

2023 Half-Year Financial Report

UniCredit Bank Czech Republic and Slovakia, a.s.

Issued on 8 September 2023

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

UniCredit Bank Czech Republic and Slovakia, a.s. (the "Bank"), as an issuer of listed securities, submits to the public this Half-Year Financial Report prepared in accordance with Section 119 of Act No. 256/2004 Coll. On Capital Market Undertakings as amended in the Czech Republic that which is also the Half-Year Financial Report for the 1st half of 2023 in accordance with Section 35 of Act No. 429/2002 Coll., on the Stock Exchange, as amended in the Slovak Republic.

Basic data

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

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

Company ID No.: 64948242

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

Tax ID No.: CZ699001820

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

Legal form: joint-stock company

Share capital: CZK 8,755 million

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

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

Publishing of the Half-Year Financial Report

– <https://www.unicreditbank.cz/cs/o-bance/vysledky/vyrocnizpravy.html>

– <https://www.unicreditbank.sk/sk/o-banke/investori/vyrocniespravy.html>

– Announcement of the publication in the daily „Hospodářské noviny“ published in the Slovak Republic

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Scope of business activities

The Bank'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.

The Half-Year Financial Report has not been audited.

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

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1. Commentary on the UniCredit Bank Czech Republic and Slovakia Group financial results

The UniCredit Bank Czech Republic and Slovakia Group (the "Group") achieved a net profit of CZK 5,249 million as at 30 June 2023, which is higher by 18.41% compared with profit of CZK 4,433 million as at 30 June 2022.

The increase in profitability is mainly attributed to the increased interest rates and the preservation of the quality of the loan portfolio despite the development of the geopolitical and economic situation (war in Ukraine, high energy prices, disruption of supply and demand chains). The Group has taken steps to reflect these deteriorated expectations into the risk parameters affecting profit and loss - further details can be found in Note c) of the part "*Financial Assets at amortized cost - loans and advances to clients*" in the interim consolidated financial statements that is part of this Half-year Financial Report.

Statement of Comprehensive Income

Compared to the first half of 2022, net interest income decreased by 2.04% to CZK 7,545 million (CZK 7,702 million as at 30 June 2022). This slight decrease is due to the impact of higher interest rates on the Group's cost of funding through the increase in interest expense.

Net fee and commission income amounted to CZK 1,859 million (as at 30 June 2022: CZK 2,001 million), which represents an decrease by 7.10%.

Net profit from the sale or repurchase of financial instruments decreased by 15.63% to CZK 54 million (the value as at 30 June 2022 was CZK 64 million).

Income from trading increased by 38.67% from CZK 1,019 million as at 30 June 2022 to CZK 1,413 million as at 30 June 2023.

Operating revenues reached CZK 10,925 million, compared to CZK 10,732 million as at 30 June 2022, corresponding with slight increase by 1.80%.

Administrative expenses were reported in the amount of CZK 4,072 million (as at 30 June 2022: CZK 4,015 million), a slight increase by 1.42%.

Impairment losses on financial assets at amortized cost decreased by 73.80% from CZK 687 million as at 30 June 2022 to CZK 180 million as at 30 June 2023. It corresponds to the Expected Loss calculation in line the IFRS 9 methodology reflecting the updated macroeconomic scenario.

Statement of Financial Position

Assets

As at 30 June 2023, the Group's total assets amounted to CZK 999.1 billion, which represents an increase by 30.36% compared to 31 December 2022, when the balance sheet total was CZK 766.4 billion.

Financial assets at fair value through profit or loss decreased by 17.11% since 31 December 2022 from CZK 53.2 billion to CZK 44.1 billion.

Financial assets at fair value through other comprehensive income up by 53.6% to CZK 43.5 billion (as at 31 December 2022 this value was CZK 28.3 billion).

Loans and advances to clients increased by 5.04% to a total of CZK 564.1 billion compared to 31 December 2022 (CZK 537.1 billion).

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

Loans and advances to banks increased by 188.21% compared to 31 December 2022 (CZK 312.4 billion as at 30 June 2023 compared to CZK 108.4 billion as at 31 December 2022), mainly due to an increase in receivables from reverse repo operations.

The value of tangible assets and assets from the right of use was CZK 6,798 million as at 30 June 2023 and represents an increase by 5.51% compared to the value of CZK 6,443 million as at 31 December 2022.

The value of intangible assets decreased by 8.78% from CZK 2,712 million as at 31 December 2022 to CZK 2,474 million as at 30 June 2023.

