of Issuer*

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Shares and Other debt securities** | | |
| Other financial institutions | 540 | 544 |
| **Total** | **540** | **544** |

## 13. Financial assets at fair value through other comprehensive income

### (a) Based on the Type of Financial Instrument

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Debt securities | 28 301 | 21 782 |
| Shares | 18 | 20 |
| **Total** | **28 319** | **21 802** |

From debt securities, MCZK 5 448 are provided as collateral (as of 31 December 2020: MCZK 6 234).

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 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Debt securities | | |
| Financial institutions | 2 381 | 2 493 |
| Government institutions | 22 563 | 15 463 |
| Other | 3 357 | 3 826 |
| | | |
| Shares | | |
| Other | 18 | 20 |
| **Total** | **28 319** | **21 802** |

All debt securities included in financial assets at fair value through other comprehensive income as of 31 December 2022 are classified by credit quality in stage 1 with the total allowance of MCZK 7 (as of 31 December 2021: MCZK 2).

Out of total amount of debt securities 94 % were included within Internal Rating 1 and 6 % within Internal Rating 2 or 3 as of 31 December 2022 (as of 31 December 2021 91% within Internal Rating 1 and 9% within Internal Rating 3).

### (c) Participation Interests

| Name | Registered office | Date of acquisition | Acquisition price | Net book value 2022 | Net book value 2021 | Share of the Bank at 31 Dec 2022 | Share of the Bank at 31 Dec 2021 |
|---|---|---|---|---|---|---|---|
| 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 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Term deposits | 35 621 | 24 022 |
| Reverse repurchase commitments (see section V, point 32) | 72 101 | 84 661 |
| Obligatory minimum reserves with central banks | 667 | 13 155 |
| **Total** | **108 389** | **121 838** |

The vast majority (99,9%) of financial assets at amortised cost – loans and advances to banks as of 31 December 2022 are classified by credit quality at stage 1 with the total allowance of MCZK 11 (as of 31 December 2021: MCZK 7).

Out of total amount financial assets at amortised cost – loans and advances to banks 87% were included within Internal Rating 1, 2 % within Internal Rating 2 and 11 % within Internal Rating 3 as of 31 December 2022 (as of 31 December 2021 91% within Internal Rating 1, 1% within Internal Rating 2 and 8% within Internal Rating 3).

## (b) Analysis of Receivables from Banks, by Geographical Sector

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Czech Republic | 84 997 | 100 041 |
| Slovakia | 10 769 | 11 854 |
| Other EU countries | 12 555 | 9 682 |
| Other | 68 | 261 |
| **Total** | **108 389** | **121 838** |

# 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 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.

| 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 2021** | | | | | | | | | | | | |
| Current accounts (overdrafts) | 25 559 | (176) | 25 383 | 6 930 | (120) | 6 810 | 2 419 | (1 990) | 429 | 34 908 | (2 286) | 32 622 |
| Mortgage loans | 97 174 | (271) | 96 903 | 12 393 | (229) | 12 164 | 3 778 | (2 445) | 1 333 | 113 345 | (2 945) | 110 400 |
| Credit cards | 7 | – | 7 | 1 | – | 1 | 1 | (1) | – | 9 | (1) | 8 |
| Factoring | 3 139 | (6) | 3 133 | 1 197 | (3) | 1 194 | 8 | (2) | 6 | 4 344 | (11) | 4 333 |
| Other loans | 143 777 | (385) | 143 392 | 10 401 | (204) | 10 197 | 2 903 | (1 644) | 1 259 | 157 081 | (2 233) | 154 848 |
| Debt securities | 13 354 | (1) | 13 353 | – | – | – | – | – | – | 13 354 | (1) | 13 353 |
| **Total** | **283 010*** | **(839)** | **282 171** | **30 922** | **(556)** | **30 366** | **9 109** | **(6 082)** | **3 027** | **323 041** | **(7 477)** | **315 564** |

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

| 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 | 152 925 | (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** | **167 233** | **(1 461)** | **165 774** |

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

| 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 2021** | | | | | | | | | | | | |
| Current accounts (overdrafts) | 1 086 | (10) | 1 076 | 252 | (26) | 226 | 156 | (132) | 24 | 1 494 | (168) | 1 326 |
| Mortgage loans | 135 073* | (208) | 134 865 | 7 684 | (346) | 7 338 | 585 | (184) | 401 | 143 342 | (738) | 142 604 |
| Credit cards and consumer loans | 7 436** | (199) | 7 237 | 1 632 | (415) | 1 217 | 240 | (169) | 71 | 9 308 | (783) | 8 525 |
| Other loans | 2 144 | (7) | 2 137 | 158 | (7) | 151 | 49 | (38) | 11 | 2 351 | (52) | 2 299 |
| **Total** | **145 739** | **(424)** | **145 315** | **9 726** | **(794)** | **8 932** | **1 030** | **(523)** | **507** | **156 495** | **(1 741)** | **154 754** |

* The balance also includes unamortized modification loss of MCZK 29.
** The balance also includes unamortized modification loss of MCZK 3.

From financial assets at amortised cost – Loans and advances to customers MCZK 141 912 are provided as collateral (as of 31 December 2021: MCZK 150 734).

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

| | Gross Receivables | | PD |
|---|---|---|---|
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 and 31 Dec 2021 |
| Performing receivables – stage 1 and 2 | | | |
| Internal rating 1 | 37 645 | 16 277 | 0.02% – 0.04% |
| Internal rating 2 | 37 172 | 29 368 | 0.06% – 0.10% |
| Internal rating 3 | 75 641 | 56 847 | 0.14% – 0.26% |
| Internal rating 4 | 191 897 | 177 351 | 0.36% – 0.66% |
| Internal rating 5 | 98 900 | 95 164 | 0.90% – 1.68% |
| Internal rating 6 | 61 793 | 71 783 | 2.29% – 4.25% |
| Other internal rating | 24 700 | 22 479 | 5.80% – 20.00% |
| Receivables without internal rating | 103 | 128 | 14.67% |
| Total | **527 851** | **469 397** | |
| | | | |
| Non-performing receivables – stage 3 | 8 495 | 10 139 | 100% |
| **Total** | **536 346** | **479 536** | |

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

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Financial institutions | 88 741 | 67 553 |
| Non-financial institutions | 242 117 | 235 716 |
| Government sector | 30 206 | 12 295 |
| Individuals and others | 165 774 | 154 754 |
| **Total** | **526 838** | **470 318** |

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

| | Maximum exposure to credit risk | Bank and similar guarantee | Mortgage | Corporate guarantee | Other security | Total collateral | Net exposure |
|---|---|---|---|---|---|---|---|
| **31 Dec 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** |
| | | | | | | | |
| **31 Dec 2021** | | | | | | | |
| Stage 1 | **427 486** | 2 758 | 116 597 | 10 079 | 4 762 | 134 196 | **293 290** |
| Stage 2 | **39 298** | 227 | 10 404 | 2 300 | 1 644 | 14 575 | **24 723** |
| Stage 3 | **3 534** | 73 | 2 172 | 996 | 199 | 3 440 | **94** |
| **Total** | **470 318** | **3 058** | **129 173** | **13 375** | **6 605** | **152 211** | **318 107** |

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 41 288 (as of 31 December 2021: MCZK 41 307). 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.

If the exposure is fully collateralised, no loss allowance is calculated.

### (e) Analysis of Net Receivables from Customers, by Geographical Sector

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Czech Republic | 359 063 | 316 567 |
| Slovakia | 145 520 | 138 613 |
| Other EU countries | 19 894 | 12 390 |
| Other | 2 361 | 2 748 |
| **Total** | **526 838** | **470 318** |

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

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Real estate services | 80 861 | 75 180 |
| Financial services | 72 393 | 55 546 |
| Wholesale | 24 638 | 21 591 |
| Households (individuals) | 161 756 | 150 701 |
| Retail (entrepreneurs) | 11 273 | 11 757 |
| Leasing and rental | 19 446 | 15 119 |
| Automotive industry | 6 329 | 11 885 |
| Power industry | 25 187 | 22 957 |
| Other | 124 955 | 105 582 |
| **Total receivables from customers** | **526 838** | **470 318** |

### (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 Dec. 2022** | | | | | | | |
| Non-financial institutions | 15 792 | 2 599 | 18 391 | (305) | (1 951) | (2 256) | 16 135 |
| Other financial corporations | – | – | – | – | – | – | – |
| Individuals and others | 529 | 61 | 590 | (18) | (38) | (56) | 534 |
| **Total** | **16 321** | **2 660** | **18 981** | **(323)** | **(1 989)** | **(2 312)** | **16 669** |
| | | | | | | | |
| **31 Dec. 2021** | | | | | | | |
| Non-financial institutions | 19 140 | 2 975 | 22 115 | (282) | (2 136) | (2 418) | 19 697 |
| Other financial corporations | 8 | – | 8 | – | – | – | 8 |
| Individuals and others | 445 | 181 | 626 | (57) | (67) | (124) | 502 |
| **Total** | **19 593** | **3 156** | **22 749** | **(339)** | **(2 203)** | **(2 542)** | **20 207** |

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 3.16% of the total net receivables from customers as of 31 December 2022 (2021: 4.30%).

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 December 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** |
| | | | |
| **31 December 2021** | | | |
| Performing receivables | | | |
| Before due | 18 451 | (300) | 18 151 |
| Past due | 1 142 | (39) | 1 103 |
| Total forborne performing receivables | **19 593** | **(339)** | **19 254** |
| | | | |
| Non-performing receivables | | | |
| Up to 90 days past due | 2 687 | (1 765) | 922 |
| 91 to 180 days past due | 202 | (191) | 11 |
| 181 days to 1 year past due | 29 | (21) | 8 |
| Over 1 year past due | 238 | (226) | 12 |
| Total forborne non-performing receivables | **3 156** | **(2 203)** | **953** |
| **Total** | **22 749** | **(2 542)** | **20 207** |

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

| | |
|---|---|
| Balance as of 1 January 2021 | 18 512 |
| Transfer to forborne receivables balance | 12 479 |
| Additions | 703 |
| Settled | (2 095) |
| Transfer from forborne receivables balance | (6 849) |
| Other | (1) |
| **Total gross balance of forborne receivables as of 31 December 2021** | **22 749** |
| | |
| 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** |

The table below shows movements in the impairment of forborne receivables:

| | |
|---|---|
| Balance as of 1 January 2021 | (2 192) |
| Transfer to forborne receivables balance | (1 024) |
| Charge during the current year | (334) |
| Release during the current year | 182 |
| Receivables written off – use | – |
| Transfer from forborne receivables balance | 824 |
| Other decreases | 2 |
| **Total impairment of forborne receivables as of 31 December 2021** | **(2 542)** |
| | |
| 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)** |

### (h) Impairment of Receivables from Customers

#### *Movement in Impairment of Receivables from Customers*

| **Corporate Customers** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
|---|---|---|---|---|
| Balance as of 1 January 2021 | **(944)** | **(724)** | **(5 794)** | **(7 462)** |
| Charge during the current year | (439) | (318) | (2 970) | (3 727) |
| *Of which provided in the respective year* | *(309)* | *(141)* | *(763)* | *(1 213)* |
| Release during the current year | 651 | 385 | 1 973 | 2 982 |
| *Of which repaid in the respective year* | *162* | *48* | *1 049* | *1 259* |
| Receivables written off – use | – | – | 730 | 730 |
| Transfer between stages | (107) | 128 | (21) | – |
| FX differences | – | – | – | – |
| **Total impairment of receivables from customers as of 31 December 2021** | **(839)** | **(556)** | **(6 082)** | **(7 477)** |

| Corporate Customers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Balance as of 1 January 2022 | **(839)** | **(556)** | **(6 082)** | **(7 477)** |
| Charge during the current year | (1 351) | (1 017) | (1 807) | (4 175) |
| *Of which provided in the respective year* | *(562)* | *(377)* | *(670)* | *(1 609)* |
| Release during the current year | 514 | 517 | 1 917 | 2 948 |
| *Of which repaid in the respective year* | *154* | *84* | *971* | *1 209* |
| Receivables written off – use | – | 4 | 655 | 659 |
| Transfer between stages | 33 | (153) | 120 | – |
| FX differences | – | 2 | – | 2 |
| **Total impairment of receivables from customers as of 31 December 2022** | **(1 643)** | **(1 203)** | **(5 197)** | **(8 043)** |

| Retail Customers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Balance as of 1 January 2021 | **(236)** | **(334)** | **(869)** | **(1 439)** |
| Charge during the current year | (263) | (628) | (146) | (1 037) |
| *Of which provided in the respective year* | *(156)* | *(202)* | *(66)* | *(424)* |
| Release during the current year | 196 | 106 | 189 | 491 |
| *Of which repaid in the respective year* | *82* | *68* | *90* | *240* |
| Receivables written off – use | – | 1 | 245 | 246 |
| Transfer between stages | (121) | 62 | 59 | – |
| FX differences | – | (1) | (1) | (2) |
| **Total impairment of receivables from customers as of 31 December 2021** | **(424)** | **(794)** | **(523)** | **(1 741)** |
| | | | | |
| Balance as of 1 January 2022 | **(424)** | **(794)** | **(523)** | **(1 741)** |
| Charge during the current year | (288) | (755) | (151) | (1 194) |
| *Of which provided in the respective year* | *(78)* | *(275)* | *(46)* | *(399)* |
| Release during the current year | 471 | 682 | 161 | 1 314 |
| *Of which repaid in the respective year* | *21* | *61* | *66* | *148* |
| Receivables written off – use | – | 8 | 151 | 159 |
| Transfer between stages | 13 | (18) | 5 | – |
| FX differences | – | – | 1 | 1 |
| **Total impairment of receivables from customers as of 31 December 2022** | **(228)** | **(877)** | **(356)** | **(1 461)** |

