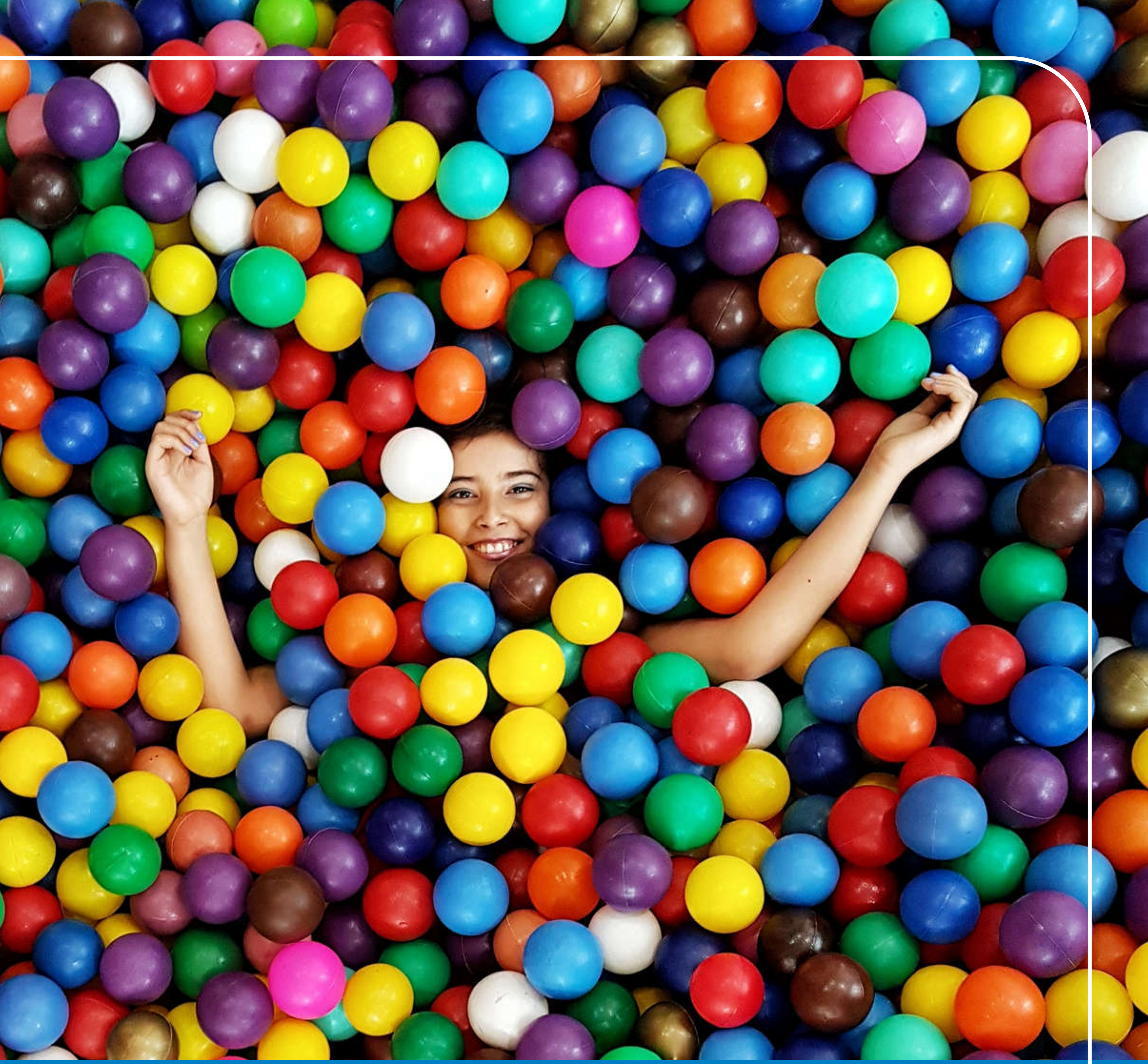

ČESKÁ spořitelna

Half-Year Report 2023

Content

Consolidated Financial Results of Česká spořitelna

for the First Half of 2023

As at 30th June 2023, Česká spořitelna reported an unaudited consolidated net profit of CZK 9.3 bn, according to the International Financial Reporting Standards (IFRS). Operating result reached CZK 12.3 bn.

"Česká spořitelna has a very strong long-term financial performance based on a successful business model focused on the financial health of its clients. The basis is, of course, our own health. From this perspective, it is very positive that we have seen a further improvement in our NPL ratio. Thanks to our strong position, we were able to complete the acquisition of Sberbank CZ's loan portfolio during the first half of the year, contributing significantly to making this the fastest and most successful large insolvency settlement in domestic history, as well as to further strengthening the stability of the domestic banking market," said Ivan Vondra, Česká spořitelna's CFO in his reaction to the Bank´s H1 2023 financial results.

MAIN INDICATORS

ČS expects GDP growth to slow down significantly in 2023, as an expected further decrease in households´ consumption will be accompanied by cooling external demand. However, from H2 2023 thereafter, economic development is expected to gradually improve, due to both domestic and foreign demand recovery.

As at 30th June 2023, total consolidated ČS Group assets amounted to CZK 1,917.4 bn, which meant a 16.9% increase compared to 31st December 2022. On the assets side, the development was driven mainly by growth of loans to banks. The liability side of the balance sheet was affected by customer deposits accompanied by deposits from banks.

The gross volume of ČS Group customer loans was influenced by Sberbank CZ acquisition and increased by 9.5% y/y to CZK 987.7 bn. The portfolio of retail loans amounted to CZK 628.3 bn, representing a year-on-year increase of 9.3%, driven by private mortgages (+10.4% y/y), Building Society (+7.8% y/y) and consumer lending (+8.2% y/y). The volume of corporate loansgrew by 9.3% year-on-year to CZK 355.0 bn attributed to increase in Large Corporates (+12.1%), SME (+7.7%) and Real Estate (+18.0%).

Group deposits from customers grew by 6.1% y/y to CZK 1,455.9 bn attributed to increase in deposits from corporates (+39.9% y/y to CZK 383.6 bn). Households (retail) deposits were stable y/y and reached CZK 924.2 bn, while public sector deposits declined by 15.1% y/y to CZK 148.0 bn, affected by short-term operations.

As at 30th June 2023, the total number of the ČS Group customers was 4.5 m, of whose more than 2.2 m used digital banking.

Total equity decreased to CZK 132.6 bn as at 30th June 2023, which was by 3.7% less than at the end of the year 2022. The total capital ratio for Česká spořitelna Group reached 19.4% as at 30th June 2023, well above minimum regulatory capital requirement (17%).

Operating result of Česká spořitelna decreased by 17.3% y/y to CZK 12.3 bn in H1 2023 as a combination of lower operating income and higher operating expenses. Operating income went down by 6.1% y/y attributed to higher interest expenses paid on deposits and losses from financial instruments measured at FVTPL.

Net interest income decreased by 9.7% in comparison with H1 2022 and reached CZK 16.7 bn. The development of net interest income was affected mainly by higher interest rate environment which led to deposit re-pricing and resulted in growth of volumes and change of structure towards deposits with higher interest rates. As a consequence of these effects interest expenses rose considerably. Growth of interest expenses was partly offset by increase in interest income reflecting volume growth of loans and investments combined with higher yields. Net interest margin related to interest bearing assets reached 1.89% in H1 2023, reflecting increase in deposit interest rates and development of balance sheet structure.

Net fee and commission income rose by 6.2% year-on-year to CZK 5.1 bn which was caused by fees from non-life insurance products and lending fees supported by business development. Furthermore, net fee and commission income was positively affected by securities transactions due to fees from investments in mutual funds and pension insurance.

Net trading result increased by 44.2% y/y to CZK 2.6 bn in H1 2023 which was driven by revaluation of derivatives.

Total operating expenses stayed below the inflation rate and rose by 9.6% y/y to CZK 11.6 bn in H1 2023, mainly influenced by growth of personnel expenses and other administrative expenses. Increase in personnel expenses (+10.6% y/y) was driven mainly by impact of higher number of employees, salary increase and employee share programme. Higher costs of marketing, property management, IT and personnel related costs with higher contribution into Deposit Insurance Fund in H1 2023 led to rise in other administrative expenses (+10.2% y/y). Depreciation increased by 3.6% in comparison with H1 2022 as a result of strategic digital investments. As the consequence of the above-mentioned development, Cost/Income ratio rose to 48.5% from 41.5% in H1 2022.

Impairment result from financial instruments (i.e., creation/release of risk provisions and reserves for loans and advances, guarantees and commitments) recorded creation of CZK -0.3 bn in H1 2023, reflecting excellent quality of loan portfolio and one-off initial net provision creation due to Sberbank acquisition in H1 2023.

Other operating result of CZK -0.7 bn, consisted mainly of other income and costs not directly related to main operating activities of the Group, improved by 29.2% y/y, attributed mainly to lower contribution to Recovery and Resolution Fund in H1 2023.

The overall number of active payment cards issued by ČS increased by 10.0% year-on-year and reached 3.6 m. Thereof credit cards represented 206.8 thousand. The volume of card transactions executed in H1 2023 with Česká spořitelna's cards was CZK 196.9 bn and rose by 13.9% compared to H1 2022. The number of Česká spořitelna's ATMs and transaction terminals decreased by 41 y/y to 1,715.

In the second quarter of 2023, Česká spořitelna successfully completed the takeover of client loans from Sberbank CZ. Česká spořitelna contributed significantly to the smooth settlement of the largest insolvency on the Czech market.

Česká spořitelna is interested in taking over the consumer loan portfolio of Hello bank. The terms of the sale have already been agreed between Česká spořitelna and BNP Paribas Personal Finance. The sale of the loan portfolio is now subject to regulatory approvals.

Selected Financial Indicators[1]

Key Ratios

	30 June 2023	30 June 2022
ROE	13.8%	16.6%
ROA	1.0%	1.2%
Cost/Income ratio	48.5%	41.5%
Non-interest operating income/operating income	30.0%	27.2%
Net interest margin on interest-bearing assets	1.89%	2.15%
Loan/Deposit ratio	66.4%	64.4%
Consolidated capital adequacy (BASEL III, Tier I and II)	19.4%	20.3%

Selected Operating Figures

Number of:	30 June 2023	30 June 2022
staff (end of period)	9,992	9,818
branches[2]	389	398
clients	4,475,987	4,523,689
active cards	3,607,082	3,279,410
of which: credit cards	206,760	180,624
ATMs and payment machines	1,715	1,756

Net Profit of Selected Subsidiaries of Česká spořitelna[3]

CZK million	H1 2023	H1 2022
Stavební spořitelna České spořitelny, a.s.	434	537
Česká spořitelna - penzijní společnost, a.s.	355	221
Leasing České spořitelny, a.s.	114	88
Factoring České spořitelny, a.s.	69	57
REICO investiční společnost České spořitelny, a.s.	47	53

(1) Definitions of the below mentioned alternative performance indicators are stated in the chapter Definitions of Alternative Performance Indicators, on the page 66
(2) Since 2022 number of physical branches. Previous figures were restated.
(3) According to International Financial Reporting Standards (IFRS)

Affidavit

The signatories of this document represent that according to their best knowledge the consolidated interim report provides a true and fair view of the financial position, business operations and financial results of Česká spořitelna and its consolidated group for the six months just ended and on the future prospects of its financial position, business operations and financial results.