Liabilities

Liabilities to banks increased by 32.44% from CZK 56.9 billion as at 31 December 2022 to CZK 75.4 billion as at 30 June 2023. The growth is mainly due to an increase in liabilities from repo operations.

Liabilities to clients increased by 40.34% compared to 31 December 2022 to a total of CZK 706.5 billion (from CZK 503.3 billion as at 31 December 2022). The growth is mainly due to an increase in liabilities from repo operations.

Debt securities issued decreased by 70.47% to a total of CZK 58.7 billion (from CZK 34.4 billion as at 31 December 2022).

The Group strives to optimize the financing for its activities, leading to increased liabilities from repo operations. The client deposit base (current accounts and term deposits) reported year-on-year increase by 14.8%. The Group takes always into account the Bank's prudential liquidity management (both short-term and structural).

Equity

The Group's equity amounted to CZK 78.8 billion as at 30 June 2023, which represents a decrease of CZK 2.7 billion compared to 31 December 2022 due to the fact that the Group paid a dividend of CZK 8.9 billion this year, mainly from the profit of 2022.

2. Expected development in 2023

The Group achieved in the first half of 2023 a year-on-year increase in profit after tax, mainly thanks to the decrease in impairment losses on financial assets, increase in operating income and decrease in operating expenses. The environment of higher interest rates, the growing volume of client loans and deposits with the low need for the creation of loan loss provisions and the high quality of the loan portfolio, are a promise for exceeding the expected financial results for this year.

The volume of client loans increased compared to the end of 2022 in both retail and corporate segment, both on the Czech and Slovak markets. However, there is a slowdown in the growth rate of new loans due to lower demand from both retail and the corporate segment in view of restrictive monetary policy.

On the deposit side, the Group continues to grow in both retail and corporate segment.

Operating costs are decreasing year-on-year mainly due to non-personnel costs, primarily in the area of creation and release of provisions. In the area of personnel costs, we observe an increase compared to the previous year, which reflects the increase in wages and employee benefits. Due to the long-term highly effective management of operating costs and expected increase of operating income, further slight decrease of the cost-to-income ratio is expected. The Group will continue to invest in digitization and optimization of internal processes, due to which cost growth will be below the rate of inflation.

In terms of risks, the Group expects a lower year-on-year need for loan loss provisioning due to the high quality of the loan portfolio, while at the same time maintaining a high level of capital adequacy indicators significantly above regulatory requirements as usually.

3. Interim Consolidated Financial Statements as of 30 June 2023

UniCredit Bank Czech Republic and Slovakia, a.s.**Interim Consolidated Statement of Comprehensive Income for the period ended 30 June 2023**prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in millions CZK)

	1 Jan - 30 Jun 2023	1 Jan - 30 Jun 2022
Interest income, of which:	16 046	11 166
Interest income calculated using the effective interest method	19 852	13 175
Interest expenses	(8 501)	(3 464)
Net interest income	7 545	7 702
Fee and commission income	2 758	2 693
Fee and commission expenses	(899)	(692)
Net fee and commission income	1 859	2 001
Dividend income	2	3
Net income/(loss) from trading	1 413	1 019
Net income/(loss) from hedging against risk of changes in fair value	-	(1)
Net income/(loss) from the sale or repurchase of:	54	64
Financial assets at amortised cost	25	17
Financial assets at fair value through other comprehensive income	28	46
Financial liabilities	1	1
Net income/(loss) from financial assets/liabilities at fair value through profit or loss, of which:	52	(56)
Mandatorily at fair value	52	(56)
Operating income	10 925	10 732
Impairment losses on:	(180)	(687)
Financial assets at amortised cost	(181)	(687)
Financial assets at fair value through other comprehensive income	1	-
Administrative expenses	(4 072)	(4 015)
Net provisions for risks and charges:	111	(53)
Loan commitments and guarantees given	53	(40)
Other net provisions	58	(13)
Depreciation and impairment of property, equipment and right of use assets	(466)	(475)
Amortisation and impairment of intangible assets	(363)	(346)
Other operating income and expenses, of which:	350	351
Other operating income	574	574
Other operating expenses	(224)	(223)
Operating expenses	(4 440)	(4 538)
Net income/(loss) on property and investment property measured at fair value	-	-
Profit/loss from equity investments	27	27
Profit/(loss) from the sale of non-financial assets	(1)	(1)
Profit before income tax	6 331	5 533
Income tax	(1 082)	(1 100)
Profit after tax	5 249	4 433
Net profit attributable to the Group's shareholders	5 249	4 433