### *Movement of Gross Amount of Receivables from Customers*

| Corporate Customers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **2022** | | | | |
| Transfer of the gross amount of receivables from Stage 1 | (26 460) | 24 890 | 1 570 | – |
| Transfer of the gross amount of receivables from Stage 2 | 3 159 | (4 118) | 959 | – |
| Transfer of the gross amount of receivables from Stage 3 | – | 125 | (125) | – |
| | | | | |
| **2021** | | | | |
| Transfer of the gross amount of receivables from Stage 1 | (20 688) | 18 320 | 2 368 | – |
| Transfer of the gross amount of receivables from Stage 2 | 5 212 | (6 622) | 1 410 | – |
| Transfer of the gross amount of receivables from Stage 3 | 1 | 1 120 | (1 121) | – |

If the change in the identification of existing individual receivables occurs (reposting between different accounts / loans of the given client), such receivables are reported as new exposures, which are added from the movement point of view to existing exposures migrating from the stage 1. The same procedure is applied in all categories of the migration matrix.

| Retail Customers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **2022** | | | | |
| Transfer of the gross amount of receivables from Stage 1 | (30 974) | 30 743 | 231 | – |
| Transfer of the gross amount of receivables from Stage 2 | 4 053 | (4 221) | 168 | – |
| Transfer of the gross amount of receivables from Stage 3 | 42 | 288 | (330) | – |

| Retail Customers | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| **2021** | | | | |
| Transfer of the gross amount of receivables from Stage 1 | (7 793) | 7 600 | 193 | – |
| Transfer of the gross amount of receivables from Stage 2 | 1 973 | (2 156) | 183 | – |
| Transfer of the gross amount of receivables from Stage 3 | 76 | 160 | (236) | – |

### 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 2022 was MCZK 2 945 (as of 31 December 2021: MCZK 2 704).

### 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 (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 1 377 which represents 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 507 from a credit risk management point of view represent approximately 0.1% of the 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 302 (stock of provisions/reserves as of 31 December 2022).

## 16. Positive fair value of hedging derivatives

**Based on the Hedging Purpose**

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Fair value hedging | 6 628 | 2 370 |
| Cash flow hedging | 15 064 | 10 132 |
| **Total** | **21 692** | **12 502** |

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 2022 | Net book value 2021 | Share of the Bank at 31 Dec 2022 | Share of the Bank at 31 Dec 2021 |
|---|---|---|---|---|---|---|---|
| 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 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Property and equipment for operations** | | |
| Buildings and land | 868 | 826 |
| Leasehold improvements of rent buildings | 234 | 216 |
| Fixtures and fittings | 32 | 27 |
| IT equipment | 50 | 58 |
| Other | 183 | 123 |
| **Right of use assets** | | |
| Buildings and land | 1 872 | 2 139 |
| Other | 42 | 48 |
| **Total** | **3 281** | **3 437** |

### (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 2021** | 2 682 | 1 019 | 155 | 549 | 288 | 4 693 |
| Accumulated depreciation and impairment at 1 January 2021 | (1 822) | (830) | (131) | (490) | (190) | (3 463) |
| **Net Book Value at 1 January 2021** | **860** | **189** | **24** | **59** | **98** | **1 230** |
| | | | | | | |
| Increases in fair value | 21 | – | – | – | – | 21 |
| Reductions in fair value | (56) | – | – | – | – | (56) |
| Additions | 78 | 64 | 11 | 26 | 40 | 219 |
| Depreciation charges | (33) | (36) | (4) | (27) | (12) | (112) |
| Transfer to the item *"Non-current assets held for sale"* | (8) | – | – | – | – | (8) |
| Other and FX rate gains or losses | (36) | (1) | (4) | – | (3) | (44) |
| **Net Book Value at 31 December 2021** | **826** | **216** | **27** | **58** | **123** | **1 250** |
| | | | | | | |
| Fair Value (Buildings and land) / Cost at 31 December 2021 | 2 542 | 1 049 | 132 | 532 | 297 | 4 552 |
| Accumulated depreciation and impairment at 31 December 2021 | (1 716) | (833) | (105) | (474) | (174) | (3 302) |

| | 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) |
| Transfer to the item *"Non-current assets held for sale"* | – | – | – | – | – | – |
| 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) |

### (b) Movements in Right of Use Assets

| | Buildings and land | Other | Total |
|---|---|---|---|
| **Net Book Value at 1 January 2021** | **2 313** | **48** | **2 361** |
| Additions | 270 | 26 | **296** |
| Disposals | (59) | – | (59) |
| Depreciation | (385) | (26) | (411) |
| Other and FX rate gains or losses | – | | |
| **Net Book Value at 31 December 2021** | **2 139** | **48** | **2 187** |
| | | | |
| Cost at 31 December 2021 | 3 138 | 100 | 3 238 |
| Accumulated depreciation and impairment at 31 December 2021 | (999) | (52) | (1 051) |
| | | | |
| **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) |

## 19. Intangible assets

### Movements in Intangible Assets

| | Software | Total |
|---|---|---|
| **Cost at 1 January 2021** | 4 266 | 4 266 |
| Accumulated amortisation and impairment at 1 January 2021 | (1 914) | (1 914) |
| **Net Book Value at 1 January 2021** | **2 352** | **2 352** |
| | | |
| Additions | 796 | 796 |
| Amortisation charges | (623) | (623) |
| Other | 104 | 104 |
| | | |
| **Net Book Value at 31 December 2021** | **2 629** | **2 629** |
| Cost at 31 December 2021 | 4 895 | 4 895 |
| Accumulated amortisation and impairment at 31 December 2021 | (2 266) | (2 266) |
| | | |
| **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) |

## 20. Other assets

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Deferred expenses and accrued income | 355 | 321 |
| Trade receivables | 219 | 190 |
| Receivables from securities | 4 | 7 |
| Clearing and settlement accounts | 466 | 357 |
| Other | 3 | 47 |
| **Total** | **1 047** | **922** |
| | | |
| Impairment losses on other assets | (7) | (9) |
| **Net other assets** | **1 040** | **913** |

## 21. Financial liabilities held for trading

### Based on the Type of Financial Instrument

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Liabilities from short sales | – | 1 065 |
| Derivatives | 52 725 | 34 070 |
| **Total** | **52 725** | **35 135** |

## 22. Financial liabilities at amortised cost – deposits from banks

### Analysis of Deposits from Banks by Type

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Deposits from central banks | 37 776 | 39 223 |
| Current accounts | 8 086 | 9 495 |
| Loans | 681 | 839 |
| Term deposits | 538 | 345 |
| Sale and repurchase agreements (see section V, point 32) | 4 851 | – |
| **Total** | **51 932** | **49 902** |

Item “Deposits from central banks” includes as of 31 December 2022 MCZK 37 776 of funding from Targeted Longer-Term Refinancing Operations (hereinafter “TLTRO”), namely TLTRO III.4 which was drawn by the Bank in June 2020 and TLTRO III.7 drawn in March 2021 (as of 31 December 2021: MCZK 39 223).

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 2022 Bank recognized, a Net Interest Income contribution from TLTRO equal to MCZK 97 (2021: MCZK 334).

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

### Analysis of Deposits from Customers by Type

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Current accounts | 394 064 | 430 994 |
| Term deposits | 99 875 | 34 204 |
| Lease Liabilities | 1 882 | 2 254 |
| Other | 7 148 | 2 424 |
| **Total** | **502 969** | **469 876** |
| | | |
| **Movements in Lease Liabilities** | **2022** | **2021** |
| As at 1 January | **2 254** | **2 436** |
| Additions | 62 | 237 |
| Accretion of interest | 26 | 12 |
| Lease payments | (425) | (358) |
| Other and FX rate gains or losses | (35) | (73) |
| **Total at 31 December** | **1 882** | **2 254** |

The Bank had total cash outflows for leases of MCZK 452 in 2022 incl. those leases that are not in-scope of IFRS 16 (in 2021: MCZK 389).

## 24. Financial liabilities at amortised cost – issued debt securities

### Analysis of Issued Debt Securities

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Mortgage bonds | 16 793 | 5 860 |
| Structured bonds | 1 372 | 1 246 |
| Other issued debt securities | 16 247 | 16 432 |
| **Total** | **34 412** | **23 538** |
| | | |
| **Movements in Issued Debt Securities** | **2022** | **2021** |
| As at 1 January | **23 538** | **10 058** |
| Issue | 13 283 | 16 408 |
| Repayment of principal | (2 520) | (2 920) |
| Accretion of interest | 413 | 144 |
| Repayment of interest | (302) | (152) |
| **Total at 31 December** | **34 412** | **23 538** |

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 1 291 (at 31 December 2021: MCZK 1 205). The positive fair value of these derivatives of MCZK 384 is reported under "Financial assets held for trading" (at 31 December 2021: MCZK 23); the negative fair value of these derivatives of MCZK 128 is recognised under "Financial liabilities held for trading" (at 31 December 2021: MCZK 204).

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 with option to call the bond after 5 years. The only investor is UniCredit S.p.A. The total value as of 31 December 2022 is MCZK 15 967 (at 31 December 2021: MCZK 16 418).

## 25. Negative fair value of hedging derivatives

**Based on the Hedging Purpose**

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Fair value hedging | 14 576 | 5 855 |
| Cash flow hedging | 25 865 | 16 210 |
| **Total** | **40 441** | **22 065** |

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

## 26. Other liabilities

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Deferred income and accrued expenses | 1 158 | 1 234 |
| Trade payables | 340 | 456 |
| Payables to employees | 582 | 443 |
| Unsettled security transactions | 373 | 2 |
| Clearing and settlement accounts | 4 481 | 3 640 |
| Other | 241 | 162 |
| **Total** | **7 175** | **5 937** |

## 27. Provisions for risks and charges

Provisions for risks and charges include the following items:

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Provisions for off-balance sheet credit exposures | 1 142 | 1 228 |
| a. Stage 1 | 317 | 201 |
| b. Stage 2 | 243 | 135 |
| c. Stage 3 | 582 | 892 |
| Legal disputes | 64 | 64 |
| Provision for restructuring | – | 9 |
| Other | 23 | 31 |
| **Total** | **1 229** | **1 332** |

### (a) Provisions for Off-Balance Sheet Credit Exposures

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---|---|---|---|
| Balance at 1 January 2021 | 183 | 344 | 768 | 1 295 |
| Charge during the year | 185 | 186 | 577 | 948 |
| Release during the year | (160) | (386) | (425) | (971) |
| Other – FX rate gains or losses | (7) | (9) | (28) | (44) |
| **Total provisions for off-balance sheet credit items at 31 December 2021** | **201** | **135** | **892** | **1 228** |
| | | | | |
| 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** |

### (b) Other Provisions

| | Legal disputes | Restructuring provision | Other | Total |
|---|---|---|---|---|
| Balance at 1 January 2021 | 66 | 66 | 43 | **175** |
| Charge during the year | 4 | – | 6 | **10** |
| Usage during the year | (3) | (21) | (17) | **(41)** |
| Release of redundant provisions and other | (3) | (36) | (1) | **(40)** |
| **Total other provisions at 31 December 2021** | **64** | **9** | **31** | **104** |
| | | | | |
| 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** |

## 28. Income tax

### (a) Tax in the Income Statement

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Current tax payable | (1 990) | (1 533) |
| Prior year tax | 16 | (1) |
| Deferred tax | 214 | (57) |
| **Total income tax** | **(1 760)** | **(1 591)** |

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:

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Profit for the year before income tax | 10 683 | 7 705 |
| Tax calculated using the tax rate of 19% | (2 030) | (1 464) |
| Changes in estimates relating to prior years | 16 | (1) |
| Non-taxable income | 399 | 9 |
| Tax non-deductible expenses | (94) | (48) |
| Impact of prior years on the deferred tax | (11) | 4 |
| Impact of a higher Slovak tax rate | (26) | (56) |
| Unrecognised temporary differences in deferred tax | – | – |
| Other | (14) | (35) |
| **Total income tax** | **(1 760)** | **(1 591)** |

The effective tax rate of the Bank is 16.5 % (2021: 20.6%).

### (b) Tax in the Statement of Financial Position

The Bank made income tax prepayments in the amount of MCZK 1 282 (2021: MCZK 1 750), received an tax overpayment of MCZK 301 (at 31 December 2021: the Bank received an tax overpayment of MCZK 683) and reports an income tax payable of MCZK 425 to the tax authority in the Czech Republic (at 31 December 2021: a receivable of MCZK 341) and a liability of MCZK 268 to the tax authority in the Slovak Republic (at 31 December 2021: a liability of MCZK 45).

### (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 2022 based on the current and anticipated future level of taxable profits.