Tomáš Salomon
Chairman of the
Board of Directors

Ivan Vondra
Member of the
Board of Directors

Financial Section

Condensed Interim Consolidated Financial Statements

The Consolidated Condensed Statement of Income

in CZK million	Notes	01-06 2023	01-06 2022
Net interest income	1	16,663	18,460
Interest income		43,735	32,190
Other similar income		3,506	2,026
Interest expenses		(24,660)	(12,787)
Other similar expenses		(5,918)	(2,969)
Net fee and commission income	2	5,145	4,843
Fee and commission income		5,816	5,625
Fee and commission expense		(671)	(782)
Dividend income	3	39	65
Net trading result	4	2,561	1,776
Gains/losses from financial instruments measured at fair value through profit or loss	5	(779)	82
Net result from equity method investments		81	23
Rental income from investment properties & other operating leases	6	111	120
Personnel expenses	7	(6,251)	(5,650)
Other administrative expenses	7	(3,934)	(3,569)
Depreciation and amortisation	7	(1,369)	(1,321)
Gains/losses from derecognition of financial assets measured at amortised cost	8	-	(723)
Impairment result from financial instruments	9	(303)	676
Other operating result	10	(743)	(1,050)
Pre-tax result from continuing operations		**11,221**	**13,732**
Taxes on income	11	(1,930)	(2,698)
Net result for the period		**9,291**	**11,034**
Net result attributable to non-controlling interests		26	8
Net result attributable to owners of the parent		**9,265**	**11,026**

The Consolidated Condensed Statement of Other Comprehensive Income

in CZK million	Notes	01-06 2023	01-06 2022
Net result for the period		**9,291**	**11,034**
Other comprehensive income			
Items that may not be reclassified to profit or loss		**(42)**	**98**
Own credit risk reserve		(42)	98
Items that may be reclassified to profit or loss		**2,691**	**(3,003)**
Fair Value reserve of debt instruments		717	(1,765)
Gain/(loss) during the period		712	(1,705)
Reclassification adjustments		-	-
Credit loss allowances		5	(60)
Cash flow hedge reserve		2,606	(1,936)
Gain/(loss) during the period		3,678	(1,290)
Reclassification adjustments		(1,072)	(646)
Net investment hedge		-	-
Currency reserve		(1)	(2)
Gain/(loss) during the period		(1)	(2)
Deferred taxes relating to items that may be reclassified		(631)	700
Gain/(loss) during the period		(835)	577
Reclassification adjustments		204	123
Total other comprehensive income		**2,649**	**(2,905)**
Total comprehensive income		**11,940**	**8,129**
Total comprehensive income attributable to non-controlling interests		26	8
Total comprehensive income attributable to owners of the parent		**11,914**	**8,121**

The Consolidated Condensed Statement of Financial Position

in CZK million	Notes	June 2023	December 2022
Assets			
Cash and cash balances	12	46,399	21,870
Financial assets held for trading		23,356	28,009
Derivatives	18	23,257	27,961
Other financial assets held for trading	19	99	48
Non-trading financial assets at fair value through profit or loss	20	3,207	3,331
Equity instruments		1,745	1,003
Debt securities		926	926
Loans and advances to banks		501	1,383
Loans and advances to customers		35	19
Financial assets at fair value through other comprehensive income	16	52,741	48,434
Debt securities		52,741	48,434
Financial assets at amortised cost		1,747,976	1,495,014
thereof pledged as collateral		133,420	89,423
Debt securities	13	369,974	327,805
Loans and advances to banks	13	424,968	266,675
Loans and advances to customers	13	953,034	900,534
Finance lease receivables	17	1,425	1,474
Hedge accounting derivatives	21	4,299	3,235
Fair value changes of the hedged items in portfolio hedge of interest rate risk		(13)	(17)
Property, equipment and right-of-use asset		11,851	12,031
Investment property		1,787	1,803
Intangible assets		6,258	6,417
Investments in associates		1,518	1,437
Current tax assets		418	445
Deferred tax assets		2,275	2,918
Assets held for sale		10	9
Trade and other receivables	14	12,473	11,821
Other assets	22	1,383	1,707
Total assets		**1,917,363**	**1,639,938**

in CZK million	Notes	June 2023	December 2022
Liabilities and equity			
Financial liabilities held for trading	18	22,556	29,597
Derivatives		22,556	29,597
Financial liabilities at fair value through profit or loss	23	27,226	31,331
Deposits from customers		27,226	31,331
Financial liabilities at amortised cost		1,713,979	1,421,830
Deposits from banks	15	202,630	113,541
Deposits from customers	15	1,428,657	1,225,464
Debt securities issued	15	75,621	76,657
Other financial liabilities		7,071	6,168
Lease liabilities		3,593	3,475
Hedge accounting derivatives	21	4,700	5,870
Provisions	24	3,279	3,406
Current tax liabilities		191	144
Deferred tax liabilities		(266)	16
Other liabilities	25	9,547	6,558
Total equity		**132,558**	**137,711**
Equity attributable to non-controlling interests		505	479
Equity attributable to owners of the parent		132,053	137,232
Share capital		15,200	15,200
Additional paid-in capital		12	12
Additional equity instruments		9,040	9,040
Retained earnings and other reserves		107,801	112,980
Total liabilities and equity		**1,917,363**	**1,639,938**

These interim condensed consolidated financial statements were prepared by the Group and authorized for issue by the Board of Directors on 15 August 2023.

Tomáš Salomon
Chairman of the Board of Directors

Ivan Vondra
Member of the Board of Directors,
Chief Financial Officer

The Consolidated Condensed Statement of Changes in Equity

in CZK million	Share capital	Additional paid-in capital	Retained earnings	Additional equity instruments	Statutory reserve	Cash flow hedge reserve	Fair value reserve	Own credit risk reserve	Currency translation	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
As of 1 January 2022	**15,200**	**12**	**123,505**	**9,040**	**387**	**(5,385)**	**10**	**2**	**(27)**	**142,744**	**452**	**143,196**
Dividends paid	-	-	(25,242)	-	-	-	-	-	-	(25,242)	-	(25,242)
Changes in scope of consolidation and ownership interest	-	-	(6)	-	-	-	-	-	-	(6)	-	(6)
Other changes	-	-	(1)	-	-	-	-	-	-	(1)	-	(1)
Total comprehensive income	**-**	**-**	**11,026**	**-**	**-**	**(1,571)**	**(1,430)**	**98**	**(2)**	**8,121**	**8**	**8,129**
Net result for the period	-	-	11,026	-	-	-	-	-	-	11,026	8	11,034
Other comprehensive income	-	-	-	-	-	(1,571)	(1,430)	98	(2)	(2,905)	-	(2,905)
Change in fair value reserve	-	-	-	-	-	-	(1,765)	-	-	(1,765)	-	(1,765)
Changes in tax	-	-	-	-	-	365	335	-	-	700	-	700
Change in cash flow hedge reserve	-	-	-	-	-	(1,936)	-	-	-	(1,936)	-	(1,936)
Change in currency translation reserve	-	-	-	-	-	-	-	-	(2)	(2)	-	(2)
Change in own credit risk reserve	-	-	-	-	-	-	-	98	-	98	-	98
As of 30 June 2022	**15,200**	**12**	**109,282**	**9,040**	**387**	**(6,956)**	**(1,420)**	**100**	**(29)**	**125,616**	**460**	**126,076**

in CZK million	Share capital	Additional paid-in capital	Retained earnings	Additional equity instruments	Statutory reserve	Cash flow hedge reserve	Fair value reserve	Own credit risk reserve	Currency translation	Equity attributable to owners of the parent	Equity attributable to non-controlling interests	Total equity
As of 1 January 2023	**15,200**	**12**	**118,221**	**9,040**	**387**	**(4,277)**	**(1,393)**	**89**	**(47)**	**137,232**	**479**	**137,711**
Dividends paid/AT1 distribution	-	-	(17,105)	-	-	-	-	-	-	(17,105)	-	(17,105)
Other changes	-	-	12	-	-	-	-	-	-	12	-	12
Total comprehensive income	-	-	9,265	-	-	2,111	581	(42)	(1)	11,914	26	11,940
Net result for the period	-	-	9,265	-	-	-	-	-	-	9,265	26	9,291
Other comprehensive income	-	-	-	-	-	2,111	581	(42)	(1)	2,649	-	2,649
Change in fair value reserve	-	-	-	-	-	-	717	-	-	717	-	717
Changes in tax	-	-	-	-	-	(495)	(136)	-	-	(631)	-	(631)
Change in cash flow hedge reserve	-	-	-	-	-	2,607	-	-	-	2,607	-	2,607
Change in currency translation reserve	-	-	-	-	-	-	-	-	(1)	(1)	-	(1)
Change in own credit risk reserve	-	-	-	-	-	-	-	(42)	-	(42)	-	(42)
As of 30 June 2023	**15,200**	**12**	**110,393**	**9,040**	**387**	**(2,166)**	**(812)**	**47**	**(48)**	**132,053**	**505**	**132,558**