UniCredit Bank Czech Republic and Slovakia, a.s.**Interim Consolidated Statement of Comprehensive Income for the period ended 30 June 2023**prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in millions CZK)

	1 Jan - 30 Jun 2023	1 Jan - 30 Jun 2022
Items that cannot be subsequently reclassified to profit or loss		
Reserve from revaluation of property used in business measured at fair value, of which:	(1)	2
Change in fair value	(1)	2
Deferred tax		
Reserve from revaluation of property used in business measured at fair value, of which:	3	10
Change in fair value	8	18
Transfer of the revaluation reserve into the retained earnings	(4)	(5)
Deferred tax	(1)	(3)
Items that can be subsequently reclassified to profit or loss		
Reserve from revaluation of hedging instruments in cash flow hedges, of which:	1 219	(3 433)
Change in fair value	2 152	(3 911)
Revaluation reclassified to profit or loss	(650)	(348)
Deferred tax	(283)	826
Reserve from revaluation of financial assets at fair value through other comprehensive income, of which:	6	(528)
Change in fair value	12	(587)
Revaluation reclassified to profit or loss	(4)	(65)
Deferred tax	(2)	124
Foreign exchange rate gains from the consolidation of a foreign branch	(170)	2
Other comprehensive income, net of tax	1 057	(3 947)
Other comprehensive income, net of tax, attributable to the Group's shareholders	1 057	(3 947)
Total comprehensive income, net of tax	6 306	486
Total comprehensive income, net of tax, attributable to the Group's shareholders	6 306	486

UniCredit Bank Czech Republic and Slovakia, a.s.
Interim Consolidated Statement of Financial Position as of 30 June 2023
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in millions CZK)

	30 Jun 2023	31 Dec 2022
Assets		
Cash and cash balances	5 927	7 086
Financial assets at fair value through profit or loss, of which:	44 128	53 235
Held for trading	43 537	52 695
Mandatorily at fair value	591	540
Financial assets at fair value through other comprehensive income	43 497	28 319
Financial assets at amortised cost, of which:	876 518	645 469
Loans and advances to banks	312 393	108 389
Loans and advances to customers	564 125	537 080
Positive fair value of hedging derivatives	16 133	21 431
Changes in fair value of the portfolio of hedged instruments	(2 043)	(3 164)
Equity investments	325	355
Property, equipment and right of use assets	6 798	6 443
Investment property	-	-
Intangible assets	2 474	2 712
Tax receivables, of which:	2 585	3 036
Current income tax	4	10
Deferred tax	2 581	3 026
Non-current assets held for sale	-	-
Other assets	2 799	1 490
Total assets	999 141	766 412
Liabilities		
Financial liabilities at fair value through profit or loss, of which:	43 296	52 725
Held for trading	43 296	52 725
Financial liabilities at amortised cost, of which:	840 484	594 696
Deposits from banks	75 369	56 910
Deposits from customers and Lease liabilities	706 452	503 374
Debt securities issued	58 663	34 412
Negative fair value of hedging derivatives	32 724	39 799
Changes in fair value of the portfolio of hedged instruments	(10 266)	(12 656)
Tax liabilities, of which:	1 252	1 459
Current income tax	661	808
Deferred tax	591	651
Other liabilities	11 740	7 703
Provisions for risks and charges	1 143	1 264
Total liabilities	920 373	684 990
Equity		
Issued capital	8 755	8 755
Share premium	3 495	3 495
Reserve funds from revaluation	(7 982)	(8 825)
Retained earnings and reserve funds	69 251	68 869
Profit for the period	5 249	9 128
Total shareholder's equity	78 768	81 422
Total liabilities and shareholder's equity	999 141	766 412

UniCredit Bank Czech Republic and Slovakia, a.s.
Interim Consolidated Statement of Changes in Equity for the period 1 January - 30 June 2023
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in millions CZK)

	Issued capital	Share premium	Reserve from revaluation of				FX differences from consolidation	Retained earnings and reserve funds			Profit for the period	Equity
			hedging instruments	financial assets at fair value through other compr. income	property measured at fair value	exchange rate gains/(losses) of a foreign branch		Reserve fund and other capital funds	Special-purpose reserve fund	Retained earnings		
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							(10)			(44)		(54)
Total comprehensive income for the current period												
Net profit for the current period											4 433	4 433
Other comprehensive			(3 433)	(526)	10	2						(3 947)
Balance as of 30 June 2022	8 755	3 495	(9 431)	(144)	207	(573)	(157)	5 243	11 609	52 214	4 433	75 651
Balance as of 1 January 2023	8 755	3 495	(8 005)	(146)	201	(875)	(204)	5 243	11 609	52 221	9 128	81 422
Transactions with owners, contributions from and distributions to owners												
Allocation of the prior year profit										9 128	(9 128)	-
Dividend payment										(8 923)		(8 923)
Consolidation impact							20	(30)		(33)		(43)
Total comprehensive income for the current period												
Net profit for the current period											5 249	5 249
Other comprehensive			1 219	5	3	(170)						(1 057)
Balance as of 30 June 2023	8 755	3 495	(6 786)	(141)	204	(1 025)	(234)	5 243	11 609	52 393	5 249	78 762