*Net Deferred Tax Asset*

| | 31 Dec 2022 | | 31 Dec 2021 | |
|---|---|---|---|---|
| | Deferred tax asset | Deferred tax liability | Deferred tax asset | Deferred tax liability |
| Tax non-deductible provisions | 587 | – | 120 | – |
| Impairment of loans and off-balance sheet items | 223 | – | 630 | – |
| Differences arising from the net book values of tangible assets | 119 | – | 30 | – |
| Differences arising from the net book values of intangible assets | 27 | (63) | – | (148) |
| Reserve from revaluation of hedging instruments * | – | (162) | 1 435 | – |
| Reserve from revaluation of financial assets at fair value through other comprehensive income * | 1 979 | – | 4 | (93) |
| Reserve from revaluation of property measured at fair value * | 54 | (20) | – | (53) |
| Other | 175 | – | 133 | – |
| Deferred tax liability/asset | **3 164** | **(245)** | **2 352** | **(294)** |
| **Net deferred tax asset** | **2 919** | | **2 058** | |

* 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 (2021: MCZK 11).

## 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 2021 and 2022.

### (a) Shareholder Structure

| Entity | Registered office | Nominal value of shares in MCZK | Share premium in MCZK | Ownership percentage |
|---|---|---|---|---|
| **At 31 Dec 2022** | | | | |
| UniCredit S.p.A | Italy | 8 755 | 3 495 | 100.00 |
| **Total** | | **8 755** | **3 495** | **100.00** |
| | | | | |
| **At 31 Dec 2021** | | | | |
| UniCredit S.p.A | Italy | 8 755 | 3 495 | 100.00 |
| **Total** | | **8 755** | **3 495** | **100.00** |

### (b) Capital Breakdown

| | 31 Dec 2022 Number of shares | 31 Dec 2022 MCZK | 31 Dec 2021 Number of shares | 31 Dec 2021 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 2022 and 31 December 2021, 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 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Reserve funds | 3 372 | 3 372 |
| Special-purpose reserve fund | 11 609 | 12 402 |
| Retained earnings | 50 121 | 49 926 |
| **Total** | **65 102** | **65 700** |

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 4 387 were transferred into a Special-purpose reserve fund denominated in EUR. This part of the Special-purpose reserve fund in total amount of MCZK 11 611 from cross-border merger can only be used to settle the loss of the Bank.

## 32. Borrowings and lending of securities, repurchase and reverse repurchase transactions

### (a) Reverse Repurchase Transactions

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Loans and advances to banks | 72 101 | 84 661 |
| Fair value of securities received | (70 740) | (84 661) |

No securities received as collateral as part of reverse repurchase transactions are further provided as collateral under repurchase transactions as of 31 December 2022 and as of 31 December 2021.

### (b) Repurchase Transactions

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Deposits from banks | 4 851 | – |
| Fair value of securities provided | (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 2021, 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 2022, the aggregate provisions amounted to MCZK 1 142 (as of 31 December 2021: MCZK 1 228), see section V. Other Notes, point 27. Provisions (a).

| | Gross amount | Provisions for risks and charges | Net amount |
|---|---|---|---|
| **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** |
| | | | |
| **31 Dec 2021** | | | |
| Letters of credit and financial guarantees | 47 833 | (656) | 47 177 |
| – Stage 1 | 45 263 | (103) | 45 160 |
| – Stage 2 | 1 936 | (82) | 1 854 |
| – Stage 3 | 634 | (471) | 163 |
| Other contingent liabilities (undrawn credit facilities) | 161 622 | (572) | 161 050 |
| – Stage 1 | 152 445 | (98) | 152 347 |
| – Stage 2 | 8 513 | (53) | 8 460 |
| – Stage 3 | 664 | (421) | 243 |
| **Total** | **209 455** | **(1 228)** | **208 227** |

**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 |
|---|---|---|---|
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 and 31 Dec 2021 |
| **Performing receivables – stage 1 and 2** | | | |
| Internal rating 1 | 18 071 | 13 523 | 0.02% - 0.04% |
| Internal rating 2 | 34 713 | 23 421 | 0.06% - 0.10% |
| Internal rating 3 | 55 757 | 35 974 | 0.14% - 0.26% |
| Internal rating 4 | 51 443 | 54 233 | 0.36% - 0.66% |
| Internal rating 5 | 28 736 | 50 515 | 0.90% - 1.68% |
| Internal rating 6 | 17 216 | 25 977 | 2.29% - 4.25% |
| Other internal rating | 3 855 | 4 412 | 5.80% - 20.00% |
| Receivables without internal rating | 144 | 102 | 14.67% |
| **Total** | **209 935** | **208 157** | |
| | | | |
| **Non-performing receivables – stage 3** | 1 010 | 1 298 | 100% |
| **Total** | **210 945** | **209 455** | |

### (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 226.2 (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 Dec 2022** | | | |
| **Trading instruments – interbank market (OTC)** | | | |
| Options | 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** | **1 253 464** | **52 684** | **52 725** |
| | | | |
| **Trading instruments – stock exchange** | | | |
| Futures | – | – | – |
| **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** |

| | Nominal value | Positive fair value | Negative fair value |
|---|---|---|---|
| **31 Dec 2021** | | | |
| **Trading instruments – interbank market (OTC)** | | | |
| Options | 110 800 | 1 504 | 1 514 |
| Interest rate swap contracts | 780 444 | 24 801 | 25 539 |
| Forward rate agreements (FRA) | 6 820 | – | 17 |
| Cross currency swap contracts | 184 672 | 3 966 | 3 161 |
| Foreign exchange forwards and swaps | 47 979 | 273 | 798 |
| Other instruments | 5 037 | 3 063 | 3 041 |
| **Total** | **1 135 752** | **33 607** | **34 070** |
| | | | |
| **Trading instruments – stock exchange** | | | |
| Futures | 505 | 34 | – |
| **Total trading instruments** | **1 136 257** | **33 641** | **34 070** |
| | | | |
| **Hedging instruments** | | | |
| Interest rate swap contracts | 672 730 | 10 405 | 21 178 |
| Cross currency swap contracts | 121 925 | 2 097 | 887 |
| **Total hedging instruments** | **794 655** | **12 502** | **22 065** |

***(ii) Residual Maturity of Financial Derivatives Concluded on the Interbank Market***

| | Up to 1 year | 1 – 5 years | Over 5 years | Total |
|---|---|---|---|---|
| **31 Dec 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** |
| | | | | |
| **31 Dec 2021** | | | | |
| **Trading instruments** | | | | |
| Interest rate instruments | 119 128 | 440 970 | 250 733 | 810 831 |
| Equity instruments | 1 329 | 1 202 | – | 2 531 |
| Currency instruments | 213 468 | 95 609 | 8 276 | 317 353 |
| Other | 4 149 | 888 | – | 5 037 |
| **Total** | **338 074** | **538 669** | **259 009** | **1 135 752** |
| | | | | |
| **Hedging instruments** | | | | |
| Interest rate instruments | 120 211 | 343 061 | 209 458 | 672 730 |
| Currency instruments | 33 760 | 25 774 | 62 391 | 121 925 |
| **Total** | **153 971** | **368 835** | **271 849** | **794 655** |

## 34. Segment reporting

The Bank presents the segment information based on performance criteria as disclosed in section III. Significant Accounting Policies, point 20. Segment reporting.

In the first half of 2022, the Bank adjusted the segments classification. In accordance with IFRS 8 Operating segments, the values reported in the Segment Information by client category as of 31 December 2021 were restated in order to maintain the comparability of the reported values.

### (a) Segment Information by Client Category

| | Retail and private banking | Corporate and investment banking | Other | Total |
|---|---|---|---|---|
| **31 Dec 2022** | | | | |
| Net interest and dividend income | 5 025 | 9 920 | (983) | **13 962** |
| Net fee and commission income | 1 134 | 2 345 | (56) | **3 423** |
| 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** |
| | | | | |
| **31 Dec 2021** | | | | |
| Net interest and dividend income | 3 219 | 6 891 | 1 477 | **11 587** |
| Net fee and commission income | 1 065 | 2 180 | (47) | **3 198** |
| Other net income | 500 | 2 327 | (234) | **2 593** |
| | | | | |
| Depreciation/impairment of property and equipment and intangible assets | – | – | (1 146) | **(1 146)** |
| Impairment loss | (791) | (1 093) | 14 | **(1 870)** |
| Segment expenses | (3 637) | (3 826) | 806 | **(6 657)** |
| Profit before tax | **388** | **6 430** | **887** | **7 705** |
| Income tax | – | – | (1 591) | **(1 591)** |
| Result of segment | **388** | **6 430** | **(704)** | **6 114** |
| | | | | |
| Segment assets | 160 690 | 502 886 | 16 820 | **680 396** |
| Segment liabilities | 220 239 | 358 163 | 24 033 | **602 435** |

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 Dec 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** |

| | Czech Republic | Slovakia | Total |
|---|---|---|---|
| **31 Dec 2021** | | | |
| Net interest and dividend income | 9 067 | 2 520 | **11 587** |
| Net fee and commission income | 2 130 | 1 068 | **3 198** |
| Other net income | 2 277 | 316 | **2 593** |
| | | | |
| Depreciation/impairment of property and equipment and intangible assets | (910) | (236) | **(1 146)** |
| Impairment loss | (1 382) | (488) | **(1 870)** |
| Segment expenses | (4 774) | (1 883) | **(6 657)** |
| Profit before tax | 6 408 | 1 297 | **7 705** |
| Income tax | (1 262) | (329) | **(1 591)** |
| Result of segment | **5 146** | **968** | **6 114** |
| | | | |
| Segment assets | 533 370 | 147 671 | **681 041** |
| Segment liabilities | 464 136 | 138 299 | **602 435** |

## 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:

| | 2022 | 2021 |
|---|---|---|
| Cash and cash balances | 7 067 | 5 747 |
| Financial assets at fair value through profit or loss, *of which:* | 53 235 | 35 190 |
| Held for trading | 52 695 | 34 646 |
| Mandatorily at fair value | 540 | 544 |
| Financial assets at fair value through other comprehensive income | 28 319 | 21 802 |
| Financial assets at amortised cost, *of which:* | 635 227 | 592 156 |
| Loans and advances to banks | 108 389 | 121 838 |
| Loans and advances to customers | 526 838 | 470 318 |
| Positive fair value of hedging derivatives | 21 692 | 12 502 |
| Changes in fair value of the portfolio of hedged instruments | (3 164) | (366) |
| Other assets | 1 040 | 1 558 |
| **Total** | **743 416** | **668 589** |

The table below presents the maximum credit risk exposure related to off-balance sheet items. Maximum credit risk exposure excludes impact received collateral:

| | 2022 | 2021 |
|---|---|---|
| Letters of credit and financial guarantees | 51 812 | 47 177 |
| Other contingent liabilities (undrawn credit facilities) | 157 991 | 161 050 |
| **Total** | **209 803** | **208 227** |

### *(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" amount to MCZK 0 as of 31 December 2022 (31 December 2021: MCZK 0).

*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 2022. 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 2022 | Average for 2022 | At 31 Dec 2021 | Average for 2021 |
|---|---|---|---|---|
| | Czech Republic | | Czech Republic | |
| VaR of Financial assets at fair value through profit or loss Held for trading | 10,54 | 26,54 | 16,99 | 13,16 |
| VaR of Financial assets at fair value through other comprehensive income | 168,57 | 140,11 | 98,85 | 70,93 |
| | Slovakia | | Slovakia | |
| VaR of Financial assets at fair value through profit or loss Held for trading | 2,36 | 1,64 | 0,47 | 1,08 |
| VaR of Financial assets at fair value through other comprehensive income | – | – | – | – |

*Value at Risk*
The fiscal year 2021 was affected by the fading of COVID-19. Due to the VaR calculation method used, where a historical period of 250 days is used, the VaR volatility of the early 2021 started to decrease since second quarter of this year. The fiscal year 2022 is affected by different events from the point of view of Financial assets at fair value through profit or loss Held for trading, when the trading book was centralized into the UniCredit Group and in accordance with the change in this strategy the position on this book was reduced, and from the perspective of Financial assets at fair value through other comprehensive income, when in accordance with the Bank's strategy there was an increase in the position of government bonds.

***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") Limits.

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 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 Limit (31/12/2022) | –13,70% | –13,70% | –13,70% | –13,70% | –13,70% | –13,70% | –13,70% | –13,70% |

| Economic Value of Equity 2021 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Stress test based on EBA (% impact on Equity) 2021 | | SOT test (% impact on Tier 1) 2021 | | | | | |
| | EV+200 | EV–200 | Parallel up | Parallel down | Flattening | Steepening | Rates up | Rates down |
| Maximal impact of the stress test | –6,80% | 5,40% | –6,80% | 5,40% | –0,90% | 2,40% | –3,00% | 2,60% |
| Minimal impact of the stress test | –11,70% | 2,30% | –11,70% | 2,40% | –3,80% | –0,20% | –5,90% | 1,90% |
| Average impact of the stress test | –9,70% | 3,90% | –9,80% | 4,00% | –2,10% | 1,10% | –4,50% | 2,20% |
| RAF Limit (31/12/2021) | –12,50% | –12,50% | –12,50% | –12,50% | –12,50% | –12,50% | –12,50% | –12,50% |

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) 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 Limit | –11,50% | –11,50% | – | – |
| | | | | |
| **Net interest income (% impact on NII budget) 2021** | | | | |
| Maximal impact of the stress test | 18,50% | 17,20% | 5,80% | 6,20% |
| Minimal impact of the stress test | 10,80% | –8,40% | 3,70% | –3,40% |
| Average impact of the stress test | 14,50% | 1,90% | 4,80% | 2,10% |
| RAF Limit | –9,00% | –9,00% | – | – |

***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% and 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 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) |
| | | | | |
| **31 Dec 2021** | | | | |
| **Fair Value Hedge** | | | | |
| ***Micro fair value hedges*** | | | | |
| Interest rate risk – see "A" below | 34 776 | 4 911 | 1 426 | (58) |
| ***Portfolio fair value hedges*** | | | | |
| Interest rate risk – see "B" below | 10 572 | 99 564 | 366 | (5 395) |

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 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) | – |
| | | | |
| **31 Dec 2021** | | | |
| **Fair Value Hedge** | | | |
| ***Micro fair value hedges*** | | | |
| Interest rate risk | (1 529) | 1 529 | – |
| ***Portfolio fair value hedges*** | | | |
| Interest rate risk | 6 624 | (6 624) | – |

*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.