The Consolidated Condensed Statement of Cash Flows

in CZK million	Notes	June 2023	June 2022
Pre-tax result from continuing operations		**11,221**	**13,733**
Non-cash adjustments for items in net profit/loss for the year			
Depreciation, amortisation and net impairment of non-financial assets		1,374	1,260
Net allocation to provisions (including risk provisions)		1,722	(1,366)
Gains/(losses) from the measurement and derecognition of financial assets and financial liabilities		488	(938)
Gains/(losses) from the sale of non-financial assets		(2)	(157)
Change in fair values of derivatives		(2,302)	1,368
Interest income	1	(43,735)	(32,190)
Interest expense	1	24,660	12,787
Other adjustments		615	1,023
Changes in assets and liabilities from operating activities after adjustment for non-cash components			
Financial assets held for trading		(57)	49
Non-trading financial assets at fair value through profit or loss			
Equity instruments		(742)	126
Debt securities		-	(65)
Loans and advances to customers		866	(286)
Financial assets - at fair value through other comprehensive income: debt instruments		(4,163)	(15,747)
Financial assets at amortized cost			
Debt securities		(42,601)	(13,960)
Loans and advances to banks		(160,545)	(123,637)
Loans and advances to customers		(55,122)	(43,141)
Finance lease receivables		48	224
Hedge accounting derivatives		373	(176)
Other assets from operating activities		404	(3,620)
Financial liabilities at amortised cost			
Deposits from banks		90,294	154,564
Deposits from customers		204,491	169,905
Financial liabilties at fair value through profit or loss		(4,853)	16,687
Other liabilities from operating activities		3,928	(3,801)
Other operating cash flows			
Interest paid		(29,528)	(15,338)
Interest received		45,184	32,248
Payments for taxes on income		1,443	(1,654)
Cash flow from operating activities		**43,460**	**147,898**
Proceeds of disposal			
Property, equipment and intangible assets		47	201
Acquisition of			
Property and equipment, intangible assets and investment properties		(560)	(453)
Disposal of joint ventures and associates		(81)	(27)
Cash flow from investing activities		**(594)**	**(279)**
Dividends paid/AT1 distribution		(17,105)	(25,242)
Other financing activities		(4)	10
Payments of lease liability		(796)	(327)
Repayments of bonds in issue		(782)	(128,683)
Proceeds from bonds issued		-	-
Changes in non-controlling interest		26	8
Cash flow from financing activities		**(18,661)**	**(154,234)**

in CZK million	Notes	June 2023	June 2022
Cash and cash equivalents at beginning of period	12	**21,870**	**37,472**
Cash flow from operating activities		43,460	147,898
Cash flow from investing activities		(594)	(279)
Cash flow from financing activities		(18,661)	(154,234)
Effect of currency translation		324	(212)
Cash and cash equivalents at end of period	12	**46,399**	**30,645**

The accompanying notes are an integral part of these consolidated financial statements.

Condensed Notes to the Interim Consolidated Financial Statements

for the period from 1 January to 30 June 2023

GENERAL INFORMATION

Česká spořitelna, a.s. ('the Bank'), having its registered office address at Olbrachtova 1929/62, Prague 4, 140 00, Corporate ID 45244782, is the legal successor of the Czech State Savings Bank and was founded as a joint stock company in the Czech Republic on 30 December 1991. The Bank is a universal bank offering retail, corporate and investment banking services within the Czech Republic.

The Bank together with its subsidiaries and associated companies forms the Group. The Group is subject to the regulatory requirements of the Czech National Bank ('ČNB'), the Banking Act and EU guidelines/regulations. These regulations include those pertaining to minimum capital adequacy requirements, categorization of exposures and off-balance sheet commitments, credit risk connected with clients of the Group, liquidity, interest rate risk, foreign currency positions, operational and other risk.

In addition to the banking entities, other Group companies are subject to regulatory requirements, specifically in relation to pension insurance and collective investment.

The Group offers a complete range of banking and other financial services, such as savings and current accounts, asset management, consumer credit and mortgage lending, investment banking, securities and derivatives trading, portfolio management, project finance, foreign trade financing, corporate finance, capital and money market services and foreign exchange trading.

SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated interim financial statements ("interim financial statements") of the Group for the period from 1 January to 30 June 2023 were prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and are presented in accordance with the requirements of IAS 34 "Interim Financial Reporting".

These interim financial statements were neither audited nor reviewed by an auditor.

Except as otherwise indicated, all amounts are stated in millions of Czech crowns ('CZK'). The tables in this report may contain rounding differences. The financial statements have been prepared in English. Except as otherwise indicated, all amounts are stated in millions of Czech crowns ('CZK').

Basis of consolidation

Subsidiaries are consolidated from the date upon which control is obtained until the date when control is lost. Control is achieved when the bank is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Relevant activities are those which most significantly affect the variable returns of an entity.

Additions and disposals in 2023

On 1 January 2023 the Dinesia, s.r.o. entered into liquidation.

Additions and disposals in 2022

On 1 January 2022 the MOPET CZ a.s. entered into liquidation and the company was deleted from the Commercial Register on 14 September 2022.

CS Property Investment Limited was deleted from the Commercial Register on 26 August 2022.

On 16 February 2022, the company Dostupné bydlení České spořitelny, a.s. was entered into the Commercial Register and became fully consolidated in March 2022.

On 31 December 2022 the Czech and Slovak Property Fund B.V. entered into liquidation.

Accounting and measurement methods

The interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" and are presented in Czech koruna, which is the functional currency of the Group. The interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements. Therefore, the interim financial statements should be read in conjunction with the Group's consolidated financial statements as of 31 December 2022.

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty, were the same as those applied in the group's last annual financial statements for the year ended 31 December 2022, with the exception of the calculation of the current income taxes for the interim reporting period for which the estimated effective tax rate for the Group is applied.

1 Net interest income

in CZK million	01-06 2023	01-06 2022
Interest and other similar income		
Financial assets at fair value through other comprehensive income	1,411	625
Financial assets at amortised costs	42,324	31,565
Interest income	**43,735**	**32,190**
Financial assets held for trading	5,280	2,713
Derivatives - Hedge accounting, interest rate risk	(1,795)	(770)
Other assets	21	9
Negative interest from financial liabilities	-	74
Other similar income	**3,506**	**2,026**
Total interest and other similar income	**47,241**	**34,216**
Interest and other similar expense		
Financial liabilities measured at amortised cost	(24,660)	(12,787)
Interest expenses	**(24,660)**	**(12,787)**
Financial liabilities at fair value through profit or loss	(10)	(13)
Financial liabilities held for trading	(5,481)	(2,873)
Derivatives - Hedge accounting, interest rate risk	(373)	14
Other liabilities	(53)	(24)
Negative Interest from financial assets	(1)	(73)
Other similar expenses	**(5,918)**	**(2,969)**
Total interest and other similar expense	**(30,578)**	**(15,756)**
Net interest income	**16,663**	**18,460**

2 Net fee and commission income

in CZK million	01-06 2023		01-06 2022	
	Income	Expenses	Income	Expenses
Securities	311	(42)	332	(47)
Clearing and settlement	-	(2)	-	-
Asset management	907	(16)	797	(15)
Custody	46	(27)	58	(26)
Payment services	2,026	(447)	1,986	(393)
Customer resources distributed but not managed	1,485	-	1,393	-
Collective investment	663	-	790	-
Insurance products	822	-	603	-
Servicing fees from securitization activities	-	(9)	-	-
Lending business	657	(32)	639	(106)
Other	384	(96)	420	(195)
Total fee and commission income and expenses	**5,816**	**(671)**	**5,625**	**(782)**
Net Fee and commission income	**5,145**		**4,843**	

3 Dividend income

in CZK million	01-06 2023	01-06 2022
Non-trading financial assets at fair value through profit or loss	38	64
Financial assets at cost	1	1
Dividend income	**39**	**65**

4 Net trading result

in CZK million	01-06 2023	01-06 2022
Securities and derivatives trading	945	491
Foreign exchange transactions	1,543	1,303
Gains or losses from hedge accounting	73	(18)
Net trading result	**2,561**	**1,776**

5 Gains/losses from financial instruments measured at fair value through profit or loss

in CZK million	01-06 2023	01-06 2022
Result from measurement/sale of financial assets designated at fair value through profit or loss	(3)	-
Result from measurement/sale of financial liabilities designated at fair value through profit or loss	(792)	216
Result from financial assets and liabilities designated at fair value through profit or loss	**(795)**	**216**
Result from measurement/repurchase of financial assets mandatorily at fair value through profit or loss	16	(134)
Gains/losses from financial instruments measured at fair value through profit or loss	**(779)**	**82**

6 Rental income from investment properties and other operating leases

in CZK million	01-06 2023	01-06 2022
Investment properties	94	106
Other operating leases	17	14
Rental income from investment properties & other operating leases	**111**	**120**

7 General administrative expenses

in CZK million	01-06 2023	01-06 2022
Personnel expenses	**(6,251)**	**(5,650)**
Wages and salaries	(4,257)	(3,949)
Compulsory social security	(1,413)	(1,309)
Other personnel expenses	(581)	(392)
Other administrative expenses	**(3,934)**	**(3,569)**
Deposit insurance contribution	(469)	(329)
IT expenses	(1,691)	(1,623)
Expenses for office space	(460)	(424)
Office operating expenses	(369)	(344)
Advertising / marketing	(519)	(410)
Legal and consulting costs	(90)	(96)
Sundry administrative expenses	(336)	(343)
Depreciation and amortization	**(1,369)**	**(1,321)**
Software and other intangible assets	(546)	(496)
Owner occupied real estate	(288)	(281)
Investment property	(26)	(35)
Office furniture and equipment and sundry property and equipment	(200)	(213)
Right of use asset	(309)	(296)
General administrative expenses	**(11,554)**	**(10,540)**

8 Gains/losses from derecognition of financial assets measured at amortised cost

in CZK million	01-06 2023	01-06 2022
Losses from sale of financial assets at amortised cost	-	(723)
Gains/losses from derecognition of financial assets measured at amortised cost	**-**	**(723)**

9 Impairment result from financial instruments

in CZK million	01-06 2023	01-06 2022
Financial assets at fair value through other comprehensive income	(5)	60
Financial assets at amortised cost	(231)	747
Net allocation to risk provisions	(395)	484
Direct write-offs	(5)	(5)
Recoveries recorded directly to the income statement	169	268
Finance lease receivables	(1)	6
Net allocation to credit loss allowances	(1)	6
Net allocation of provisions for commitments and guarantees given	(66)	(137)
Impairment result from financial instruments	**(303)**	**676**

10 Other operating result

in CZK million	01-06 2023	01-06 2022
Other operating expenses	**(788)**	**(964)**
Allocation to other provision	(25)	-
Other taxes	(2)	(2)
Recovery and resolution fund contributions	(761)	(962)
Other operating income	**187**	**-**
Release of other provision	187	-
Result from properties/movables/other intangible assets other than goodwill	**(17)**	**99**
Result from other operating expenses/income	**(125)**	**(185)**
Other operating result	**(743)**	**(1,050)**

11 Taxes

Group's consolidated net tax expense for the first six months of 2023 amounted to CZK 1,930 million (June 2022: CZK 2,698 million), thereof CZK 271 million net deferred tax income (June 2022: expense CZK 272 million).