UniCredit Bank Czech Republic and Slovakia, a.s.
Interim Consolidated Statement of Cash Flows for the period 1 January - 30 June 2023
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in millions CZK)

	1 jan – 30 jun 2023	1 jan – 30 jun 2022
Profit after tax	5 249	4 433
Adjustments for non-monetary items:		
Impairment losses of:	(182)	687
Financial assets at amortised costs	(181)	687
Financial assets at fair value through other comprehensive income	(1)	-
Revaluation of financial instruments	258	(329)
Net provisions for risks and charges:	(112)	53
Loan commitments and financial guarantees given	(53)	40
Other net provisions	(59)	13
Depreciation and impairment of property, equipment and right of use assets	466	475
Amortisation and impairment of intangible assets	363	346
Net income/(loss) from the sale or repurchase of:	(28)	(46)
Financial assets at fair value through other comprehensive income	(28)	(46)
Profit/(loss) from equity investments	30	37
Profit/(loss) from the sale of non-financial assets	1	1
Taxes	1 082	1 100
Unrealised foreign currency gains/(losses)	(150)	2
Other non-monetary adjustments (FX revaluation, Accruals and Others)	(2 795)	727
Operating profit before changes in operating assets and liabilities	4 182	7 486
Financial assets at fair value through profit or loss, of which:	8 938	(17 799)
Held for trading	8 937	(17 752)
Mandatorily at fair value	1	(47)
Financial assets at amortised cost, of which:	(228 959)	(217 590)
Loans and advances to banks	(203 675)	(181 427)
Loans and advances to customers	(25 284)	(36 163)
Other financial instruments *	1 479	(227)
Other assets	(1 311)	(422)
Financial liabilities at fair value through profit or loss, of which:	(9 615)	17 538
Held for Trading	(9 615)	17 538
Financial liabilities at amortised cost, of which:	220 326	231 603
Deposits from banks	17 476	37 113
Deposits from customers	202 850	194 490
Other liabilities	4 029	9 637
Income tax paid	(1 151)	(647)
Net cash flows from operating activities	(2 082)	29 579
(Purchase) of financial assets at fair value through other comprehensive income *	(19 405)	(11 653)
Sale and maturity of financial assets at fair value through other comprehensive income *	5 350	3 209
Cash proceeds from the sale of property and equipment and intangible assets	435	485
(Acquisition) of property and equipment and intangible assets	(124)	(154)
Dividends received	2	3
Net cash flows from investment activities	(13 742)	(8 110)
Dividends paid	(8 923)	(6 662)
Financial liabilities at amortised cost – issue of debt securities	24 517	504
Financial liabilities at amortised cost – repayment of issued debt securities	(750)	(1 124)
(Payment) of Lease liabilities	(179)	181
Net cash flows from financial activities	14 665	(7 101)
Cash and cash balances at the beginning of the period	7 086	5 772
Cash and cash balances at the end of the period	5 927	20 140
Interest received	15 000	10 973
Interest paid	(6 647)	(3 213)

* 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.

UniCredit Bank Czech Republic and Slovakia, a.s.
Notes to Interim Consolidated Financial Statements as of 30 June 2023

prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in millions CZK)

CONSOLIDATION

The Group consists of the parent company UniCredit Bank Czech Republic and Slovakia, a.s., a joint stock company (hereinafter the "Bank" or the "Parent Company") with its registered office Želetavská 1525/1, 140 92, Praha 4 – Michle, 10 subsidiaries and 1 associate.

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

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

There was no change in the Group in the first half of 2023.

ACCOUNTING POLICIES

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

Accounting rules, policies and accounting estimates and assumptions (apart from those affected by current geopolitical situation – see below) identical to the ones in the last annual financial statements as of 31 December 2022 have been applied to the interim financial statements. The amounts are in millions of Czech korunas (CZK million), unless stated otherwise.