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 – 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.
- Fair value test – Sensitivity to future interest rates movements is calculated for both underlying and Hedged 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 Hedged 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 Hedged 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 2022** | | | | | |
| **Cash Flow Hedge** | | | | | |
| ***Portfolio cash flow hedges*** | | | | | |
| Interest rate risk – see "A" below | (10 276) | 10 | (2 721) | (2 721) | – |
| | | | | | |
| **31 Dec 2021** | | | | | |
| **Cash Flow Hedge** | | | | | |
| ***Portfolio cash flow hedges*** | | | | | |
| Interest rate risk – see "A" below | (7 479) | (65) | (8 255) | (8 255) | – |

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:

| | 2022 | 2021 |
|---|---|---|
| **Cash Flow Hedging Reserve** | | |
| *Interest rate risk* | | |
| As at 1 January | (6 107) | 575 |
| Change in fair value | (1 422) | (8 787) |
| Revaluation reclassified to profit or loss | (1 299) | 532 |
| Deferred tax | 544 | 1 573 |
| **Total at 31 December** | **(8 284)** | **(6 107)** |

***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 are deemed to be 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.

Impact of the Interest Rate Benchmark Reform on the Bank's hedge relationships

The Bank will update 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 has not made any amendments to its hedge documentation in the reporting period relating to IBOR reform.

- Hedges of groups of items:

The Bank has not needed to amend hedges for groups of items during the reporting period.

- Retrospective effectiveness test:

During the period, the Bank has not reset to zero the cumulative fair value changes of the hedged item and hedging instrument in any of its hedges.

- Risk components:

During the period, the Bank has not designated any risk components of alternative benchmark rates in any hedge relationships.

Bank's contract involving other IBORs are represented by those with USD LIBOR settings that will cease to be published after 30 June 2023 (i.e., the overnight and the one-, three-, six- and 12-month settings) and therefore there is no impact for the fiscal years ended 31 December 2022 and 2021 as there are no hedge transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2022 and 2021.

The Bank's hedge relationships with interest rate benchmark affected by IBOR reform (i.e. USD LIBOR settings as mentioned above) whose

- notional value represents 2.1 % of total notional value and
- fair value represents 1.3 % of total positive and negative fair valueof 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.

Impact of the Interest Rate Benchmark Reform on the Bank's Financial instruments measured at amortised cost and lease liabilities
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 (as of 31 December 2021 MCZK 1 085).
- Financial liabilities at amortised cost – deposits from customers and banks of MCZK 1 (as of 31 December 2021 MCZK 4 637).

***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 2022** | | | | | | |
| Cash and cash balances | 2 813 | 3 335 | 465 | 40 | 414 | 7 067 |
| 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 *of which:* | 329 905 | 303 666 | 1 104 | 25 | 527 | 635 227 |
| Loans and advances to banks | 91 823 | 16 555 | 11 | – | – | 108 389 |
| 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 investments | 3 979 | – | – | – | – | 3 979 |
| Non-current assets held for sale | – | – | – | – | – | – |
| 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 *of which:* | 327 446 | 244 668 | 13 231 | 891 | 3 077 | 589 313 |
| 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 |

| | CZK | EUR | USD | CHF | Other | Total |
|---|---|---|---|---|---|---|
| **At 31 Dec 2021** | | | | | | |
| Cash and cash balances | 1 826 | 2 836 | 568 | 44 | 473 | 5 747 |
| Financial assets at fair value through profit or loss, *of which:* | 34 020 | 626 | 544 | – | – | 35 190 |
| Held for trading | 34 020 | 626 | – | – | – | 34 646 |
| Mandatorily at fair value | – | – | 544 | – | – | 544 |
| Financial assets at fair value through other comprehensive income | 10 236 | 11 566 | – | – | – | 21 802 |
| Financial assets at amortised cost *of which:* | 324 908 | 264 915 | 2 218 | 7 | 108 | 592 156 |
| Loans and advances to banks | 103 409 | 18 233 | 196 | – | – | 121 838 |
| Loans and advances to customers | 221 499 | 246 682 | 2 022 | 7 | 108 | 470 318 |
| Positive fair value of hedging derivatives | 12 502 | – | – | – | – | 12 502 |
| Changes in fair value of the portfolio of hedged instruments | (366) | – | – | – | – | (366) |
| Equity investments | 3 979 | – | – | – | – | 3 979 |
| Non-current assets held for sale | – | 8 | – | – | – | 8 |
| Other assets | 556 | 326 | 17 | – | 14 | 913 |
| **Total exposure - assets** | **387 661** | **280 277** | **3 347** | **51** | **595** | **671 931** |
| | | | | | | |
| Financial liabilities at fair value through profit or loss, *of which:* | 35 135 | – | – | – | – | 35 135 |
| Held for trading | 35 135 | – | – | – | – | 35 135 |
| Financial liabilities at amortised cost *of which:* | 308 179 | 218 250 | 12 571 | 602 | 3 714 | 543 316 |
| Deposits from banks | 3 713 | 46 169 | 20 | – | – | 49 902 |
| Deposits from customers | 298 763 | 154 246 | 12 551 | 602 | 3 714 | 469 876 |
| Debt securities issued | 5 703 | 17 835 | – | – | – | 23 538 |
| Negative fair value of hedging derivatives | 22 065 | – | – | – | – | 22 065 |
| Changes in fair value of the portfolio of hedged instruments | (5 652) | 257 | – | – | – | (5 395) |
| Other liabilities | 2 131 | 3 208 | 416 | 4 | 178 | 5 937 |
| Provisions for risks and charges | 598 | 671 | 29 | 9 | 25 | 1 332 |
| **Total exposure - liabilities** | **362 456** | **222 386** | **13 016** | **615** | **3 917** | **602 390** |
| Gap | 25 205 | 57 891 | (9 669) | (564) | (3 322) | 69 541 |

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 2022 | Average for 2022 | At 31 Dec 2021 | Average for 2021 |
|---|---|---|---|---|
| | **Czech Republic** | | **Czech Republic** | |
| VaR of Financial assets at fair value through profit or loss Held for trading | 8,55 | 16,49 | 7,77 | 4,25 |
| | **Slovakia** | | **Slovakia** | |
| VaR of Financial assets at fair value through profit or loss Held for trading | 0,09 | 1,71 | 0,22 | 0,66 |

#### *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 2022** | | | | | | | |
| Cash and cash balances | 7 067 | 7 068 | 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:* | 635 227 | 705 607 | 164 998 | 72 311 | 220 247 | 245 483 | 2 568 |
| Loans and advances to banks | 108 389 | 108 552 | 104 674 | 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 investments | 3 979 | 3 979 | – | – | – | 3 979 | – |
| Non-current assets held for sale | – | – | – | – | – | – | – |
| Other assets | 1 040 | 1 040 | 684 | 356 | – | – | – |
| | | | | | | | |
| 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 | 589 313 | 596 001 | 486 244 | 59 713 | 47 599 | 2 311 | 134 |
| *of which:* | | | | | | | |
| Deposits from banks | 51 932 | 52 672 | 8 144 | 34 530 | 8 463 | 1 401 | 134 |
| Deposits from customers, *of which:* | 502 969 | 503 934 | 477 826 | 24 203 | 1 174 | 731 | – |
| *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 |
| | | | | | | | |
| Undrawn loan facilities | 52 406 | 52 405 | 52 405 | – | – | – | – |
| Bank guarantees | 158 539 | 158 538 | 158 538 | – | – | – | – |

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.

| | Carrying amount | Net cash flow | Up to 3 months | 3 months – 1 year | 1–5 year | Over 5 years | Unspecified. |
|---|---|---|---|---|---|---|---|
| **At 31 Dec 2021** | | | | | | | |
| Cash and cash balances | 5 747 | 5 747 | 5 533 | – | – | 211 | 3 |
| Financial assets at fair value through profit or loss, *of which:* | 35 190 | 35 255 | 2 788 | 3 137 | 14 029 | 15 301 | – |
| – held for trading debt and equity instruments | 1 005 | 1 070 | 3 | 28 | 416 | 623 | – |
| – held for trading derivatives | 33 641 | 39 121 | 3 075 | 4 092 | 17 135 | 14 819 | – |
| – mandatorily at fair value | 544 | 544 | – | – | – | 544 | – |
| Financial assets at fair value through other comprehensive income | 21 802 | 23 227 | 73 | 2 120 | 7 739 | 13 295 | – |
| Financial assets at amortised cost *of which:* | 592 156 | 635 383 | 167 866 | 69 581 | 191 467 | 203 486 | 2 983 |
| Loans and advances to banks | 121 838 | 121 913 | 118 043 | 105 | 3 765 | – | – |
| Loans and advances to customers | 470 318 | 513 470 | 49 823 | 69 476 | 187 702 | 203 486 | 2 983 |
| Positive fair value of hedging derivatives | 12 502 | 24 303 | 2 002 | 4 532 | 10 045 | 7 724 | – |
| Changes in fair value of the portfolio of hedged instruments | (366) | (366) | (366) | – | – | – | – |
| Equity investments | 3 979 | 3 979 | – | – | – | 3 979 | – |
| Non-current assets held for sale | 8 | 8 | 8 | – | – | – | – |
| Other assets | 913 | 913 | 554 | 359 | – | – | – |
| | | | | | | | |
| Financial liabilities at fair value through profit or loss, *of which:* | 35 135 | 35 135 | 4 145 | 3 344 | 13 580 | 14 066 | – |
| – held for trading debt instruments | 1 065 | 1 065 | 1 065 | – | – | – | – |
| – held for trading derivatives | 34 070 | 45 394 | 4 874 | 6 944 | 18 510 | 15 066 | – |
| Financial liabilities at amortised cost *of which:* | 543 316 | 544 600 | 464 526 | 14 193 | 47 115 | 18 622 | 144 |
| Deposits from banks | 49 902 | 49 454 | 9 253 | (168) | 39 169 | 1 057 | 143 |
| Deposits from customers, *of which:* | 469 876 | 469 990 | 454 968 | 12 957 | 1 170 | 894 | 1 |
| *Lease liabilities* | 2 254 | 2 308 | 157 | 255 | 1 041 | 855 | – |
| *Other than lease liabilities* | 467 622 | 467 682 | 454 811 | 12 702 | 129 | 39 | 1 |
| Debt securities issued | 23 538 | 25 156 | 305 | 1 404 | 6 776 | 16 671 | – |
| Negative fair value of hedging derivatives | 22 065 | 28 974 | 696 | 2 368 | 13 611 | 12 299 | – |
| Changes in fair value of the portfolio of hedged instruments | (5 395) | (5 395) | (5 395) | – | – | – | – |
| Other liabilities | 5 937 | 5 937 | 4 189 | 1 748 | – | – | – |
| Provisions for risks and charges | 1 332 | 1 332 | 117 | 169 | 584 | 377 | 85 |
| | | | | | | | |
| Undrawn loan facilities | 47 833 | 47 833 | 47 833 | – | – | – | – |
| Bank guarantees | 161 622 | 161 622 | 161 622 | – | – | – | – |

### (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 Operational Risk 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 2022 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 2022, 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 Operational Risk 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 2022 and as of 31 December 2021 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.