12 Cash and cash balances

in CZK million	June 2023	December 2022
Cash on hand	14,673	14,260
Cash balances at central banks	30,058	5,627
Other deposits on demand	1,668	1,983
Cash and cash balances	**46,399**	**21,870**

13 Financial assets at amortised cost

Debt securities

Gross carrying amounts (GCA) and credit loss allowances (CLA) (i.e. expected credit loss ECL) per impairment buckets

in CZK million	GCA				CLA				Carrying
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	amount
June 2023									
General governments	355,196	-	-	355,196	(28)	-	-	(28)	355,168
Credit institutions	13,728	-	-	13,728	(4)	-	-	(4)	13,724
Other financial corporations	607	144	-	751	(1)	(3)	-	(4)	747
Non-financial corporations	3	332	-	335	-	-	-	-	335
Total	**369,534**	**476**	**-**	**370,010**	**(32)**	**(4)**	**-**	**(36)**	**369,974**
December 2022									
General governments	314,282	-	-	314,282	(24)	-	-	(24)	314,257
Credit institutions	12,845	601	-	13,446	(4)	(5)	-	(9)	13,437
Other financial corporations	-	105	-	105	-	(1)	-	(1)	104
Non-financial corporations	3	3	-	6	-	-	-	-	6
Total	**325,526**	**7**	**-**	**325,533**	**(19)**	**-**	**-**	**(19)**	**325,514**

Loans and advances to banks

Gross carrying amounts (GCA) and credit loss allowances (CLA) per impairment buckets

	GCA				CLA				Carrying
in CZK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	amount
June 2023									
Central banks	407,536	-	-	407,536	(8)	-	-	(8)	407,527
Credit institutions	17,313	131	-	17,444	(3)	-	-	(3)	17,441
Total	**424,848**	**131**	**-**	**424,979**	**(11)**	**-**	**-**	**(11)**	**424,968**
December 2022									
Central banks	260,460	-	-	260,460	(3)	-	-	(3)	260,457
Credit institutions	6,220	-	-	6,220	(2)	-	-	(2)	6,219
Total	**266,680**	**-**	**-**	**266,680**	**(4)**	**-**	**-**	**(4)**	**266,675**

Loans and advances to customers

Gross carrying amounts (GCA) and credit loss allowances (CLA) per impairment buckets

	GCA					CLA					
in CZK million	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Carrying amount
June 2023											
General governments	22,084	902	435	-	23,421	(9)	(20)	(114)	-	(144)	23,277
Other financial corporations	20,145	4,994	1	-	25,141	(20)	(59)	(1)	-	(81)	25,060
Non-financial corporations	231,228	90,672	7,744	1,256	330,900	(757)	(3,693)	(4,519)	(524)	(9,493)	321,407
Households	515,990	69,728	7,564	323	593,605	(1,163)	(3,930)	(5,189)	(32)	(10,314)	583,291
Total	**789,447**	**166,295**	**15,745**	**1,580**	**973,067**	**(1,950)**	**(7,703)**	**(9,824)**	**(556)**	**(20,032)**	**953,034**
December 2022											
General governments	22,633	1,330	-	-	23,963	(8)	(148)	-	-	(156)	23,807
Other financial corporations	20,798	2,755	1	-	23,553	(24)	(36)	(1)	-	(61)	23,492
Non-financial corporations	224,723	79,950	8,722	1,186	314,581	(751)	(3,266)	(5,515)	(449)	(9,981)	304,600
Households	481,202	69,934	7,299	115	558,550	(1,034)	(3,776)	(5,080)	(25)	(9,914)	548,635
Total	**749,355**	**153,968**	**16,022**	**1,301**	**920,647**	**(1,817)**	**(7,226)**	**(10,597)**	**(474)**	**(20,113)**	**900,534**

14 Trade and other receivables

Gross carrying amounts (GCA) and credit loss allowances (CLA) per impairment buckets

	GCA				CLA				Carrying
in CZK million	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	amount
June 2023									
General governments	335	1	-	336	(1)	(1)	-	(2)	334
Credit institutions	18	-	-	18	-	-	-	-	18
Other financial corporations	170	5	-	175	-	(1)	-	(1)	174
Non-financial corporations	10,142	1,820	367	12,329	(133)	(32)	(303)	(469)	11,860
Households	80	105	65	249	(2)	(97)	(63)	(162)	87
Total	**10,745**	**1,930**	**432**	**13,107**	**(137)**	**(131)**	**(367)**	**(634)**	**12,473**
December 2022									
General governments	364	1	-	365	-	(1)	-	(1)	364
Credit institutions	40	-	-	40	-	-	-	-	40
Other financial corporations	160	1	-	161	-	(1)	-	(2)	160
Non-financial corporations	9,168	2,001	450	11,620	(90)	(62)	(299)	(451)	11,168
Households	65	124	61	250	(1)	(100)	(60)	(161)	89
Total	**9,797**	**2,127**	**512**	**12,436**	**(92)**	**(164)**	**(359)**	**(616)**	**11,821**

15 Financial liabilities at amortised cost

Deposits from banks

in CZK million	June 2023	December 2022
Overnight deposits	14,835	13,105
Term deposits	20,279	13,873
Repurchase agreements	167,516	86,563
Deposits from banks	**202,630**	**113,541**

Deposits from customers

in CZK million	June 2023	December 2022
Current accounts/Overnight deposits	990,047	964,452
General governments	103,294	70,454
Other financial corporations	22,547	21,435
Non-financial corporations	127,531	131,954
Households	736,675	740,609
Term deposits	319,426	227,303
General governments	27,205	11,446
Other financial corporations	52,807	24,857
Non-financial corporations	78,971	49,998
Households	160,442	141,002
Repurchase agreements	119,185	33,709
General governments	17,545	278
Other financial corporations	47,105	33,431
Deposits from customers	**1,428,657**	**1,225,464**
General governments	148,045	82,179
Other financial corporations	122,459	79,722
Non financial corporations	261,037	181,952
Households	897,117	881,612

All deposits are from customers and entities realized within the Czech Republic.

Debt securities issued – Bonds

in CZK million	ISIN	Date of issue	Maturity	Interest rate	Bonds traded on regulated market		June 2023	December 2022
Mortgage bonds	CZ0002001415	November 2007	November 2023	6.15%	No	BCPP	426	419
Mortgage bonds	CZ0002002751	December 2012	June 2023	3.25%	No		-	5,067
Mortgage bonds	CZ0002008790	December 2022	March 2023	floating	No		-	12,539
Mortgage bonds	CZ0002008808	December 2022	January 2023	floating	No		-	30,055
SNP	XS2555412001	November 2022	November 2025	6.693%	No	Wiener Börse	12,336	12,131
SNP	CZ0003707291	July 2022	July 2027	7.41%	No	BCPP	6,431	6,209
SNP	AT0000A2STV4	September 2021	September 2028	0.50%	No	Wiener Börse	10,262	10,237
SNP	XS2638560156	June 2023	June 2027	5.943%	Yes	Wiener Börse	11,839	-
Mortgage bonds	CZ0002008907	June 2023	July 2023	7.000%	No		30,030	-
Bonds-subordinated	CZ0003708315	June 2023	June 2029	6.750%	No		4,297	
Bonds issued							**75,621**	**76,657**

16 Financial assets at fair value through other comprehensive income

Debt instruments

Gross carrying amounts (GCA) and credit loss allowances (CLA) per impairment buckets

in CZK million	GCA Stage 1	GCA Stage 2	GCA Stage 3	Total	CLA Stage 1	CLA Stage 2	CLA Stage 3	Total	Amortized cost	Accumulated fair value changes	Fair value
June 2023											
Debt securities											
General governments	38,170	-	-	38,170	(3)	-	-	(3)	38,167	118	38,285
Credit institutions	3,694	-	-	3,694	(1)	-	-	(1)	3,694	(230)	3,464
Other financial corporations	1,339	1,536	-	2,876	(1)	(15)	-	(16)	2,860	(8)	2,852
Non-financial corporations	3,061	6,101	-	9,162	(1)	(138)	-	(139)	9,023	(883)	8,140
Total	**46,265**	**7,637**	**-**	**53,902**	**(6)**	**(152)**	**-**	**(158)**	**53,744**	**(1,002)**	**52,741**
December 2022											
Debt securities											
General governments	33,102	-	-	33,102	(2)	-	-	(2)	33,100	(267)	32,833
Credit institutions	3,191	-	-	3,191	(1)	-	-	(1)	3,191	(250)	2,941
Other financial corporations	2,412	1,629	-	4,041	(1)	(7)	-	(9)	4,033	(42)	3,990
Non-financial corporations	3,597	6,374	-	9,971	(4)	(138)	-	(142)	9,829	(1,160)	8,670
Total	**42,303**	**8,003**	**-**	**50,306**	**(8)**	**(145)**	**-**	**(153)**	**50,153**	**(1,719)**	**48,434**

17 Finance lease receivables

Gross carrying amounts (GCA) and credit loss allowances (CLA) per impairment buckets

in CZK million	GCA Stage 1	GCA Stage 2	GCA Stage 3	Total	CLA Stage 1	CLA Stage 2	CLA Stage 3	Total	Carrying amount
June 2023									
General governments	67	-	-	67	(3)	-	-	(3)	64
Other financial corporations	(1)	-	-	(1)	-	-	-	-	(1)
Non-financial corporations	1,274	74	52	1,401	(17)	(8)	(33)	(59)	1,342
Households	25	1	1	26	(5)	-	-	(6)	20
Total	**1,365**	**75**	**53**	**1,493**	**(26)**	**(8)**	**(34)**	**(68)**	**1,425**
December 2022									
General governments	64	-	-	64	(3)	-	-	(3)	61
Other financial corporations	6	-	-	6	-	-	-	-	6
Non-financial corporations	1,265	123	65	1,453	(22)	(13)	(35)	(70)	1,383
Households	29	1	1	31	(8)	-	(1)	(8)	23
Total	**1,365**	**124**	**66**	**1,555**	**(32)**	**(13)**	**(36)**	**(81)**	**1,474**

18 Derivative financial instruments

	June 2023			December 2022		
in CZK million	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Derivatives held in the Trading book	**852,555**	**22,880**	**(20,968)**	**819,892**	**27,680**	**(26,102)**
Interest rate	383,712	14,169	(13,389)	370,862	17,281	(16,570)
Foreign exchange	468,843	8,711	(7,579)	449,030	10,399	(9,532)
Derivatives held in the Banking book	**74,849**	**377**	**(1,588)**	**95,349**	**281**	**(3,495)**
Interest rate	55,017	5	(1,353)	53,414	-	(3,070)
Foreign exchange	19,832	372	(235)	41,935	281	(425)
Total	**927,404**	**23,257**	**(22,556)**	**915,241**	**27,961**	**(29,597)**

19 Other financial assets held for trading

in CZK million	June 2023	December 2022
Debt securities	99	48
General governments	79	9
Credit institutions	20	35
Other financial corporations	-	4
Other financial assets held for trading	**99**	**48**

20 Non-trading financial assets at fair value through profit or loss

	June 2023		December 2022	
in CZK million	Designated	Mandatorily	Designated	Mandatorily
Equity instruments	-	1,745	-	1,003
Debt securities	-	926	-	926
Other financial corporations	-	926	-	926
Loans and advances to banks	-	501	-	1,383
Loans and advances to customers	35	-	19	-
Non-financial corporations	35	-	19	-
Financial assets designated and mandatorily at fair value through profit or loss	**35**	**3,172**	**19**	**3,312**
Non-trading financial assets at fair value through profit or loss	**3,207**		**3,331**	