Impact of the current geopolitical situation

The group is closely monitoring the ongoing evolution of the current geopolitical and economic situation and assess the potential impacts on its loan portfolio. Although the Group has not yet observed a deterioration in the quality of the loan portfolio as a result of global influences (war in Ukraine, high energy prices, high interest rates, disruption to supply-customer chains), it expects that the negative economic consequences of the current situation will affect both individual companies and entire industries. The Group has taken steps that reflect these deteriorated expectations in the risk parameters affecting the financial result.

These circumstances have requested, as of 30 June 2023, a careful evaluation of certain items of financial statements whose recoverability depends on future cash flows projections by re-estimating the cash flows so to incorporate assumptions on the effects of current geopolitical situation.

While evaluations have been made on the basis of information deemed to be reasonable and supportable as at 30 June 2023, the current scenario is affected by level of uncertainty whose outcome is not foreseeable at the moment due to direct impacts as well as indirect impacts (high energy prices and supply chain disruptions).

Further details about the Impact of the current geopolitical situation in the Eastern Europe are provided in point (c) under "Financial assets at accrued value - loans and advances to customers" in the consolidated interim financial statements.

UniCredit Bank Czech Republic and Slovakia, a.s.
Notes to Interim Consolidated Financial Statements as of 30 June 2023
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in millions CZK)

CASH AND CASH BALANCES

	30 Jun 2023	31 Dec 2022
Cash in hand	3 495	3 758
Balances with central banks	47	318
Other on-demand deposits	2 385	3 010
Total	5 927	7 086

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Held for Trading

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

	Level 1	Level 2	Level 3	Total
30 Jun 2023				
Debt securities	3	-	-	3
Derivatives	-	43 024	510	43 534
Total	3	43 024	510	43 537
31 Dec 2022				
Debt securities	11	-	-	11
Derivatives	1	52 530	153	52 684
Total	12	52 530	153	52 695

(ii) Based on the Type of Issuer

	30 Jun 2023	31 Dec 2022
Debt securities		
Public administration	3	11
Other	-	-
Total	3	11

UniCredit Bank Czech Republic and Slovakia, a.s.
Notes to Interim Consolidated Financial Statements as of 30 June 2023
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FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	Level 1	Level 2	Level 3	Total
30 Jun 2023				
Debt securities	40 232	3 241	4	43 477
Shares	-	-	20	20
Total	40 232	3 241	24	43 497

	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

(b) Based on the Type of Issuer

	30 Jun 2023	31 Dec 2022
Debt securities		
Financial institutions	-	2 381
Government institutions	41 112	22 563
Other	2 371	3 357
Shares		
Other	20	18
Total	43 497	28 319

(c) Participation interests

Business name	Registered office	Date of acquisition	Acquisition price	Net book value 2023	Net book value 2022	Share of the Group as of 30 Jun 2023	Share of the Group as of 31 Dec 2022
CBCB – Czech Banking Credit Bureau, a.s. (bank register)	Prague	10 Oct 2001	0.24	0.24	0.24	20%	20%
Total			0.24	0.24	0.24	-	-

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FINANCIAL ASSETS AT AMORTISED COST – LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of Receivables from Customers, by Type

Corporate Customers

	Stage 1			Stage 2			Stage 3			Total		
	Gross amount	Impair. Losses	Net amount	Gross amount	Impair. Losses	Net amount	Gross amount	Impair. Losses	Net amount	Gross amount	Impair. Losses	Net amount
30 Jun 2023												
Current accounts (overdrafts)	30 395	(515)	29 880	6 557	(279)	6 278	1 704	(1 344)	360	38 656	30 395	36 518
Mortgage loans	122 168	(660)	121 508	12 223	(448)	11 775	2 933	(1 726)	1 207	137 324	122 168	134 490
Credit cards	11	-	11	3	-	3	1	-	1	15	11	15
Leases	8 594	(53)	8 541	2 986	(116)	2 870	501	(370)	131	12 081	8 594	11 542
Factoring	5 497	(37)	5 460	975	(7)	968	116	(10)	106	6 588	5 497	6 534
Other loans	151 858	(868)	150 990	20 297	(848)	19 449	3 401	(2 173)	1 228	175 556	151 858	24 359
Debt securities	24 359	-	24 359	-	-	-	-	-	-	24 359	24 359	171 667
Total	342 882*	(2 133)	340 749	43 041	(1 698)	41 343	8 656	(5 623)	3 033	394 579	342 882	385 125

* The balance also includes unamortized modification loss of MCZK 4.