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

### (a) Transactions with the parent company

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Assets** | | |
| Cash and cash balances | 1 357 | 522 |
| Loans and advances to banks | 12 032 | 9 315 |
| Financial assets held for trading | 28 744 | 18 592 |
| Positive fair value of hedging derivatives | 7 343 | 4 768 |
| **Total** | **49 476** | **33 197** |

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Liabilities** | | |
| Deposits from banks | 461 | 1 557 |
| Debt instruments | 15 967 | 16 418 |
| Financial liabilities held for trading | 28 476 | 18 584 |
| Negative fair value of hedging derivatives | 19 130 | 12 560 |
| **Total** | **64 034** | **49 119** |

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Off-balance sheet items** | | |
| Issued guarantees | 778 | 564 |
| Irrevocable credit facilities | 1 222 | 1 107 |
| **Total** | **2 000** | **1 671** |

| | 2022 | 2021 |
|---|---|---|
| Interest income | 633 | 640 |
| Interest expense | (4 037) | (4) |
| | | |
| Fee and commission income | 4 | 1 |
| Fee and commission expenses | (44) | (2) |
| | | |
| Net profit/loss from financial assets and liabilities held for trading | (706) | (1 044) |
| Net profit/loss from hedging of the risk of change in fair values | (282) | (3 257) |
| Administrative expenses | (954) | (59) |
| **Total** | **(5 384)** | **(3 725)** |

### (b) Transactions with subsidiaries

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Assets** | | |
| Loans and advances to customers | 41 583 | 37 798 |
| *of which:* | | |
| UniCredit Leasing CZ, a.s. | 25 564 | 24 855 |
| UniCredit Leasing Slovakia, a.s. | 11 782 | 10 036 |
| UniCredit Fleet Management, s.r.o. (CZ) | 34 | 38 |
| UniCredit Factoring Czech Republic and Slovakia, a.s. | 3 927 | 2 406 |
| HVB Leasing Czech Republic s.r.o. | – | 166 |
| | | |
| Positive fair value of hedging derivatives | 261 | 160 |
| *of which:* | | |
| UniCredit Leasing CZ, a.s. | 259 | 160 |
| **Total** | **41 583** | **37 958** |

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Liabilities** | | |
| Deposits from customers | 43 | 34 |
| *of which:* | | |
| UniCredit Leasing Slovakia, a.s. | 4 | 3 |
| UniCredit pojišťovací makléřská spol. s r.o. | 19 | 15 |
| | | |
| Negative fair value of hedging derivatives | 642 | 310 |
| *of which:* | | |
| UniCredit Leasing CZ, a.s. | 501 | 304 |
| **Total** | **685** | **344** |

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Off-balance sheet items** | | |
| Issued guarantees | – | – |
| *of which:* | | |
| UniCredit Factoring Czech Republic and Slovakia, a.s. | – | – |
| | | |
| Irrevocable credit facilities | 8 169 | 2 455 |
| *of which:* | | |
| UniCredit Leasing CZ, a.s. | 4 926 | 1 344 |
| UniCredit Fleet Management, s.r.o. (CZ) | 41 | 37 |
| UniCredit Factoring Czech Republic and Slovakia, a.s. | 1 414 | 698 |
| UniCredit Leasing Slovakia, a.s. | 1 553 | 135 |
| **Total** | **8 169** | **2 455** |

| | 2022 | 2021 |
|---|---|---|
| Interest income | 402 | 319 |
| *of which:* | | |
| UniCredit Leasing CZ, a.s. | 281 | 267 |
| UniCredit Leasing Slovakia, a.s. | 24 | 16 |
| | | |
| Interest expense | (137) | (30) |
| *of which:* | | |
| UniCredit Leasing CZ, a.s. | (3) | |
| UniCredit Leasing Slovakia, a.s. | (129) | (26) |
| | | |
| Fee and commission income | 30 | 31 |
| *of which:* | | |
| UniCredit Leasing CZ, a.s. | 16 | 17 |
| UniCredit Leasing Slovakia, a.s. | 12 | 12 |
| | | |
| Fee and commission expense | – | – |
| *of which:* | | |
| UniCredit Leasing CZ, a.s. | – | – |
| | | |
| General administrative expenses | 4 | (1) |
| *of which:* | | |
| UniCredit Fleet Management, s.r.o. (CZ) | (1) | (2) |
| UniCredit Fleet Management, s.r.o. (SK) | – | (1) |
| UniCredit Leasing CZ, a.s. | 1 | – |
| UniCredit Leasing Slovakia, a.s. | 4 | – |
| **Total** | **565** | **319** |

### (c) Transactions with key management members

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Assets** | | |
| Loans and advances to customers | 151 | 174 |
| *of which:* | | |
| Board of Directors | 29 | 33 |
| Other management members | 122 | 141 |
| **Total** | **151** | **174** |
| | | |
| **Liabilities** | | |
| Deposits from customers | 165 | 117 |
| *of which:* | | |
| Board of Directors | 59 | 26 |
| Other management members | 106 | 91 |
| **Total** | **165** | **117** |
| | | |
| **Off-balance sheet items** | | |
| Irrevocable credit facilities | 7 | 4 |
| *of which:* | | |
| Board of Directors | 1 | 1 |
| Other management members | 6 | 3 |
| **Total** | **7** | **3** |

## (d) Transactions with other related parties

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Assets** | | |
| Cash and cash balances | 722 | 320 |
| *of which:* | | |
| UniCredit Bank AG | 159 | – |
| UniCredit Bank Austria AG | 409 | 277 |
| AO UniCredit Bank | 120 | 12 |
| | | |
| Financial assets held for trading | 11 712 | 5 279 |
| *of which:* | | |
| UniCredit Bank AG | 11 712 | 5 279 |
| | | |
| Loans and advances to banks | 7 | 54 |
| *of which:* | | |
| AO UniCredit Bank | 7 | 54 |
| | | |
| Loans and advances to customers | 1 045 | 1 507 |
| *of which:* | | |
| UCTAM SVK, s.r.o | – | 397 |
| RCI Financial Services, s.r.o. | 1 045 | 1 110 |
| | | |
| Positive fair value of hedging derivatives | 11 254 | 5 691 |
| *of which:* | | |
| UniCredit Bank AG | 11 254 | 5 691 |
| **Total** | **24 740** | **12 851** |

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Liabilities** | | |
| Deposits from banks | 4 417 | 4 451 |
| *of which:* | | |
| UniCredit Bank Austria AG | – | 1 572 |
| UniCredit Bank AG | 4 198 | 2 795 |
| UniCredit Bank Hungary Zrt. | 55 | 28 |
| | | |
| Deposits from customers | – | 102 |
| *of which:* | | |
| UniCredit Services S.C.p.A. | – | 67 |
| | | |
| Financial liabilities held for trading | 4 698 | 3 920 |
| *of which:* | | |
| UniCredit Bank AG | 4 698 | 3 920 |
| | | |
| Negative fair value of hedging derivatives | 14 931 | 5 005 |
| *of which:* | | |
| UniCredit Bank AG | 14 931 | 5 005 |
| **Total** | **24 046** | **13 478** |

| | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| **Off-balance sheet items** | | |
| Issued guarantees | 3 820 | 3 457 |
| *of which:* | | |
| UniCredit Bank AG | 1 421 | 3 065 |
| UniCredit Bank Austria AG | 1 884 | 163 |
| UniCredit Bank Hungary Zrt. | 10 | 11 |
| AO UniCredit Bank | 85 | 109 |
| | | |
| Irrevocable credit facilities | 6 448 | 5 399 |
| *of which:* | | |
| UniCredit Bank AG | 4 045 | 3 342 |
| UniCredit Bank Austria AG | 1 333 | 1 070 |
| RCI Financial Services, s.r.o. | 1 005 | 940 |
| **Total** | **10 268** | **8 856** |

| | 2022 | 2021 |
|---|---|---|
| Interest income | 3 103 | 541 |
| *of which:* | | |
| UniCredit Bank AG | 3 053 | 503 |
| UniCredit Bank Austria AG | 14 | 3 |
| RCI Financial Services, s.r.o. | 33 | 25 |
| | | |
| Interest expense | (111) | (15) |
| *of which:* | | |
| UniCredit Bank AG | (41) | (3) |
| UniCredit Bank Austria AG | (66) | (12) |
| | | |
| Fee and commission income | 89 | 63 |
| *of which:* | | |
| UniCredit Bank AG | 73 | 43 |
| UniCredit Bank Hungary Zrt. | 2 | 2 |
| UniCredit Bank Austria AG | 12 | 15 |
| | | |
| Fee and commission expenses | (6) | (10) |
| *of which:* | | |
| UniCredit Bank Austria AG | (4) | (5) |
| | | |
| Net profit/loss from financial assets and liabilities held for trading | 5 579 | 1 203 |
| *of which:* | | |
| UniCredit Bank AG | 5 576 | 1 203 |
| | | |
| Net profit/loss from hedging against risk of changes in fair value | (1 188) | (578) |
| *of which:* | | |
| UniCredit Bank AG | (1 188) | (578) |
| | | |
| Administrative expenses | (16) | (896) |
| *of which:* | | |
| UniCredit Bank Austria AG | 3 | – |
| UniCredit Bank Hungary Zrt. | (2) | – |
| UniCredit Services S.C.p.A. | – | (918) |
| **Total** | **7 450** | **308** |

## 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 Dec 2022** | | | | |
| Debt securities | 11 | – | – | 11 |
| Derivatives | 1 | 52 530 | 153 | 52 684 |
| **Total** | **12** | **52 530** | **153** | **52 695** |
| | | | | |
| **31 Dec 2021** | | | | |
| Debt securities | 756 | 248 | 1 | 1 005 |
| Derivatives | 34 | 33 360 | 247 | 33 641 |
| **Total** | **790** | **33 608** | **248** | **34 646** |

*Mandatorily at fair value*

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **31 Dec 2022** | | | | |
| Shares and Other debt securities | – | 405 | 135 | 540 |
| **Total** | **–** | **405** | **135** | **540** |
| | | | | |
| **31 Dec 2021** | | | | |
| Shares and Other debt securities | – | 277 | 267 | 544 |
| **Total** | **–** | **277** | **267** | **544** |

*Financial assets at fair value through other comprehensive income*

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **31 Dec 2022** | | | | |
| Debt securities | 23 507 | 4 548 | 246 | 28 301 |
| Shares | – | – | 18 | 18 |
| **Total** | **23 507** | **4 548** | **264** | **28 319** |
| | | | | |
| **31 Dec 2021** | | | | |
| Debt securities | 16 974 | 4 747 | 61 | 21 782 |
| Shares | – | – | 20 | 20 |
| **Total** | **16 974** | **4 747** | **81** | **21 802** |

*Positive fair value of hedging derivatives*

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **31 Dec 2022** | | | | |
| Fair value hedging | – | 6 628 | – | 6 628 |
| Cash flow hedging | – | 15 064 | – | 15 064 |
| **Total** | **–** | **21 692** | **–** | **21 692** |
| | | | | |
| **31 Dec 2021** | | | | |
| Fair value hedging | – | 2 370 | – | 2 370 |
| Cash flow hedging | – | 10 132 | – | 10 132 |
| **Total** | **–** | **12 502** | **–** | **12 502** |

*Financial liabilities held for trading*

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **31 Dec 2022** | | | | |
| Liabilities from short sales | – | – | – | – |
| Derivatives | – | 52 569 | 156 | 52 725 |
| **Total** | **–** | **52 569** | **156** | **52 725** |
| | | | | |
| **31 Dec 2021** | | | | |
| Liabilities from short sales | 1 065 | – | – | 1 065 |
| Derivatives | – | 33 818 | 252 | 34 070 |
| **Total** | **1 065** | **33 818** | **252** | **35 135** |

*Negative fair value of hedging derivatives*

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **31 Dec 2022** | | | | |
| Fair value hedging | – | 14 576 | – | 14 576 |
| Cash flow hedging | – | 25 865 | – | 25 865 |
| **Total** | **–** | **40 441** | **–** | **40 441** |
| | | | | |
| **31 Dec 2021** | | | | |
| Fair value hedging | – | 5 855 | – | 5 855 |
| Cash flow hedging | – | 16 210 | – | 16 210 |
| **Total** | **–** | **22 065** | **–** | **22 065** |

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 Dec 2022** | | | | | |
| **Financial assets** | | | | | |
| Loans and advances to banks | 108 389 | 108 210 | – | 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 | – |

| | Carrying amount | Fair value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| **31 Dec 2021** | | | | | |
| **Financial assets** | | | | | |
| Loans and advances to banks | 121 838 | 121 838 | – | 98 792 | 23 046 |
| Loans and advances to customers | 470 318 | 450 975 | 1 455 | 225 624 | 223 896 |
| | | | | | |
| **Financial liabilities** | | | | | |
| Deposits from banks | 49 902 | 50 431 | – | 42 503 | 7 928 |
| Deposits from customers | 469 876 | 469 857 | – | 528 | 469 329 |
| Debt securities issued | 23 538 | 22 966 | – | 22 966 | – |

For the year ended 31 December 2022 and 31 December 2021, no financial assets reported at fair value were transferred between Levels 1 and 2.