21 Hedge accounting

	June 2023			December 2022		
in CZK million	Notional value	Positive fair value	Negative fair value	Notional value	Positive fair value	Negative fair value
Fair value hedges	**32,209**	**80**	**(2,166)**	**17,081**	**36**	**(2,254)**
Interest rate	32,209	80	(2,166)	17,081	36	(2,254)
Cash flow hedge	**119,245**	**4,219**	**(2,534)**	**116,435**	**3,199**	**(3,616)**
Interest rate	69,230	906	(2,525)	70,469	171	(3,616)
Foreign exchange	50,015	3,313	(9)	45,966	3,028	-
Total	**151,454**	**4,299**	**(4,700)**	**133,515**	**3,235**	**(5,870)**

22 Other assets

in CZK million	June 2023	December 2022
Prepayments	503	647
Assets under construction/unfinished goods/inventory	59	42
Sundry assets	821	1,018
Other assets	**1,383**	**1,707**

23 Financial liabilities at fair value through profit or loss

	Carrying amount		Amount repayable		Delta between carrying amount and amount repayable	
in CZK million	June 2023	December 2022	June 2023	December 2022	June 2023	December 2022
Deposits	27,226	31,331	26,785	31,151	441	180
Financial liabilities at FVPL	**27,226**	**31,331**	**26,785**	**31,151**	**441**	**180**

24 Provisions

in CZK million	June 2023	December 2022
Restructuring	37	67
Pending legal issues	1,764	1,706
Loan commitments and financial guarantees given in scope of IFRS 9	1,181	1,114
CLA for loan commitments and financial guarantees in Stage 1	296	395
CLA for loan commitments and financial guarantees in Stage 2	518	460
CLA for loan commitments and financial guarantees in Stage 3	366	258
CLA for loan commitments and financial guarantees POCI	1	1
Loan commitments and financial guarantees given out of scope of IFRS 9	188	-
Provision for onerous contracts	-	101
Other provisions	109	418
Provisions	**3,279**	**3,406**

25 Other liabilities

in CZK million	June 2023	December 2022
Deferred income	606	523
Sundry liabilities	8,941	6,035
Other liabilities	**9,547**	**6,558**

26 Segment reporting

The Group's segment reporting is compliant with IFRS 8 Operating Segments, which adopts the management approach. Segment information is prepared on the basis of internal management reporting that is regularly reviewed by the management board of the Bank to assess the performance of the segments and make decisions regarding the allocation of resources.

Structure of Business Segments

The segment reporting comprises four operating segments reflecting the Group's management structure.

Retail

Retail segment comprises the business activities which are in the responsibility of account managers in the Retail network. Targeted customers are mainly private individuals, micros business and free professionals. This business is mainly operated in cooperation with subsidiaries such as leasing and asset management companies with the focus on simple products ranged from loans, investment products, current accounts and savings products to credit cards and cross selling products such as leasing, insurance and building society products.

In addition, the retail segment contains the results of the subsidiaries Stavební spořitelna České spořitelny, a.s., Česká spořitelna penzijní společnost, a.s. and CS Seed Starter, a.s.

Corporates

Corporates segment comprises the business activities done with corporate customers of different turnover size (small and medium- sized enterprises and Large Corporate customers) as well as commercial real estate and public sector business.

In addition, the segment Corporates contains the results of the subsidiaries Factoring České spořitelny, a.s., REICO investiční společnost České spořitelny, a.s., Leasing České spořitelny, a.s., s Autoleasing SK, s.r.o. and Erste Grantika Advisory, a.s and real estate funds.

Asset and Liability Management & Local Corporate Center (ALM & LCC)

Asset Liability Management (ALM) comprises the management of the Group assets and liabilities in the light of uncertainty of cash flows, cost of funds and return on investments in order to determine the optimal trade-off between risk, return and liquidity. Furthermore it comprises funding transactions, hedging activities, investments into securities other than held for trading purpose, management of own issues and FX positions.

Local Corporate Center (LCC) comprises all non-core banking business activities such as non-profit servicing units (e.g. procurement, property management), intragroup eliminations within the Group, dividends, refinancing costs of participations, all non-banking balance sheet positions (e.g. fixed assets, intangible assets) which cannot be allocated to other business segments as well as the profit and loss positions resulting from these balance sheet items. Apart from that the Corporate Center includes Free Capital of the Group defined as the difference of the total IFRS equity and the economical equity allocated to all operating segments.

Corporate center also includes results of the subsidiaries ČS NHQ, s.r.o., Global Payments, s.r.o., Budějovická Development, s.r.o., BP Budějovická, s.r.o., BP Poláčkova, s.r.o., BP Olbrachtova, s.r.o.

Group Markets

Group Markets segment comprises trading and markets services as well as business with financial institutions.

Trading and market services includes all activities related to active risk taking and managing in CRR regulatory Trading books of the Group, additional to that the execution of trades against the market using the Trading books of the Group for market making and shortterm liquidity management.

In addition, it comprises business connected with serving financial institutions as clients including custody, depository services, commercial business (loans, cash management, trade & export finance) and capital markets business.

Measurement

The Income statement of the segment report is based on the measures reported to the Bank’s Board of Directors for the purpose of allocating resources to the segments and assessing their performance.

Management reporting as well as the segment report of the Group are based on IFRS. Accounting standards and methods as well as measurements used in segment reporting are the same as for the consolidated financial statements.

Interest income is not reported separately from interest expenses for each reportable segment. Those measures are reported on the net basis within the position ‘Net interest income’ as interest income and interest expenses are neither included into the measurement of segment profit or loss reviewed by the chief operating decision maker nor otherwise regularly provided to him. Management board relies solely on net interest income to assess the performance of the segments and makes decisions about resources to be allocated to the segments. Net fee and commission income and Other operating result are reported on a net basis according to the regular reporting to the management board.

Capital consumption per segment is regularly reviewed by the management of the Group to assess the performance of the segments.

The average allocated capital is determined by the credit risk, market risk and operational risk and business strategic risk.

According to the regular internal reporting to the Group’s Board of Directors, total assets and total liabilities as well as risk weighted assets and allocated capital are disclosed per segment. Total average allocated capital for the Group equals average total equity of the Group. For measuring and assessing the profitability of segments within the Group, such key measures as return on allocated capital and cost/income ratio are used.

Return on allocated capital is defined as net result for the period in relation to the average allocated capital of the respective segment.

Cost/income ratio is defined as operating expenses (general administrative expenses) in relation to operating income (total of net interest income, net fee and commission income, dividend income, net trading result, gains/losses from financial instruments measured at fair value through profit or loss, net result from equity method investments, rental income from investment properties and other operating lease).

Business Segments

	Retail		Corporates		ALM&LCC		Group Markets		Total Group	
in CZK million	01-06 2023	01-06 2022	01-06 2023	01-06 2022	01-06 2023	01-06 2022	01-06 2023	01-06 2022	01-06 2023	01-06 2022
Net interest income	11,533	12,464	5,374	4,824	(866)	731	623	441	16,663	18,460
Net fee and commission income	3,671	3,365	883	859	(286)	(235)	876	854	5,145	4,843
Dividend income	-	-	-	-	39	65	-	-	39	65
Net trading result	875	814	441	668	767	(864)	478	1,158	2,561	1,776
Gains/losses from financial instruments at FVPL	10	(16)	(1)	-	(787)	98	-	-	(779)	82
Net result from equity method investments	3	(2)	78	25	-	-	-	-	81	23
Rental income from investment properties & other operating leases	-	2	94	106	17	12	-	-	111	120
General administrative expenses	(8,659)	(8,132)	(1,717)	(1,556)	(849)	(510)	(329)	(342)	(11,554)	(10,540)
Gains/losses from derecognition of financial assets at AC	-	-	-	-	-	(723)	-	-	-	(723)
Impairment result from financial instruments	(971)	217	561	475	5	(35)	103	19	(303)	676
Other operating result	(158)	(119)	(105)	(332)	(292)	(366)	(188)	(233)	(743)	(1,050)
Pre-tax result from continuing operations	**6,304**	**8,593**	**5,606**	**5,069**	**(2,252)**	**(1,827)**	**1,562**	**1,897**	**11,221**	**13,732**
Taxes on income	(1,204)	(1,633)	(1,069)	(964)	640	259	(297)	(360)	(1,930)	(2,698)
Net result for the period	**5,100**	**6,960**	**4,537**	**4,105**	**(1,612)**	**(1,568)**	**1,266**	**1,537**	**9,291**	**11,034**
Net result attributable to non-controlling interests	-	-	(26)	-	-	(8)	-	-	(26)	(8)
Net result attributable to owners of the parent	**5,100**	**6,960**	**4,512**	**4,105**	**(1,612)**	**(1,576)**	**1,266**	**1,537**	**9,265**	**11,026**
Operating income	16,093	16,627	6,868	6,482	(1,117)	(193)	1,976	2,453	23,820	25,369
Operating expenses	(8,659)	(8,132)	(1,717)	(1,556)	(849)	(510)	(329)	(342)	(11,554)	(10,540)
Operating result	**7,433**	**8,495**	**5,151**	**4,926**	**(1,965)**	**(703)**	**1,647**	**2,112**	**12,266**	**14,830**
Risk-weighted assets (credit risk, pillar 1, eop)	196,919	162,465	336,882	300,280	40,977	28,219	10,190	6,960	584,969	497,925
Average allocated capital	24,628	24,470	30,557	28,971	97,980	94,808	2,212	3,036	155,376	151,284
Cost/income ratio	53.80%	48.90%	25.00%	24.00%	-76.00%	-264.20%	16.60%	13.90%	48.50%	41.50%
Return on allocated capital	41.40%	56.90%	29.50%	28.30%	-3.30%	-3.30%	114.50%	101.30%	11.90%	14.60%
Total assets (eop)	648,641	604,561	360,646	330,717	873,891	871,810	34,185	36,751	1,917,363	1,843,839
Total liabilities excluding equity (eop)	974,405	974,862	386,374	360,771	86,496	51,021	337,530	331,570	1,784,805	1,718,223

The majority of revenue from external customers is generated in the Czech Republic and the Group has no revenues from the customer that would exceed 10% of total revenues of the Group.

RISK AND CAPITAL MANAGEMENT

A core function of a Bank is taking risks in a conscious and selective manner and professionally steering those risks. Adequate risk policy and risk strategy is essential to a Bank's fundamental financial health and operational business success. Concerning risk policy and strategy as well as regarding risk management organisation, reference is made to the note of the same name in the Annual report 2022.