	Stage 1			Stage 2			Stage 3			Total		
	Gross amount	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.

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Retail Customers

	Stage 1			Stage 2			Stage 3			Total		
	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount
30 Jun 2023												
Current accounts (overdrafts)	808	(8)	800	419	(19)	400	58	(47)	11	808	(8)	1 211
Mortgage loans	128 017*	(138)	127 879	29 255	(513)	28 742	437	(149)	288	128 017	(138)	156 909
Credit cards and consumer loans	7 846**	(136)	7 710	3 688	(414)	3 274	258	(185)	73	7 846	(136)	11 057
Leases	659	(4)	655	542	(12)	530	64	(36)	28	659	(4)	1 213
Other loans	7 701	(62)	7 639	947	(50)	897	170	(96)	74	7 701	(62)	8 610
Total	145 031	(348)	144 683	34 851	(1 008)	33 843	987	(513)	474	145 031	(348)	179 000

* The balance also includes unamortized modification loss of MCZK 22.

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

	Stage 1			Stage 2			Stage 3			Total		
	Gross amount	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.

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

	30 Jun 2023	31 Dec 2022
Financial institutions	48 941	48 193
Non-financial institutions	301 140	285 210
Government sector	35 044	30 245
Individuals and others	179 000	173 432
Total	564 125	537 080

(c) 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 1,289 which represents approx. 0.23% of Group's total customers on-balance exposure). The Group also identified the assets that are most affected by the various impacts of the current geopolitical situation e.g. high energy prices, disrupted supply chains, sanctions, etc. 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 483 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 178.

FINANCIAL LIABILITIES AT AMORTISED COST

(a) Deposits from customers

Analysis of Deposits from Customers by Type

	30 Jun 2023	31 Dec 2022
Current accounts	419 206	394 021
Term deposits	137 453	99 875
Sale and repurchase agreements	145 996	-
Lease Liabilities	2 114	1 995
Other	1 683	7 483
Total	706 452	503 374

(b) Issued Debt Securities

Analysis of Issued Debt Securities

	30 Jun 2023	31 Dec 2022
Mortgage bonds	40 255	16 793
Structured bonds	1 537	1 372
Other issued debt securities	16 871	16 247
Total	58 663	34 412

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges include the following items:

	30 Jun 2023	31 Dec 2022
Provisions for off-balance sheet credit exposures	1 088	1 150
- Stage 1	307	324
- Stage 2	210	244
- Stage 3	571	582
Legal disputes	30	89
Provision for restructuring	1	1
Other	24	24
Total provision	1 143	1 264

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	Provisions for off- balance sheet credit exposures	Legal disputes	Provision for restructu- ring	Other	Total
Balance as of 1 Jan 2023	1 150	89	1	24	1 264
Charge during the year	570	1	-	-	571
Usage during the year	-	(1)	-	-	(1)
Release of redundant provisions and other	(632)	(59)	-	-	(691)
Total as of 30 Jun 2023	1 088	30	1	24	1 143

DEPRECIATION AND IMPAIRMENT OF PROPERTY AND EQUIPMENT

In the first half of 2023 and in the first half of 2022, the Group did not release an impairment of property and equipment.

DIVIDEND

In the first half of 2023 the Group paid a dividend in the amount of CZK 8,923 million (dividend of CZK 6,662 million was paid in 2022).

SEGMENT ANALYSIS

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

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

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

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

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

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(a) Segment Information by Client Category

	Retail and private banking	Corporate and investment banking, leases	Other	Total
30 Jun 2023				
Net interest and dividend income	2 610	6 342	(1 405)	7 547
Other net income	742	2 886	127	3 755
Depreciation/impairment of property and equipment and intangible assets	-	(88)	(741)	(829)
Impairment loss	(494)	239	75	(180)
Segment expenses	(2 014)	(2 460)	512	(3 962)
Profit before tax	844	6 919	(1 432)	6 331
Income tax			(1 082)	(1 082)
Result of segment	844	6 919	(2 514)	5 249
Segment assets	199 574	783 191	16 376	999 141
Segment liabilities	311 076	543 048	66 249	920 373
	Retail and private banking	Corporate and investment banking, leases	Other	Total
30 Jun 2022				
Net interest and dividend income	2 444	5 304	(43)	7 705
Other net income	962	3 037	(594)	3 405
Depreciation/impairment of property and equipment and intangible assets	-	(86)	(735)	(821)
Impairment loss	(588)	(100)	1	(687)
Segment expenses	(1 987)	(2 571)	489	(4 069)
Profit before tax	831	5 584	(882)	5 533
Income tax			(1 100)	(1 100)
Result of segment	831	5 584	(1 982)	4 433
Segment assets	185 824	739 323	30 239	955 386
Segment liabilities	286 059	556 638	37 038	879 735