For the years ended 31 December 2022 and 31 December 2021, 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 2021** | **217** | **263** | **71** | **860** | **1 411** |
| Revaluation gains and losses | | | | | |
| In the income statement | – | (12) | – | 2 | (10) |
| In other comprehensive income | – | – | 1 | (37) | (36) |
| Purchases | 132 | – | 13 | 78 | 223 |
| Sales/maturity | (49) | – | – | – | (49) |
| Transfers from/to other levels | (115) | – | – | – | (115) |
| Depreciation | n/a | n/a | n/a | (33) | (33) |
| Other | 63 | 16 | (4) | (44) | 31 |
| **Closing balance at 31 Dec 2021** | **248** | **267** | **81** | **826** | **1 422** |
| | | | | | |
| Total revaluation gains and losses included in the income statement for the period: | | | | | (10) |
| *Of which:* Total revaluation gains and losses included in the income statement for the period arising from financial assets held at the period end | | | | | (10) |

| | 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 | | | | | |

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 2021** | **224** | **–** | **224** |
| Revaluation gains and losses | | | |
| In the income statement | – | – | – |
| In other comprehensive income | – | – | – |
| Issue | 131 | – | 131 |
| Sales/maturity | (49) | – | (49) |
| Transfers from/to other levels | (115) | – | (115) |
| Other | 61 | – | 61 |
| **Closing balance at 31 Dec 2021** | **252** | **–** | **252** |
| | | | |
| 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 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 | | | – |

## 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 2022** | | | | | | |
| Derivatives | 8 069 | – | 8 069 | 1 001 | – | 7 068 |
| | | | | | | |
| **31 Dec 2021** | | | | | | |
| Derivatives | 45 900 | – | 45 900 | 33 258 | – | 12 642 |

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 2022** | | | | | | |
| Derivatives | 2 200 | – | 2 200 | 1 001 | – | 1 199 |
| | | | | | | |
| **31 Dec 2021** | | | | | | |
| Derivatives | 35 342 | – | 35 342 | 33 258 | – | 2 084 |

## 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 7 March 2023.

The financial statements were signed on behalf of the Board of Directors by:

Jakub Dusílek
Chairman of the Board of Directors

Massimo Francese
Member of the Board of Directors

Individual in charge of the accounting records

Lea Branecká

Individual in charge of the financial statements

Alena Večerníková

# Unlocking...

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A better world

A better future

# Auditor’s report on the annual report

**KPMG Česká republika Audit, s.r.o.**
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*This document is an unsigned English translation of the Czech independent auditor’s report that we issued on 7 March 2023 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 Shareholders 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 International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as at 31 December 2022, 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, including a summary of significant accounting policies and other explanatory notes. 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting 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

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

Recorded in the Commercial Register kept by the Municipal Court in Prague, Section C, Insert No. 24185

Identification No. 49619187
VAT No. CZ699001996
ID data box: 8h3gtra

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 allowances for loans and advances to customers*

As at 31 December 2022, gross loans and advances to customers amounted to CZK 548,395 million (31 December 2021: CZK 494,412 million) and related impairment allowance amounted to CZK 11,315 million (31 December 2021: CZK 11,063 million).

Refer to the following notes to the consolidated financial statements:
III. Significant 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).

| Key audit matter | How the audit matter was addressed |
| --- | --- |
| 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").<br><br>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.<br><br>ECLs for Stage 3 Loans with original exposures not exceeding EUR 1 million | Our procedures, performed, where applicable, with the assistance from our own credit risk and information technology (IT) specialists, included, among others, the following:<br><br>— 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;<br><br>— We tested the design, implementation, and operating effectiveness of selected IT-based and manual controls |

| Key audit matter | How the audit matter was addressed |
| --- | --- |
| and for all Stage 1 and Stage 2 Loans are determined using a calculation model, with the key parameters and assumptions including:<br>• 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;<br>• Exposure at default (EAD), determined either based on repayment schedule or with use of modelled credit conversion factors;<br>• Collateral value - for loans and advances to corporate customers; and<br>• Overlay factors, which reflect alternative macroeconomic scenarios and issues not captured by standard modelling process.<br><br>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:<br><br>• Probabilities assigned to cash flow scenarios;<br>• Estimated amounts and timing of future cash repayments, including any cash flows from realization of underlying collateral.<br><br>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. | 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 and periodical credit monitoring of corporate loans;<br><br>— 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;<br><br>For impairment allowances determined on a collective basis:<br><br>— We challenged selected key parameters used within the ECL calculation 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 major model-based inputs.<br>— 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;<br>— With the use of data analytics tools, we tested staging of the loans, and also independently recalculated collective ECLs.<br><br>For impairment allowances determined on an individual basis:<br><br>— For a risk-based sample of Stage 3 Loans, we challenged the Group's |

| Key audit matter | How the audit matter was addressed |
|---|---|
| | 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.<br><br>For all impairment allowances:<br><br>— We examined whether the Group's loan impairment and credit risk-related disclosures in the financial statements appropriately address the relevant quantitative and qualitative information required by 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 the 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 separate and 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 separate and 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 separate and the consolidated financial statements is, in all material respects, consistent with the separate and 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 International Financial Reporting 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 International Financial Reporting Standards as adopted by the European Union, which comprise the separate statement of financial position as at 31 December 2022, 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, including a summary of significant accounting policies and other explanatory notes. 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 2022, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting 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 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Impairment allowances for loans and advances to customers

As at 31 December 2022, gross loans and advances to customers amounted to CZK 536,346 million (31 December 2021: CZK 479,536 million) and related impairment allowance amounted to CZK 9,508 million (31 December 2021: CZK 9,218 million).

Refer to the following notes to the separate financial statements:
III. Significant 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).

| Key audit matter | How the audit matter was addressed |
|---|---|
| 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").<br><br>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.<br><br>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 a calculation model, with the key parameters and assumptions including:<br>• 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;<br>• Exposure at default (EAD), determined either based on repayment schedule or with use of modelled credit conversion factors;<br>• Collateral value - for loans and advances to corporate customers; and<br>• Overlay factors, which reflect alternative macroeconomic scenarios and issues not captured by standard modelling process.<br><br>ECLs for Stage 3 Loans with original exposure above EUR 1 million are determined on an individual basis by discounting the probability-weighted | Our procedures, performed, where applicable, with the assistance from our own credit risk and information technology (IT) specialists, included, among others, the following:<br><br>— 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;<br><br>— 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 and periodical credit monitoring of corporate loans;<br><br>— 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;<br><br>For impairment allowances determined on a collective basis:<br><br>— We challenged selected key parameters used within the ECL calculation model, such as PD, LGD and EAD, by reference to, among other things, our own analysis of the Company's data on past default |

| Key audit matter | How the audit matter was addressed |
|---|---|
| projections of estimated future cash flows. The key judgments and assumptions therein comprise:<br><br>• Probabilities assigned to cash flow scenarios;<br>• Estimated amounts and timing of future cash repayments, including any cash flows from realization of underlying collateral.<br><br>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. | occurrence, realized losses on those defaults and inspection of the development, documentation and validation, including back-testing, of major model-based inputs.<br>— 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;<br>— With the use of data analytics tools, we tested staging of the loans, and also independently recalculated collective ECLs.<br><br>For impairment allowances determined on an individual basis:<br><br>— 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.<br><br>For all impairment allowances:<br><br>— We examined whether the Company's loan impairment and credit risk-related disclosures in the financial statements appropriately address the relevant quantitative and qualitative information required by the applicable financial reporting framework. |

***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 International Financial Reporting Standards as adopted by the European Union and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 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 Group and The Company by the General Meeting of Shareholders on 24 November 2021. We are the auditor of the Group for the first year.

**Consistency with Additional Report to Audit Committee**

We confirm that our audit opinion on the separate and consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 3 March 2023 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 separate and consolidated financial statements or annual report.

## 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.

### *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 2022 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 31 December 2022, based on which this independent auditor's report has been prepared.

Prague
7 March 2023

*Signed by*

KPMG Česká republika Audit, s.r.o.
Registration number 71

*Signed by*

Jindřich Vašina
Partner
Registration number 2059

# Unlocking...

**A better bank**

A better world

A better future

Supplementary information

# 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 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 |
| Phone: | +420 955 911 111 |
| Fax: | +420 221 112 132 |
| LEI: | KR6LSKV3BTSJRD41IF75 |

UniCredit Bank Czech Republic and Slovakia, a.s. (hereinafter referred to as "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. Persons 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 "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, recorded in the Companies Register maintained by the Municipal Court in Prague, Section B, File No. 1350, were assumed by the successor company, HVB Bank Czech Republic, a.s., as a result of the merger.

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 customer 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 412 ATMs. As of 30 September 2022, the merged Bank held 10.86% of the market share with its balance sheet sum totalling more than CZK 1,026 billion (non-consolidated data) 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 2022 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 2022 and 2021 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 Banking Act No. 21/1992 Coll., as amended, and Act No. 219/1995 Coll., the Foreign Exchange Act, as amended, i. e.

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

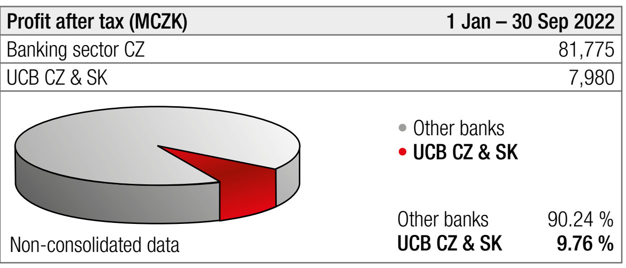
Information on newly introduced products and services can be found in the Corporate and Investment Banking and Retail and Private Banking chapters in the introductory part of this Annual Report.

### 4.3. Competitive position of the Issuer

All charts below provide non-consolidated data as of 30 September 2022 that were available during the preparation of this Annual Report.

#### (i) Profit after tax

| Profit after tax (MCZK) | 1 Jan – 30 Sep 2022 |
|---|---|
| Banking sector CZ | 81,775 |
| UCB CZ & SK | 7,980 |




#### (ii) Total net assets

| Total assets (MCZK) | as at 30 Sep 2022 |
|---|---|
| Banking sector CZ | 9,448,451 |
| UCB CZ & SK | 1,025,965 |

Other banks 89.14 %
**UCB CZ & SK 10.86 %**
Non-consolidated data

#### (iii) Gross receivables from clients in CZ*

| Receivables from clients (MCZK) | as at 30 Sep 2022 |
|---|---|
| Banking sector CZ | 3,782,183 |
| UCB CZ & SK | 333,767 |

Other banks 91.18 %
**UCB CZ & SK 8.82 %**
Non-consolidated data, residents

#### (iv) Gross receivables from clients in SK***

| Receivables from clients (MCZK) | | as at 30 Sep 2022 |
|---|---|---|
| Banking sector SK | 75,248 mil. EUR** | 1,847,345 |
| UCB CZ & SK | | 135,311 |

Other banks 92.68 %
**UCB CZ & SK 7.32 %**
Non-consolidated data, residents

#### (v) Liabilities to clients in CZ*

| Liabilities to clients CZ (MCZK) | as at 30 Sep 2022 |
|---|---|
| Banking sector CZ | 6,172,923 |
| UCB CZ & SK | 638,108 |

Other banks 89.66 %
**UCB CZ & SK 10.34 %**
Non-consolidated data, residents

#### (vi) Liabilities to clients in SK***

| Liabilities to clients SK (MCZK) | | as at 30 Sep 2022 |
|---|---|---|
| Banking sector SK | MEUR 68,634** | 1,684,967 |
| UCB CZ & SK | | 94,710 |

Other banks 94.38 %
**UCB CZ & SK 5.62 %**
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 24.55 CZK/EUR as at 30 September 2022.
*** 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 referred to as 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 , as the parent company (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 as far back as 1473, the year in which Rolo Banca was created, the contemporary history of UniCredit Group begins with the 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 successful Pan European commercial bank with a fully plugged in Corporate & Investment Banking, delivering its unique Western, Central and Eastern European network to its extensive 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 additional 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 nine members as at 31 December 2022. 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, 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 is available for inspection, or publish, using the procedure applicable to convening a General Meeting, information as to where on the Bank's website is the financial statements available in accordance with Sec 436, par. 1, second sentence of the Act on Business Corporations,
e) to decide on establishing 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 is 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, 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 and Chief Executive Officer 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 human resources, 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

**MARCO IANNACCONE**
Vice-Chairman of the Board of Directors and Chief Operating Officer responsible for managing and supervising the Bank's business activities and coordinating the activities of the Bank's other departments, so that they contribute to achieving the Bank's business results to as great an extent as possible, whether directly or indirectly.
Work address: Želetavská 1521/1, Prague 4
Domicile: Nad Šárkou 1677/17, Dejvice, 160 00 Prague 6
Born on: 26 August 1970

**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 Belgrade, Bulevar Arsenija Carnojevica no 41/30, Republic of Serbia
Born on: 17 June 1980

**Ing. SLAVOMÍR BEŇA**
Member 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

**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: 85110 Bratislava, Keltská 760/7, Slovak Republic
Born on: 27 April 1976

**Ing. HANA ČITBAJOVÁ**
Member of the Board of Directors and Head of People and Culture
Work address: Želetavská 1521/1, Prague 4
Domicile: Bratislava, Josefa Cígera Hronského 1635/12, Slovak Republic
Born on: 30 March 1980

**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

### 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 Klára Čapková). 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;

a) 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;
b) 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;
c) 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, Italy
Born on: 29 June 1968

**EVA MIKULKOVÁ**
Domicile: Kladno, Kročehlavy, Dlouhá 512
Born on: 29 January 1957

**Ing. JANA SZÁSZOVÁ**
Domicile: Bratislava, Hany Meličkovej 2989/18, 84105, Slovak Republic
Born on: 17 January 1963

**Mgr. Klára Čapková**
Domicile: Střimelická 2497/14, Prague 4, 141 00
Born on: 10 November 1983

**GOFFREDO GUIZZARDI**
Domicile: Via Ausonio 9/a, 20123 – Milan, Republic of Italy
Born on: 21 February 1972

**ANDREA VINTANI**
Domicile: 21013 Gallarate (Va), Via Col di Lana 8, Republic of Italy
Born on: 05 May 1979

**DAVIDE BAZZARELLO**
Domicile: Cormano (MI), Via JF Kennedy 27, Republic of Italy
Born on: 15 November 1973

In 2022, the following changes took place:
Gianfranco Bisagni and Enrica Rimoldi were elected to the Supervisory Board on 26 January 2022. Mr Bisagni was also elected Vice-Chairman of the Supervisory Board.