27 Credit risk: Credit Risk Review and Monitoring

The classification of credit assets into risk grades is based on the Group's internal ratings. For the purpose of external reporting, internal rating grades of the Group are grouped into the following four risk categories:

Low risk. Typically regional customers with well-established and rather long-standing relationships with the Group or large internationally recognised customers. Very good to satisfactory financial position and low likelihood of financial difficulties relative to the respective market in which the customers operate. Retail clients having long relationships with the Group, or clients with a wide product pool use. No relevant late payments currently or in the most recent 12 months. New business is generally done with clients in this risk category.

Management attention. Vulnerable non-retail clients, who may have overdue payments or defaults in their credit history or may encounter debt repayment difficulties in the medium term. Retail clients with possible payment problems in the past triggering early collection reminders. These clients typically have a good recent payment history.

Substandard. The borrower is vulnerable to short-term negative financial and economic developments and shows an elevated probability of failure. In some cases, restructuring measures are possible or already in place. As a rule, such loans are managed in specialised risk management departments.

Non-performing. One or more of the default criteria under Article 178 of the CRR are met, which include full repayment unlikely, interest or principal payments on a material exposure more than 90 days past due, restructuring resulting in a loss to the lender, realisation of a loan loss, or initiation of bankruptcy proceedings. The Group applies the customer view for all customer segments, including retail clients; if an obligor defaults on one deal then the customer's performing transactions are classified as non-performing as well. All non-performing exposures are also defaulted.

28 Credit risk exposure

Credit risk exposure relates to the sum of the following balance sheet items:

- cash and cash balances – demand deposits to credit institutions;
- debt instruments held for trading;
- non-trading debt instruments at fair value through profit or loss (FVPL);
- debt instruments at fair value through other comprehensive income (FVOCI);
- debt instruments at amortised cost (AC), other than trade and other receivables;
- trade and other receivables (for disclosure purposes in the tabular summaries below, any contract assets are also included in this category);
- finance lease receivables;
- debt instruments held for sale in disposal groups;
- positive fair value of derivatives;
- off-balance sheet credit risks (primarily financial guarantees and undrawn irrevocable credit commitments).

The credit risk exposure equates the gross carrying amount (or nominal value in the case of off-balance sheet positions) excluding:

- credit loss allowances for financial assets;
- credit loss allowances for loan commitments and financial guarantees;
- provisions for other commitments;
- any collateral held (including risk transfer to guarantors);
- netting effects;
- other credit enhancements;
- credit risk mitigating transactions.

The gross carrying amount of the credit risk exposure increased in the reporting period to CZK 2,128 billion from CZK 1,885 billion.

Reconciliation between the gross carrying amount and the carrying amount of the credit risk exposure components

in CZK million	Credit risk exposure	Credit loss allowances	Adjustments	Net carrying amount
June 2023				
Cash and cash balances - demand deposits to credit institutions	1,669	(1)	-	1,668
Debt instruments held for trading	23,356	0	-	23,356
Non-trading debt instruments at FVPL	1,462	-	-	1,462
Debt securities	926	-	-	926
Loans and advances to banks	501	-	-	501
Loans and advances to customers	35	-	-	35
Debt instruments at FVOCI	53,902	(158)	(1,002)	52,741
Debt securities	53,902	(158)	(1,002)	52,741
Debt instruments at AC	1,768,055	(20,079)	-	1,747,976
Debt securities	370,010	(36)	-	369,974
Loans and advances to banks	424,979	(11)	-	424,968
Loans and advances to customers	973,067	(20,032)	-	953,034
Trade and other receivables	13,107	(634)	-	12,473
Finance lease receivables	1,493	(68)	-	1,425
Positive fair value of hedge accounting derivatives	4,299	(0)	-	4,299
Off balance-sheet exposures	260,784	(1,369)	-	-
Total	**2,128,128**	**(22,309)**	**(1,002)**	**1,845,401**
December 2022				
Cash and cash balances - demand deposits to credit institutions	1,984	(1)	-	1,983
Debt instruments held for trading	28,009	-	-	28,009
Non-trading debt instruments at FVPL	2,328	-	-	2,328
Debt securities	926	-	-	926
Loans and advances to banks	1,383	-	-	1,383
Loans and advances to customers	19	-	-	19
Debt instruments at FVOCI	50,306	(153)	(1,719)	48,434
Debt securities	50,306	(153)	(1,719)	48,434
Debt instruments at AC	1,515,167	(20,152)	-	1,495,014
Debt securities	327,840	(34)	-	327,805
Loans and advances to banks	266,680	(4)	-	266,675
Loans and advances to customers	920,647	(20,113)	-	900,534
Trade and other receivables	12,436	(616)	-	11,821
Finance lease receivables	1,555	(81)	-	1,474
Positive fair value of hedge accounting derivatives	3,235	-	-	3,235
Off balance-sheet exposures	269,532	(1,466)	-	-
Total	**1,884,552**	**(22,469)**	**(1,719)**	**1,592,298**

Credit risk allowances comprise impairments for financial assets measured at amortized cost (including finance lease and trade and other receivables) and at fair value through other comprehensive income (FVOCI), as well as provisions for off-balance sheet exposures. Adjustments refer to the fair value changes of the carrying amount for financial assets at FVOCI.

Credit risk volume is presented by:

- industry and risk category;
- business segment and risk category;
- business segment and IFRS 9 treatment.

Credit risk exposure by industry and risk category

in CZK million	Low risk	Management attention	Substandard	Non-performing	Total credit risk exposure
June 2023					
I. Natural Resources & Commodities	47,411	15,340	6,719	2,721	72,191
II. Energy	48,306	13,795	1,274	230	63,605
III. Construction and building materials	43,752	15,610	2,830	948	63,140
IV. Automotive	27,391	6,345	2,276	472	36,485
V. Cyclical Consumer Products	25,857	11,874	2,431	1,203	41,364
VI. Non-Cyclical Consumer Products	27,690	10,861	4,556	377	43,484
VII. Machinery	14,463	8,283	1,086	1,255	25,088
VIII. Transportation	20,480	11,676	909	398	33,463
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	16,537	4,869	728	936	23,071
X. Healthcare & Services	15,323	5,971	1,569	346	23,209
XI. Hotels, Gaming & Leisure Industry	14,854	2,826	1,670	1,325	20,675
XII. Real Estate	86,908	15,084	7,012	1,188	110,191
XIII. Public Sector	839,784	922	108	817	841,631
XIV. Financial Institutions	90,824	4,120	1,469	24	96,437
XV. Private Households	532,295	86,671	7,921	7,203	634,090
XVI. Other	1	-	1	-	2
Total	**1,851,878**	**214,247**	**42,560**	**19,443**	**2,128,128**
December 2022					
I. Natural Resources & Commodities	41,906	20,249	4,934	2,529	69,618
II. Energy	44,023	14,246	1,015	192	59,477
III. Construction and building materials	35,397	22,125	2,252	1,070	60,843
IV. Automotive	26,133	6,765	2,351	940	36,189
V. Cyclical Consumer Products	24,548	12,174	2,365	1,476	40,563
VI. Non-Cyclical Consumer Products	25,836	12,479	1,502	407	40,224
VII. Machinery	12,892	8,899	1,042	1,625	24,457
VIII. Transportation	12,535	16,658	1,204	428	30,825
IX. TMT; Telecommunications, Media, Technology and Paper & Packaging	14,144	6,667	1,076	829	22,716
X. Healthcare & Services	14,807	6,148	1,647	393	22,995
XI. Hotels, Gaming & Leisure Industry	13,283	3,927	1,548	1,432	20,190
XII. Real Estate	86,354	13,431	4,075	1,029	104,889
XIII. Public Sector	645,915	1,008	852	-	647,774
XIV. Financial Institutions	89,435	4,909	911	92	95,346
XV. Private Households	577,226	17,318	7,046	6,815	608,404
XVI. Other	1	39	1	-	42
Total	**1,664,434**	**167,042**	**33,820**	**19,256**	**1,884,552**

Credit risk exposure by business segment and risk category

The segment reporting is based on the business segments as described in Note 26.

in CZK million	Low risk	Management attention	Substandard	Non-performing	Total
June 2023					
Retail	564,367	99,679	17,555	8,963	690,564
Corporates	403,498	111,469	23,611	10,394	548,972
Group Markets	54,617	1,672	719	-	57,008
ALM & LCC	829,397	1,427	675	85	831,584
Total	**1,851,878**	**214,247**	**42,560**	**19,443**	**2,128,128**
December 2022					
Retail	612,176	29,112	15,240	8,764	665,292
Corporates	364,248	133,715	17,959	10,461	526,382
Group Markets	61,783	1,650	5	1	63,439
ALM & LCC	626,228	2,566	616	30	629,440
Total	**1,664,434**	**167,042**	**33,820**	**19,256**	**1,884,552**

29 Credit Risk Exposure by IFRS 9 Stage and ECL

Credit risk exposure by business segment and IFRS 9 treatment

in CZK million	Credit risk exposure					Credit loss allowances				NPE coverage ratio		
	Stage 1	Stage 2	Stage 3	POCI	Not subject to IFRS 9 impairment	Stage 1	Stage 2	Stage 3	POCI	Stage 2	Stage 3	POCI
June 2023												
Retail	589,951	91,368	8,607	454	184	(1,400)	(5,862)	(5,585)	(44)	6.4%	64.9%	9.6%
Corporates	329,207	116,382	8,441	1,130	93,812	(880)	(2,543)	(4,924)	(513)	2.2%	58.3%	45.4%
Group Markets	14,314	650	-	-	42,044	(129)	(12)	-	-	1.9%	70.0%	57.8%
ALM & LCC	825,083	107	84	1	6,308	(49)	(99)	(81)	-	92.7%	96.0%	46.2%
Total	**1,758,555**	**208,508**	**17,132**	**1,585**	**142,348**	**(2,458)**	**(8,516)**	**(10,590)**	**(557)**	**4.1%**	**61.8%**	**35.1%**
December 2022												
Retail	567,359	88,929	8,661	188	155	(1,244)	(5,528)	(5,609)	(42)	6.2%	64.8%	22.2%
Corporates	324,716	104,022	8,520	1,122	88,002	(836)	(2,480)	(5,620)	(433)	2.4%	66.0%	38.6%
Group Markets	9,086	7,384	1	-	46,967	(254)	(2)	(1)	-	0.0%	76.0%	60.2%
ALM & LCC	622,673	604	28	2	6,133	(44)	(5)	(19)	(1)	0.8%	67.0%	64.5%
Total	**1,523,833**	**200,940**	**17,210**	**1,311**	**141,258**	**(2,377)**	**(8,015)**	**(11,249)**	**(475)**	**4.0%**	**65.4%**	**36.3%**

Stage 1 and Stage 2 comprise not impaired credit risks exposure while Stage 3 includes impaired credit risks exposure. POCI (purchased or originated credit impaired) consists of credit risks exposure already impaired when purchased or originated. Column Not subject to IFRS 9 impairment refers to low credit risk exception.