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

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

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(b) Information on Geographical Areas

	Czech Republic	Slovakia	Total
30 Jun 2023			
Net interest and dividend income	5 553	1 995	7 548
Other net income	2 687	1 050	3 737
Depreciation/impairment of property and equipment and intangible assets	(569)	(255)	(824)
Impairment loss	253	(433)	(180)
Segment expenses	(2 963)	(999)	(3 962)
Profit before tax	4 961	1 359	6 320
Income tax	(872)	(211)	(1 083)
Result of segment	4 089	1 148	5 237
Segment assets	806 643	192 498	999 141
Segment liabilities	811 607	108 766	920 373
	Czech Republic	Slovakia	Total
30 Jun 2022			
Net interest and dividend income	6 322	1 383	7 705
Other net income	2 568	837	3 405
Depreciation/impairment of property and equipment and intangible assets	(564)	(257)	(821)
Impairment loss	(359)	(328)	(687)
Segment expenses	(3 012)	(1 057)	(4 069)
Profit before tax	4 955	578	5 533
Income tax	(892)	(208)	(1 100)
Result of segment	4 063	370	4 433
Segment assets	798 460	156 926	955 386
Segment liabilities	735 158	144 577	879 735

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

Contingent Liabilities

Legal Disputes

As of 30 June 2023, the Group assessed the legal disputes in which it acted as a defendant. The Group recorded provisions for these legal disputes. In addition to these disputes, legal actions arising from ordinary business activities were taken against the Group. The management does not anticipate the result of these legal disputes to have a material impact on the Group's financial position.

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

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

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

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

The Group recorded provisions for off-balance sheet items to cover expected credit losses and arising from the impairment losses on the off-balance sheet items due to credit risk. As of 30 June 2023, the aggregate provisions amounted to MCZK 1,088 (as of 31 December 2022: MCZK 1,150).

	Gross amount	Impair. losses	Net amount
30 Jun 2023			
Letters of credit and guarantees	47 930	(527)	47 403
- Stage 1	45 662	(161)	45 501
- Stage 2	1 879	(63)	1 816
- Stage 3	389	(303)	86
Other contingent liabilities (undrawn credit facilities)	175 960	(561)	175 399
- Stage 1	163 778	(146)	163 632
- Stage 2	11 442	(147)	11 295
- Stage 3	740	(268)	472
Total	223 890	(1 088)	222 802
	Gross amount	Impair. losses	Net amount
31 Dec 2022			
Letters of credit and 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

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.

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(a) Transactions with the parent company

	30 Jun 2023	31 Dec 2022
Assets		
Cash and cash balances	653	1 357
Loans and advances to banks	10 626	12 032
Financial assets held for trading	22 932	28 744
Positive fair value of hedging derivatives	5 654	7 343
Total	39 865	49 476
Liabilities		
Deposits from banks	9 983	461
Debt instruments	15 739	15 967
Financial liabilities held for trading	22 098	28 476
Negative fair value of hedging derivatives	14 824	19 130
Total	62 644	64 034
Off-balance sheet items		
Issued guarantees	730	778
Irrevocable credit facilities	1 208	1 222
Total	1 938	2 000
Income Statement		
	1 Jan - 30 Jun 2023	1 Jan - 30 Jun 2022
Interest income	315	130
Interest expenses	(2 193)	(1 442)
Fee and commission expenses	(15)	(29)
Net profit/loss from financial assets and liabilities held for trading	233	(530)
Net profit/loss from hedging of the risk of change in fair values	1 722	(1 011)
Administrative expenses	(443)	(29)
Total	(381)	(2 911)

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(b) Transactions with key management members

	30 Jun 2023	31 Dec 2022
Assets		
Loans and advances to customers		
<i>of which:</i>		
Board of Directors	32	29
Other management members	119	122
Total	151	151
	30 Jun 2023	31 Dec 2022
Liabilities		
Payables to customers		
<i>of which:</i>		
Board of Directors	60	59
Other management members	117	106
Total	177	165
	30 Jun 2023	31 Dec 2022
Off-balance sheet items		
Irrevocable credit facilities		
<i>of which:</i>		
Board of Directors	1	1
Other management members	6	6
Total	7	7