### 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, 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, Italy
Born on: 29 June 1968

Changes in the Audit Committee in 2022:
As of 26 January, Enrica Rimoldi was elected to the Audit Committee.

### 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/assets/cs/media/2018_Kodex-spravy-a-rizeni-spolecnosti-CR.pdf. 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 2022, the Bank reviewed the pending legal disputes against the Bank and created 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 2022, no significant change has occurred in the financial situation of the Issuer.

## 9. Loans outstanding, accepted borrowings and other liabilities as at 31 December 2022

| **Lender:** | **Oesterreichische Kontrollbank** |
|---|---|
| Debtor: | UniCredit Bank Czech Republic and Slovakia, a.s. |
| Loan amount: | TEUR 1,250 |
| 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 902 |
| 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 11,743 |
| 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 309 |
| 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 14,535 |
| 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 383 |
| 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 882 |
| 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 23 |
| 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 7,145 |
| 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 188 |
| 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 90,750 |
| Interest rate: | 2.47% |
| Loan origination date: | 2 November 2018 |
| Maturity date: | 2 November 2023 |
| Collateral: | Letter of comfort |
| | |
| **Lender:** | **Raiffeisenbank, a.s.** |
| Debtor: | UniCredit Leasing CZ, a.s. |
| Loan amount: | TCZK 600,000 |
| Interest rate: | 7.22% |
| Loan origination date: | 12 December 2022 |
| Maturity date: | 12 January 2023 |
| Collateral: | Letter of comfort |

| Lender: | Council of Europe Development Bank |
|---|---|
| Debtor: | UniCredit Leasing CZ, a.s. |
| Loan amount: | TEUR 15,000 |
| 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 1,062,500 |
| 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 25,000 |
| 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 7,500 |
| Interest rate: | 0.110% |
| Loan origination date: | 10 September 2018 |
| Maturity date: | 10 September 2023 |
| Collateral: | Collateralised by bonds |
| | |
| **Total loans as at 31 December 2022** | **TCZK 3,799,649** |

## 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 2022: CZK 34,412,313,069.

## 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 2022, the Remuneration Committee consisted of Jiří Kunert, Andrea Vintani and Klára Čapková. 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 of 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 "2022 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 2022, Entry Conditions were defined using the following parameters:

| Group | CEE Division | Local |
|---|---|---|
| Operating EVA | Operating EVA | Operating EVA |
| (Net operating profit – Cost of capital) > 0 | (Net operating profit – Cost of capital) > 0 | (Net operating profit – Cost of capital l) > 0 |
| Net profit (adjusted for one-off effects) > 0 | Net profit (adjusted for one-off effects) > 0 | Net profit (adjusted for one-off effects) > 0 |
| Pillar 1 > RAF (Risk appetite framework) limits | | Pillar 1 > RAF (Risk appetite framework) limits |
| Liquidity Coverage Ratio > 107% | | Liquidity Coverage Ratio > 105% |
| 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 2022 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, 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.

**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 "2022 Group Incentive System" rules, payment of the bonus for the given period (2022) is spread out over a multiple-year period:

Chairman of the Board of Directors and the Vice-Chairman of the Board of Directors

- The first part (2023) 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 (2026) 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 (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 fourth part (2028) 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.

Senior Management with variable remuneration over EUR 313,600

- The first part (2023) 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 (2024) 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 (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 fourth 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 fifth 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 sixth part (2028) 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.

Senior Management with variable remuneration below EUR 313,600

- The first part (2023) 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 (2025) 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 (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 15% 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 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 2022, 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. Diversity policy – diversity, equality and inclusion

As a global corporation, we create a diverse and inclusive workplace as part of our strategy to make us competitive, responsible and sustainable.

We pride ourselves on our commitment to empowering our diverse employee population 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.

Our goal is to develop an environment where individual differences are valued and encouraged. We promote a corporate culture built on the values of Integrity, Responsibility and Care, as well as on the principle of open communication, a "speak-up" culture that allows any employee to speak up and raise in good faith their concerns or reservations about any situation they may find unethical and contrary to our principles.

The long-term Diversity, Equality and Inclusion (DE&I) strategy continues the theme of strengthening gender diversity in management positions, particularly in senior management, with the aim of achieving a 50:50 ratio. Likewise in the field of fair remuneration, thanks to the constant monitoring of the Gender Pay Gap, which is close to 1%. In 2022, we continued to intensify our focus on raising awareness of the various DE&I topics through educational and entertainment opportunities, supporting parents returning from parental leave, and balancing life and work.

DE&I was a strong topic among employees, with more than 1,000 colleagues participating in workshops, lectures or training sessions. Training on the LGBTQ+ community in the workplace offered awareness of how to communicate openly in the workplace and be able to respond to situations that we encounter for the first time. Unconscious bias is in each of us and cannot be completely avoided. The training introduces the types of prejudices and, more importantly, how to work with them effectively and thus contribute to better mutual understanding.

"How to make the invisible visible" is the name of the workshop where we learn about invisible disabilities and learn that not every disability is visible and that it often depends on us to what extent it represents a limitation.

For the 3rd year we celebrated DE&I as part of Diversity, Equality and Inclusion Week. Over the last few years we have been able to raise a number of issues that are changing our banking culture. This year's DE&I Week connects 5 key areas that represent our year-long efforts in the following areas: gender in management positions and specialised areas such as STEM, invisible disabilities, cultural age diversity.

Parenthood is a natural part of many of our employees' lives. We know that this is an important stage of life, though not the only one. They continue to be our colleagues, experts in their fields, inspiring visionaries, great drivers of change and reliable partners in projects. That's why we want to take care of them even when family comes first. In 2022, we prepared a new website for parents, which not only keeps them fully informed, but also keeps them up to date with what is happening in the Bank. We support their return to work with the concept of "Parentbuddies". These are parents who have gone through the experience of leaving, returning, integrating and balancing their work and parental life. They connect with each other and contribute to the Bank's inclusive culture. Where the position allows, we offer 100% work from home on return to work and part-time for sales positions.

Flexibility of work has become a key element in the eyes of our employees and candidates after the Covid period. We already work in a "3 days in the office, 2 days work from home" mode (excluding sales positions) and the head office employees enjoy all the benefits of our smart-office.

We are an active part of a working group of banks at the Czech Banking Association focused on diversity and supporting the sharing of best practices in this area. We also use a similar platform within UniCredit Group.

DE&I only lives in the corporate culture if it truly lives in each of us, if each of us 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.

## 15. Information on remuneration to auditors recognised in the reporting period

| (CZK thousand, VAT excluded) | Bank | Consolidated companies | Total consol. group |
|---|---|---|---|
| Audit | 9,836 | 5,191 | 15,027 |
| Tax advisory | – | – | – |
| Other advisory services | 4,113 | 1,584 | 5,697 |
| **Total** | **13,949** | **6,775** | **20,724** |

## 16. 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 |
| **65,762,267** | **–** | **11,959,739** | **–** | **11,255,720** | **88,977,726** |
| | | | | | |
| **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 |
| **2,592,996** | **–** | **4,847,400** | **–** | **–** | **7,440,396** |
| | | | | | |
| **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 |
| **675,538** | **–** | **–** | **–** | **–** | **675,538** |

| 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 |
| **110,419,674** | – | – | – | – | **110,419,674** |

Note: The above data contains amounts actually paid during 2022 as compared to the financial statement which contains information on costs concerning 2022.

## 17. Major future investments other than financial investments (planned for 2023)

Total investments of UniCredit Bank for 2023, excl. financial investments, are planned in the amount of CZK 2 billion, of which CZK 1 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 0.8 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 234 million are focused mostly on the development and renovation of the distribution network.

## 18. Guarantees provided by the Issuer

| (CZK thousand) | 31 Dec 2022 | 31 Dec 2021 |
|---|---|---|
| Granted guarantees and collaterals | 51,454,010 | 46,809,084 |
| Guarantees granted under L/Cs | 358,352 | 368,998 |
| **Total** | **51,812,362** | **47,178,082** |

## 19. 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).

## 20. 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 referred to as 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 (http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) 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 2022.

| Name of the issue | 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 Nov 2005 | 15 Nov 2025 | CZK | 1,000,000 | 10,000 | Annual | 5% | – |
| UCB HZL 10Y FLOAT/37 | CZ0002001910 | 21 Dec 2007 | 21 Dec 2037 | CZK | 120,000 | 100,000 | Annual | 10Y IRS + 2% | Aa2 |
| UCB HZL 3.04/2028 | CZ0002003114 | 7 June 2013 | 7 June 2028 | EUR | 100 | 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 2022.

| Name of the issue | 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 June 2020 | 15 June 2024 | EUR | 10,000 | 100,000 | Quarterly | 3M EURIBOR +38 bps | Aa2 |
| UCB HZL 3M FLOAT /25 | XS2188802230 | 15 June 2020 | 15 June 2025 | EUR | 10,000 | 100,000 | Quarterly | 3M EURIBOR +40 bps | Aa2 |
| UCB HZL 3M FLOAT /26 | XS2188802313 | 15 June 2020 | 15 June 2026 | EUR | 10,000 | 100,000 | Quarterly | 3M EURIBOR +42 bps | Aa2 |
| UCB HZL 3M FLOAT /27 | XS2188802404 | 15 June 2020 | 15 June 2027 | EUR | 10,000 | 100,000 | Quarterly | 3M EURIBOR +44 bps | Aa2 |
| UCB HZL 0.01/25 | XS2259866064 | 19 Nov 2020 | 19 Nov 2025 | EUR | 5,000 | 100,000 | Annual | 0.01% | Aa2 |
| UCB HZL 3M FLOAT II/26 | XS2419387357 | 15 Dec 2021 | 15 Dec 2026 | EUR | 10,000 | 100,000 | Quarterly | 3M EURIBOR +15 bps | Aa2 |
| UCB HZL 3.125/27 | XS2541314584 | 11 Oct 2022 | 11 Oct 2027 | EUR | 5,000 | 100,000 | Annual | 3.125% | 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 Luxembourg Stock Exchange is presented in the following table. The data are valid as at 31 December 2022.

| Name of the issue | 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 Oct 2015 | 15 Oct 2024 | EUR | 5,000,000 | 1 | Annual | 1.40% | - |
| UCB HZL EUR 1,80/2025 | SK4120011123 | 15 Oct 2015 | 15 Oct 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.

## 21. 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. UniCredit SpA published non-financial information 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"), for the **period from 1. 1. 2022 to 31. 12. 2022** (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 10 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, **HVB Leasing Czech Republic s.r.o.**, Reg. No.: 62917188, Želetavská 1525/1, Michle, 140 00 Prague 4 (deleted from the Corporate Register on August 1st, 2022), **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 99 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 | Custody and administration of securities | 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 correspondent banks monitoring | 28.1.2018 |
| GMSLA Master Agreement | Securities lending framework agreement | 5.6.2019 |
| Agreement | UniCredit SpA's commitment to provide UCB CZ&SK with KYC analysis of correspondent banking clients | 16.12.2019 |
| DPA - Data processing agreement | Data processing agreement | 13.1.2020 |
| Services Agreement | Agreement on pre-validation of market data used to calculate P/L and market risk indicators | 8. 2. 2021 |
| Subscription Agreement | Agreement on subscription of senior non-preffered notes by Unicredit S.p.A. | 19.11.2021 |

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 |
| Agreement for Fair Value | Calculation of the fair value and fair value hierarchy | 25.1.2017 |
| 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) | 09.04.1996 |
| Service level agreement | Service level agreement for CZ market | 21.12.2020 |
| Service level agreement | Service level agreement for Austria market and HUB | 12.03.2021 |
| Service level agreement | Service level agreement for Austria market and HUB (Slovak branch) | 26.03.2021 |
| Service Level Agreement | Custody, administration and settlement of securities (Slovak branch) | 31.07.2020 |

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 |
| Contract concluded on Mandate Agreement | Mandating UniCredit Bank AG as an arranger for the eurobond programme (Frederick 2019) and an agreement on remuneration for external legal advisors (Allen & Overy) | 23.5.2019 |
| 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 CZ&SK | 30.11.2022 |
| Compensation Agreement with respect to the reorganisation of Trading | Agreement on UCB CZ&SK remuneration for hedging open market positions | 30.11.2022 |

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 and **UniCredit Services S.C.p.A. (**until 30.6.2018 **Business Integrated Solutions S.C.p.A.)**, Via Livio Cambi 1, 201 51 Milan, Italy (the company was closed as of 1.10.2022 by merger with UniCredit SpA)

| Contract name | Subject-matter of contract | Contract concluded on |
|---|---|---|
| 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 | 01.08.2016 |
| 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 |
| Agreement on Outsourcing of ICT Services | Agreement Agreement for Outsourcing of the Information System and for Provision of IT services (this agreement replaces previous Outsourcing Agreement) – CZ – SK (beginning with 1.1.2022) | 1.12.2017 |
| 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 |