30 Measurement of Expected Credit Loss

The general principles and standards for credit loss allowances are governed by internal policies. According to IFRS 9, credit loss allowances are calculated for all components of credit risk exposures which are measured at amortised cost (AC) or at fair value through other comprehensive income. They include debt securities, loans and advances, demand deposits on nostro accounts with commercial banks as well as finance lease and trade receivables. In addition, credit loss allowances are calculated for loan commitments and financial guarantees if they meet the applicable IFRS 9 definitions.

Classification into stages and definition of credit-impaired financial instruments

There are three main stages outlined for expected credit loss (ECL) determination. The stages approach applies to financial instruments within the scope of the impairment requirements of IFRS 9 and those that are not categorised as purchased or originated credit impaired financial assets (POCI), which form a category of their own. Depending on the impairment status and the assessment of the development of credit risk, these financial instruments are assigned to one of the three stages.

Stage 1 includes not credit-impaired financial instruments at initial recognition and not credit-impaired financial instruments without a significant increase in credit risk (SICR) since initial recognition, irrespective of their credit quality, or subject to the 'low risk exemption' allowed by IFRS 9. Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of expected credit losses that result from default events possible within the next 12 months.

Stage 2 includes not credit-impaired financial instruments with a significant increase in credit risk since initial recognition and not subject to the 'low credit risk exemption' allowed by IFRS 9. Also, Stage 2 includes trade receivables without significant financing component to which the 'simplified approach' is applied mandatorily based on IFRS 9 requirements. In Stage 2, the credit loss allowances are calculated as lifetime ECL. In the case of drawings by non-defaulted customers on previously committed credit lines, the whole exposure (on-balance and off-balance) is categorised as either Stage 1 or Stage 2, depending on the development of credit risk between the commitment date and the drawing date.

Stage 3 includes financial instruments that are credit-impaired at the reporting date but were not credit-impaired at initial recognition. In principle, a financial instrument becomes credit-impaired when the customer defaults. The default definition applied in the Group has been developed in accordance with EBA/GL/2016/07 'Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013' and 'Commission Delegated Regulation (EU) 2018/171 of 19 October 2017 on supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the materiality threshold for credit obligations past due'. The definition specifies the rules for default contagion across groups of connected clients and clarifies the concept of technical default. The Group generally applies a customer view in applying the default definition, which leads to an impairment of all claims even if the customer defaults only on one of several transactions ('pulling effect'). On the other hand, an upgrade to a non-defaulted rating grade implies that the total exposure ceases to be impaired. In Stage 3, credit loss allowances are calculated as lifetime ECLs.

POCI includes financial instruments that were credit-impaired at initial recognition, irrespective of whether they are still credit-impaired at the reporting date. Expected credit losses against POCI exposures are always calculated on a lifetime basis (cumulative changes in lifetime ECL since initial recognition) and are reflected in the credit-adjusted effective interest rate at initial recognition. As a result, no loss allowance is recognised at inception. Subsequently, only adverse changes in lifetime expected credit losses after the initial recognition are recognised as loss allowance, whilst favorable changes are recognised as impairment gains increasing the gross carrying amount of the POCI financial assets.

Significant increase in credit risk determination

Assessment of significant increase in credit risk (SICR) of financial instruments as at the reporting date since initial recognition is one of the key drivers affecting the amount of the ECL recognised based on IFRS 9 requirements. In this respect, across portfolios and product types, quantitative and qualitative indicators are defined for assessing SICR, including the indicator of 30 days-past-due (DPD).

Quantitative criteria. Quantitative SICR indicators include adverse changes in annualised lifetime probability of default and in lifetime probability of default with significance being assessed by reference to a mix of relative and absolute change thresholds. The Group has established thresholds for significant increases in credit risk based on both a percentage (relative) and absolute change in probability of default (PD) compared to initial recognition. In order for the SICR to occur for a particular financial instrument, both the relative and absolute thresholds need to be breached.

The relative measure is calculated as a ratio between current annualised PD and annualised PD value on initial recognition. The breach means that such ratio has reached or is higher than the established threshold. These relative thresholds for SICR assessment are established at PD segment level or client rating level, as necessary, and are subject to initial and on-going validation. The relative thresholds can vary from 110% to 359% according to PD segment and rating level.

There are certain portfolios where SICR quantitative criteria are assessed based on the ratings rather than PDs. The main rule in those cases is that downgrading of the ratings would lead to a positive conclusion on SICR. These rules are applied primarily to leasing and factoring business receivables.

For migration back to Stage 1 there are no additional cure periods established for quantitative criteria other than those already established in general credit risk practice (e.g. for rating improvement).

The absolute threshold refers to difference of lifetime probabillity of default (LT PD) on initial recognition and current LT PD. It is set to a maximum of 50 bps and serves as a back-stop for migrations between the best ratings (LT PDs considered for remaining maturity). In such cases, relative thresholds may be breached, however overall LT PD is very low, and therefore SICR is not triggered.

Qualitative criteria. Qualitative SICR indicators include forbearance-type flags (i.e. threshold is set up to level of performing regulatory forbearance), information from the early-warning system (if it is not sufficiently considered in the rating), fraud indicators and 30 days past due. The assignment of some of the qualitative indicators inherently relies on experienced credit risk judgment being exercised adequately and in a timely manner. The related group- wide and entity-level credit risk controlling policies and procedures (adapted as necessary in the light of transition to IFRS 9) ensure the necessary governance framework. These indicators are used internally for identification of insolvency or increased probability that a borrower will enter bankruptcy and there is increased risk of default in the foreseeable future.

Besides the qualitative indicators defined on a client level, the assessment of a significant increase in credit risk is performed on a portfolio level if the increase in credit risk on individual instruments or at a client level is available only with a certain time lag or is observable exclusively on a portfolio level. The Group has introduced additional portfolio level SICR assessment criteria due to COVID-19 pandemic, war in Ukraine and other related macroeconomic effects. Please see related disclosures in the next chapter.

For migration back to Stage 1 there are no additional cure periods established for qualitative criteria other than those already established in general credit risk practice for the above-mentioned flags (forbearance, watch lists).

Backstop. A backstop is applied and the financial instruments are considered to have experienced a SICR if the borrower is more than 30 days past due on contractual payments. As observed during validation, this does not represent a major trigger for Stage 2 classification.

Low credit risk exemption. The ‘low credit risk exemption’ allowed by IFRS 9 for ‘investment grade’ assets or other assets deemed ‘low risk’ (and resulting in 12 months expected credit losses being calculated irrespective of SICR quantitative measures) has been implemented with limitations in the Group. Thus, the potential activation of this exemption is limited to particular types of debt instruments and counterparty categories, and only if supported by sufficient ‘low risk’ evidence. On this basis, the ‘low risk exemption’ is applied only to debt security exposures (reverse repo excluded). The Group considered that low credit risk is still appropriate since potential increase of riskiness is already incorporated in 1Y PD due to FLI.

Measuring ECL – explanation of inputs and measurement

Credit loss allowances are calculated individually or collectively.

The individual calculation approach is applied in case of exposures to significant defaulted customers in Stage 3 or POCI. It consists in the individual assessment of the difference between the gross carrying amount and the present value of the expected cash flows, which are estimated by workout or risk managers. The discounting of the cash flows is based on the effective interest rate (POCI: credit-adjusted effective interest rate). However, the discount rate for financial guarantees shall reflect the current market assessment of the time value of money and the risks that are specific to the cash flows which in the Group's implementation means using a risk free rate as a proxy.

A defaulted customer is classified as individually significant if the total on- and off-balance exposure exceeds a predefined materiality limit. Otherwise, the customer is considered insignificant, and a rule-based (collective) approach is used for the calculation of the related credit loss allowance as the product of gross carrying amount and LGD, where the LGD depends on characteristics such as time in default or the stage of the workout process.

For exposures to non-defaulted customers (i.e. in Stage 1 and Stage 2), collective allowances are calculated according to a rule- based approach irrespective of the significance of the customer. The calculation of collective allowances requires grouping the related exposures into homogenous clusters on the basis of shared risk characteristics. The grouping criteria may differ based on the customer segment (retail, corporate) and include product type, collateral type, repayment type, loan to value band. There are credit listed groups for calculation of collective allowance: Micro and Small Enterprise (MSE) by product type, Private Individual (PI) by product type, in case of PI Mortgages the group is splited according to LTV (<20%, 20-60%, 60-80%, >80%, LTV is missing). Recovery curves depends also on repayments type (cooperative versus noncooperative client).

The calculation of credit loss allowances is done on a daily basis on a single exposure level and in the contractual currency of the exposure. To compute the collective credit loss allowance, the Group applies an expected credit loss (ECL) model based on a three-stage approach that leads to either a 12-month ECL or to a lifetime ECL. ECL is the discounted product of exposure at default (EAD) that also includes a credit conversion factor in the case of off-balance sheet exposures, probability of default (PD) and loss given default (LGD), defined as follows:

- PD represents the likelihood of a borrower defaulting on its financial obligation (per definition of default below), either over next 12 months (1Y PD) for Stage 1 exposures or over the remaining lifetime (LT PD) for Stage 2 and 3 and POCI exposures.
- EAD is based on the amounts Group expects to be owed at the time of default, over next 12 months (1Y EAD) for Stage 1 exposures, or over the remaining lifetime (LT EAD) for Stage 2 and 3 and POCI exposures. The estimation includes current balance, expected repayments and expected drawings up to the current contractual limit by the time of default.
- LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit exposure at the time of default (EAD).

Life-time parameters

The LT PD is developed through observation of historical defaults from initial recognition through the life-time of the loans. It is assumed to be the same across all assets in the same portfolio and rating band.

The 1Y and LT EADs are determined based on the expected payment profiles, which vary by product type. The LT EAD calculation utilises repayment schedule or repayment type (annuity, linear, bullet). In the case of undrawn commitments, credit conversion factor is estimated for reflecting the expected credit exposure in the EAD.

The LGD is estimated as a lifetime curve for any point in time, based on historical loss observations.

The risk parameters used in the ECL calculation take into account available information at the reporting date about past events, current conditions and forecasts on future economic trends. Generally, the risk parameters applied in the calculation of collective allowances differ from the risk parameters compliant with capital requirement regulations, calculated on a through-the-cycle basis, if the characteristics of the respective portfolio in combination with IFRS standards necessitate this.