(c) Transactions with other related parties

	30 Jun 2023	31 Dec 2022
Assets		
Cash and cash balances	1 315	722
<i>of which:</i>		
UniCredit Bank AG	117	159
UniCredit Bank Austria AG	1 084	409
UniCredit Bank Hungary Zrt.	18	14
AO UniCredit Bank	82	120
Financial assets held for trading	10 709	11 712
<i>of which:</i>		
UniCredit Bank AG	10 702	11 712
Loans and advances to banks	51	54
<i>of which:</i>		
UniCredit Bank Austria AG	25	-
AO UniCredit Bank	10	6
Loans and advances to customers	1 187	1 045
<i>of which:</i>		
RCI Financial Services, s.r.o.	1 187	1 045
Positive fair value of hedging derivatives	8 349	11 254
<i>of which:</i>		
UniCredit Bank AG	8 349	11 254
Total	21 611	18 179

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	30 Jun 2023	31 Dec 2022
Liabilities		
Deposits from banks	3 729	5 351
<i>of which:</i>		
UniCredit Bank Austria AG	1 016	1 058
UniCredit Bank AG	2 690	4 198
UniCredit Bank Hungary Zrt.	4	55
Deposits from customers	47	54
<i>of which:</i>		
UniCredit Services S.C.p.A.	47	54
Financial liabilities held for trading	4 415	4 698
<i>of which:</i>		
UniCredit Bank AG	4 415	4 698
Negative fair value of hedging derivatives	13 693	14 931
<i>of which:</i>		
UniCredit Bank AG	13 693	14 931
Total	21 884	15 108
	30 Jun 2023	31 Dec 2022
Off-balance sheet items		
Issued guarantees	2 909	3 820
<i>of which:</i>		
UniCredit Bank AG	2 077	1 884
UniCredit Bank Austria AG	352	1 421
UniCredit Bank Hungary Zrt.	8	10
AO UniCredit Bank	14	85
Irrevocable credit facilities	5 922	6 448
<i>of which:</i>		
UniCredit Bank AG	3 980	4 045
UniCredit Bank Austria AG	1 436	1 333
RCI Financial Services, s.r.o.	465	1 005
Total	8 831	10 268

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	1 Jan - 30 Jun 2023	1 Jan - 30 Jun 2022
Interest income	1 943	1 309
<i>of which:</i>		
UniCredit Bank AG	1 592	1 289
UniCredit Bank Austria AG	5	4
RCI Financial Services, s.r.o.	30	11
Interest expenses	(82)	(91)
<i>of which:</i>		
UniCredit Bank AG	(33)	(12)
UniCredit Bank Austria AG	(40)	(75)
Fee and commission income	33	46
<i>of which:</i>		
UniCredit Bank AG	3	39
UniCredit Bank Hungary Zrt.	1	1
UniCredit Bank Austria AG	29	5
Fee and commission expenses	(3)	(4)
<i>of which:</i>		
UniCredit Bank Austria AG	(2)	(2)
Net profit/loss from financial assets and liabilities held for trading	(237)	2 972
<i>of which:</i>		
UniCredit Bank AG	(244)	2 972
Net profit/loss from hedging against risk of changes in fair value	(267)	(1 249)
<i>of which:</i>		
UniCredit Bank AG	(267)	(1 249)
Administrative expenses	(3)	(436)
<i>of which:</i>		
UniCredit Services S.C.p.A.	-	(426)
UniCredit Bank Austria AG	3	(4)
UniCredit Bank AG	(4)	(1)
Total	1 384	2 547

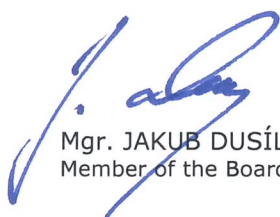
SUBSEQUENT EVENTS

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

4. Statement of the Issuer's authorised persons

To the best of our knowledge, the Interim consolidated financial statements give a true and fair view of the assets, liabilities, financial situation and result of operations of the Issuer and the Issuer's consolidation group. Commentary on the UniCredit Bank Czech Republic and Slovakia Group financial results containing a description of the significant events that occurred in the first 6 months of the accounting period and their impact on the Interim consolidated financial statements, Expected development in 2023 containing a description of the main risks and uncertainties for the remaining 6 months of the accounting period, and description of related parties transactions that occurred in the first 6 months of the accounting period, which significantly impacted result of operations of the Issuer and the Issuer's consolidation group, to the best of our knowledge, contain true overview of this requested information.

Prague, 8 September 2023



Mgr. JAKUB DUSÍLEK, MBA
Member of the Board of Directors



MASSIMO FRANCESE
Member of the Board of Directors