4.7. Between UniCredit Bank a **UniCredit Leasing CZ, a.s.**, Reg. No.: 15886492, Prague 4 - Michle, Želetavská 1525/1,14000

| 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 |
| Agency Contract | Sharing of the provision of services of Bank suppliers | 2.4.2012 (terminated as of 31.5.2022) |
| 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 CZ&SK | 9.11.2021 |

| Contract name | Subject-matter of contract | Contract concluded on |
|---|---|---|
| Commercial Papers Programme Administration Agreement | Administration of the commercial papers issued within the commercial papers programme by UCB CZ&SK | 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 CZ&SK | 9.11.2021 |
| Bond Issue Administration Agreement | Administration of the bond issues to be issued within the bond programme by UCB CZ&SK | 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 CZ&SK | 9.11.2021 |
| Bond Subscription Agreement | Arrrangement of the subscription of the bonds to be issued within the bond programe by UCB CZ&SK | 9.11.2021 |
| Sublease Agreement | Sublease of space in the building Náměstí Republiky 2090, Prague 1, 1st floor, area A | 1.1.2022 |

4.8. Between UCB CZ&SK and UniCredit Leasing CZ, a.s., IČ: 15886492, Praha 4 - Michle, Želetavská 1525/1, PSČ 14000 and UniCredit Fleet Management, s.r.o., IČ: 62582836, Praha 4 - Michle, Želetavská 1525/1, PSČ 14010

| 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 |

4.9. 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 | 25.06.2010 |
| General Contract for Trading in Financial Market | Trading in financial market | 21.01.2015 |
| 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 | 4.1.2016 |
| Risk participation contract (participation contract) | Participation in the risk of receivable non-payment | 29.03.2017 |
| 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 | 28.07.2022 |

4.10. 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) |

4.11. Between UniCredit Bank and **UniCredit Leasing Slovakia, a.s.**, Reg. No.: 35 730 978, Šancová 1/A, Bratislava, 814 99, 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 | 15.01.2017 |
| Non-residential Lease Agreement | Lease of non-residential premises in Železničná St. in Lučenec | 15.01.2017 (terminated as of 31.1.2022) |
| Non-residential Sublease Agreement | Sublease of non-residential premises in Hlavná St. In Dunajská Streda | 1.1.2019 |
| Non-residential Sublease Agreement | Sublease of non-residential premises in Majzonovo nám. in Nové Zámky | 15.1.2017 |
| 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 01.05.2019) | 12.4.2019 |
| Contracts for renting non-residential premises | Commercial premises for Rent in Zvolen, nám. SNP 50 | 1.1.2019 |
| 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 CZ&SK | 9.11.2021 |
| Commercial Papers Programme Administration Agreement | Administration of the commercial papers issued within the commercial papers programme by UCB CZ&SK | 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 CZ&SK | 9.11.2021 |
| Bond Issue Administration Agreement | Administration of the bond issues to be issued within the bond programme by UCB CZ&SK | 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 CZ&SK | 9.11.2021 |
| Bond Subscription Agreement | Arrrangement of the subscription of the bonds to be issued within the bond programe by UCB CZ&SK | 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 |

4.12. Between UCB CZ&SK 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 |

4.13. 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 |

4.14. 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) | 14.12.2020 |
| Service Level Agreement | Management and storage of securities (Hungary Market) | 31.7.2020 |
| Service Level Agreement | Management and storage of securities (Slovakian Market) | 26.3.2021 |
| Service Level Agreement | Service level agreement (Hungary Market) | 6.4.2021 |

4.15. 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) | 3.2.2021 |

4.16. Between UniCredit Bank and **UniCredit Broker, s.r.o.**, Reg. No.: 35 800 348, Šancová 1/A, 814 99 Bratislava

| Contract name | Subject-matter of contract | Contract concluded on |
|---|---|---|
| Cooperation Agreement | Mediation of clients | 1.1.2011 |

4.17. Between UniCredit Bank and **UniCredit Fleet Management, s.r.o.**, Reg. No.: 62582836, Prague 4 - Michle, Želetavská 1525/1, 14010

| 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 – 251 cars | Contracts valid in 2022 |

4.18. 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 – 104 cars | Contracts valid in 2022 |

4.19. 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 |

4.20. 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 |

4.21. Between UniCredit Bank and **Diners Club CS, s.r.o., organizační složka** (a branch), Reg. No.: 24768669 Prague 1, Široká 36/5, 11000

| Contract name | Subject-matter of contract | Contract concluded on |
|---|---|---|
| Intermediation Contract+ Contract for Processing of Personal Data | The content is cooperation concerning the mediation of the issue of charge cards Diners Club. | 21.10.2009 (terminated as of 1.10.2022) |

4.22. 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 |

4.23. 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 CZ&SK, in connection with the Settlement Agreement concluded between UCB CZ&SK and Citibank, N.A., London Branch, dated 19 November 2021 | 9.11.2021 |

4.24. 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) | 06.04.2021 |

4.25. Between UCB CZ&SK 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 |

4.26. 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 2022, was 77 171 mil CZK, exceeded in 2022 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 2022, 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.

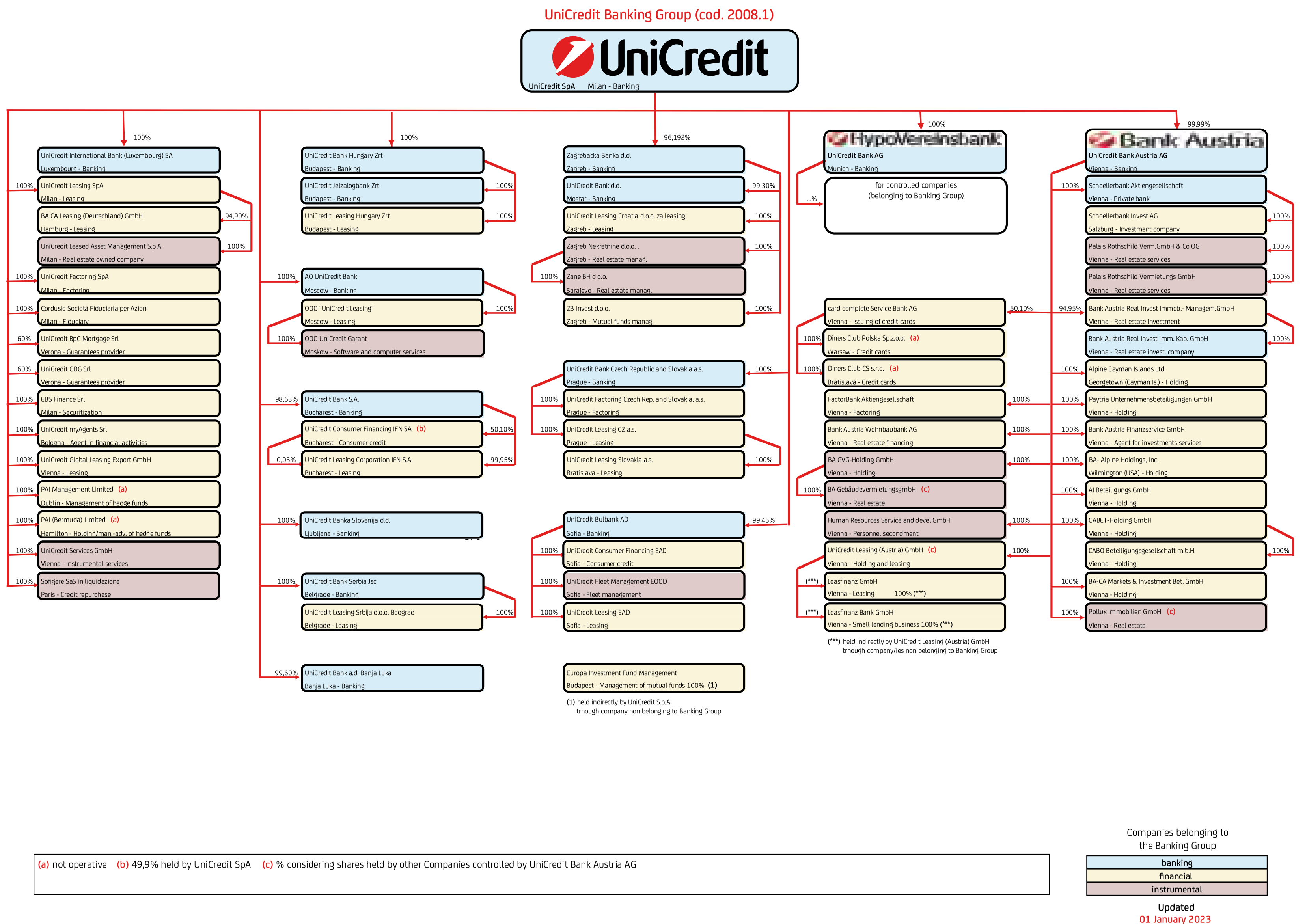
In Prague, on 7 March 2023

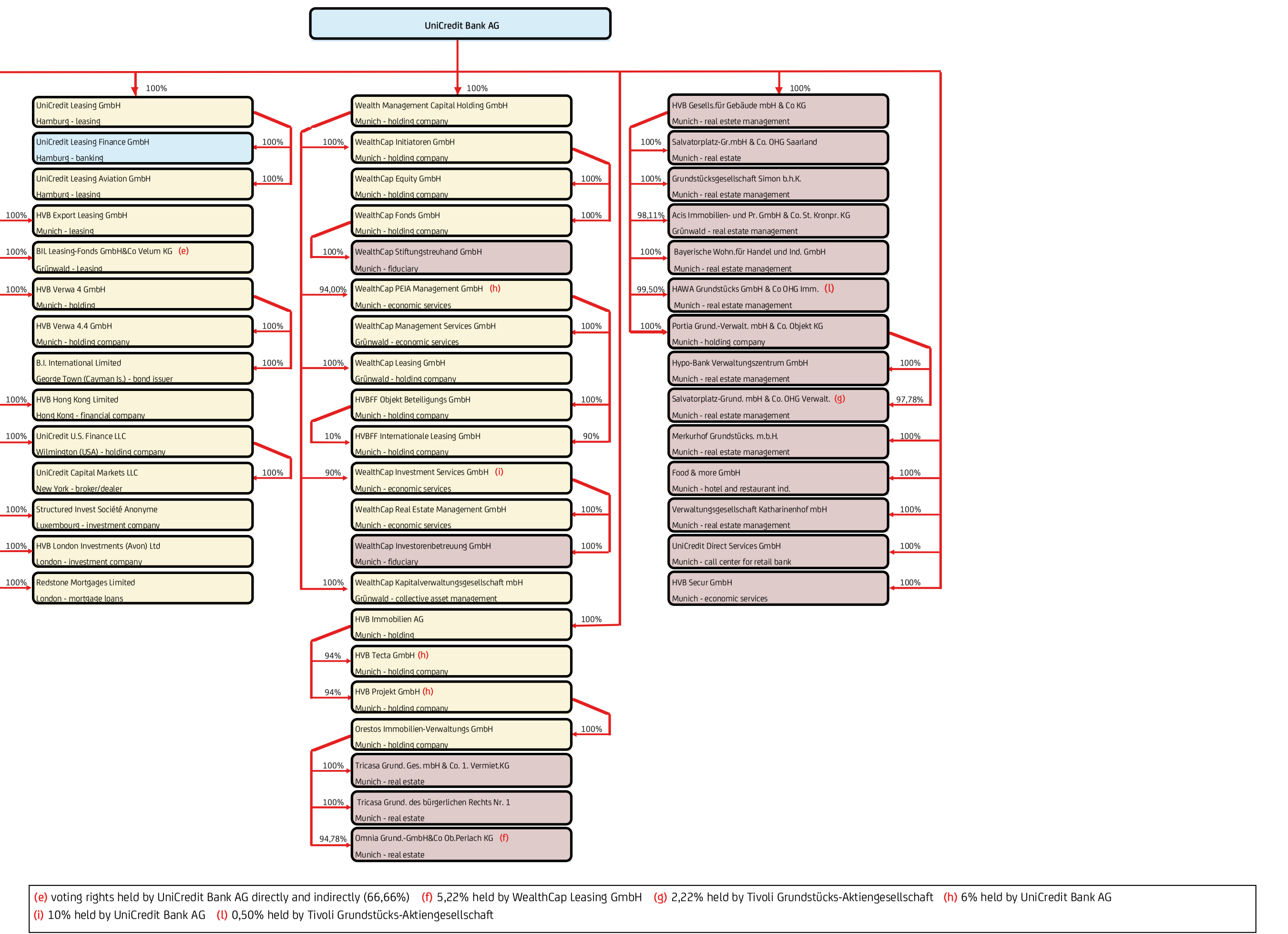
On behalf of the Board of Directors of
UniCredit Bank Czech Republic and Slovakia, a.s.

| Mgr. Jakub Dusílek, MBA<br>Chairman of the Board<br>of Directors | Massimo Francese<br>Member of the Board<br>of Directors |
|---|---|

**Annexes:**
1. Organisation Chart of the UniCredit Group

# Structure of UniCredit Group






(e) voting rights held by UniCredit Bank AG directly and indirectly (66,66%) (f) 5,22% held by WealthCap Leasing GmbH (g) 2,22% held by Tivoli Grundstücks-Aktiengesellschaft (h) 6% held by UniCredit Bank AG
(i) 10% held by UniCredit Bank AG (l) 0,50% held by Tivoli Grundstücks-Aktiengesellschaft

# List of Branches

## Czech Republic

### RETAIL BRANCHES UNICREDIT BANK

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