31 Development of Credit Loss Allowances

Movement in credit loss allowances - debt securities

in CZK million	As of	Additions	Derecognition	Transfers between stages	Other changes in credit risk (net)	Other	As of
	January 2023						June 2023
Stage 1	(28)	(8)	5	5	(5)	-	(32)
Stage 2	(6)	-	-	-	2	-	(4)
Total	**(34)**	**(8)**	**5**	**5**	**(3)**	**-**	**(36)**
	January 2022						June 2022
Stage 1	(19)	(6)	6	-	(1)	-	(20)
Total	**(19)**	**(6)**	**6**	**-**	**(1)**	**-**	**(20)**

Movement in credit loss allowances - loans and advances to banks

in CZK million	As of	Additions	Derecognition	Transfers between stages	Other changes in credit risk (net)	As of
	January 2023					June 2023
Stage 1	(4)	(86)	81	1	(1)	(11)
Stage 2	-	(1)	-	-	1	-
Total	**(4)**	**(87)**	**81**	**1**	**(1)**	**(11)**
	January 2022					June 2022
Stage 1	(3)	(79)	38	-	39	(5)
Stage 2	-	(1)	-	-	1	-
Total	**(3)**	**(80)**	**38**	**-**	**40**	**(5)**

Movement in credit loss allowances - loans and advances to customers

in CZK million	As of	Additions	Derecognition	Transfers between stages	Other changes in credit risk (net)	Write-offs	Other	As of
	January 2023							June 2023
Stage 1	**(1,817)**	**(1,302)**	**247**	**1,295**	**(383)**	**-**	**10**	**(1,950)**
General governments	(8)	(2)	-	1	-	-	-	(9)
Other financial corporations	(24)	(7)	2	3	-	-	5	(20)

in CZK million	As of	Additions	Derecognition	Transfers between stages	Other changes in credit risk (net)	Write-offs	Other	As of
Non-financial corporations	(751)	(711)	103	388	210	1	5	(757)
Households	(1,034)	(582)	143	903	(593)	-	-	(1,163)
Stage 2	**(7,226)**	**(472)**	**392**	**(1,924)**	**1,503**	**2**	**22**	**(7,703)**
General governments	(148)	-	-	(1)	128	-	-	(20)
Other financial corporations	(36)	(9)	2	(1)	(16)	-	-	(59)
Non-financial corporations	(3,266)	(358)	208	(617)	319	-	21	(3,693)
Households	(3,776)	(105)	182	(1,305)	1,072	2	-	(3,930)
Stage 3	**(10,597)**	**(34)**	**728**	**(244)**	**(254)**	**544**	**33**	**(9,824)**
General governments	-	-	-	-	(116)	-	2	(114)
Other financial corporations	(1)	-	-	-	-	-	-	(1)
Non-financial corporations	(5,515)	(10)	521	(76)	482	48	31	(4,519)
Households	(5,080)	(24)	207	(169)	(619)	496	-	(5,189)
POCI	**(474)**	**-**	**35**	**-**	**(120)**	**1**	**3**	**(556)**
Non-financial corporations	(449)	-	35	-	(112)	-	3	(524)
Households	(25)	-	1	-	(8)	-	-	(32)
Total	**(20,113)**	**(1,807)**	**1,403**	**(874)**	**746**	**547**	**67**	**(20,032)**

	January 2022							June 2022
Stage 1	**(2,339)**	**(1,121)**	**342**	**1,745**	**(597)**	**-**	**3**	**(1,968)**
General governments	(10)	-	-	16	(16)	-	-	(10)
Other financial corporations	(36)	(6)	9	32	(32)	-	2	(31)
Non-financial corporations	(1,105)	(598)	170	600	139	-	1	(793)
Households	(1,189)	(517)	163	1,097	(688)	-	-	(1,134)
Stage 2	**(6,413)**	**(246)**	**524**	**(2,121)**	**1,928**	**1**	**6**	**(6,321)**
General governments	(98)	-	-	(1)	6	-	1	(92)
Other financial corporations	(32)	(14)	-	(16)	42	-	1	(19)
Non-financial corporations	(2,879)	(126)	372	(961)	664	-	4	(2,926)
Households	(3,404)	(106)	152	(1,143)	1,216	1	-	(3,284)
Stage 3	**(9,793)**	**(57)**	**585**	**(791)**	**338**	**169**	**(14)**	**(9,563)**
Other financial corporations	(1)	-	-	-	(1)	-	1	(1)
Non-financial corporations	(4,597)	(16)	277	(639)	240	20	(15)	(4,729)
Households	(5,195)	(41)	308	(152)	99	149	-	(4,832)
POCI	**(490)**	**-**	**20**	**-**	**(51)**	**4**	**2**	**(515)**
Non-financial corporations	(466)	-	19	-	(47)	4	1	(488)

in CZK million	As of	Additions	Derecognition	Transfers between stages	Other changes in credit risk (net)	Write-offs	Other	As of
Households	(25)	-	1	-	(4)	-	-	(28)
Total	**(19,035)**	**(1,424)**	**1,471**	**(1,167)**	**1,618**	**174**	**4**	**(18,367)**

Movement in credit loss allowances - trade and other receivables

in CZK million	As of	Additions	Derecognition	Transfers between stages	Other changes in credit risk (net)	Write-offs	Other	As of
	January 2023							**June 2023**
Stage 1	(92)	(25)	5	2	(27)	-	-	(137)
Stage 2	(164)	-	9	(3)	26	1	-	(131)
Stage 3	(359)	-	24	-	(41)	1	8	(367)
Total	**(616)**	**(25)**	**37**	**-**	**(41)**	**2**	**9**	**(634)**
	January 2022							**June 2022**
Stage 1	(92)	(72)	14	-	78	-	-	(72)
Stage 2	(150)	-	5	(18)	(36)	18	-	(181)
Stage 3	(677)	-	70	-	(48)	-	3	(652)
Total	**(918)**	**(72)**	**89**	**(18)**	**(6)**	**18**	**3**	**(905)**

Movement in the credit loss allowances - debt securities financial assets FVOCI

in CZK million	As of	Additions	Derecognition	Transfers between stages	Other changes in credit risk (net)	As of
	January 2023					**June 2023**
Stage 1	(8)	-	1	3	-	(6)
Stage 2	(145)	-	2	-	(9)	(152)
Total	**(153)**	**-**	**3**	**3**	**(10)**	**(158)**
	January 2022					**June 2022**
Stage 1	(3)	(24)	-	17	6	(4)
Stage 2	(146)	-	1	-	61	(84)
Total	**(149)**	**(24)**	**1**	**17**	**67**	**(88)**

Movement in credit loss allowances - finance lease receivables

in CZK million	As of	Additions	Derecognition	Transfers between stages	Other changes in credit risk (net)	As of
	January 2023					June 2023
Stage 1	(32)	-	-	1	5	(26)
Stage 2	(13)	-	-	-	5	(8)
Stage 3	(36)	-	3	(4)	3	(34)
Total	**(81)**	**-**	**2**	**(2)**	**13**	**(68)**
	January 2022					June 2022
Stage 1	(11)	-	-	-	(33)	(44)
Stage 2	(4)	-	-	-	3	(1)
Stage 3	(52)	-	1	-	12	(39)
Total	**(67)**	**-**	**1**	**-**	**(18)**	**(84)**

Movement in credit loss allowances - loan commitment and financial guarantees

in CZK million	As of	Additions	Derecognition	Transfers between stages	Other changes in credit risk (net)	Other	As of
	January 2023						June 2023
Stage 1	395	605	(257)	(177)	(268)	(2)	296
Stage 2	460	-	(121)	118	63	(3)	518
Stage 3	258	-	(194)	3	301	(2)	366
POCI	1	-	(1)	-	1	-	1
Total	**1,114**	**605**	**(573)**	**(56)**	**98**	**(7)**	**1,180**
	January 2022						June 2022
Stage 1	465	311	(239)	(67)	(74)	(1)	394
Stage 2	452	-	(80)	267	1	(2)	638
Stage 3	279	-	(87)	35	94	(1)	321
POCI	1	-	-	-	(1)	-	-
Total	**1,197**	**311**	**(407)**	**236**	**21**	**(4)**	**1,354**

32 Scenarios used in forward looking information

Overview on Scenarios used in forward-looking information

Incorporation of forward-looking information

Parameters are determined to reflect the risk as a ‘point-in-time’ measure and with consideration of forward-looking information (FLI). This results in using a baseline forecast and a number of alternative scenarios for selected macroeconomic variables. The alternative scenarios are derived, together with their probabilities of occurrence, as a deviation from baseline forecasts, where the baseline forecasts are, with a few exceptions, internally determined by the Group’s research department. Given multiple scenarios, the ‘neutral’ PDs (and, with a few exceptions, also LGDs) are adjusted using macro models that link relevant macroeconomic variables with risk drivers. The same macro-shift models as for external and internal stress test are used. Forward-looking information is incorporated for first three years of ECL measurement. Measurement of the parameters for the remaining lifetime returns back to through- the-cycle observations immediately in year four.

Thus, the unbiased scenario weighted ECL considering FLI is derived using the weights representing the outcome of each macroeconomic scenario. Typical macroeconomic variables may include real gross domestic product, unemployment rate, inflation rate, production index as well as market interest rates.

The main indicator of the estimated economic development and basis for alternative scenario derivation is the GDP. Moreover the Group implemented in June 2022 a forward looking information (FLI) estimation model based (except of GDP) also on unemployment, real wages, retail revenues, PPI (Producer Price Index). In new model, GDP is used only as scenario weights. Unemployment rate is used for all rating models, real wages for MSE and WBMEG (bytová družstva) rating model, retail revenues for rating model for private individuals, PPI for corporate rating models. New FLI model is based on quarterly predictions while previous model was based on yearly predictions. Further the Group decided to override the FLI shifts produced by macroeconomic model for retail portfolio as described in the annual report 2022 remains unchanged.

In the tables below we are disclosing expected development of the GDP, all scenarios and scenario weights, as main indicator of the macro-economic situation from the last FLI review.

The Group performed the last FLI review in the fourth quarter of 2022 according to the disclosed forecasts and weights for baseline, downside, and upside scenarios (the forecast for years 2023-2025). The Group decided to assign 40% scenario weight to baseline forecast and added assumptions from comprehensive stress test scenario to downside scenario design. These model adjustments took place to address the increased uncertainty of the macro-economic forecasts, higher downside risks and effects of those on ECL resulting from the unstable geopolitical situation – war in Ukraine. The main assumptions of the baseline scenario as well as risks and assumption of the comprehensive stress test scenario that were added to the modelled downside as described in the annual report 2022 and in the corresponding chapters below were not significantly modified during review in the first half of 2023. The bank is disclosing sensitivity of the staging and ECL on macro scenarios in the "Collective assessment" section below.

Baseline, upside and downside scenarios of GDP growth

		Probability weights	GDP growth in %			
	Scenario	2023-2025		2023	2024	2025
June 2023						
	Upside	1%		3.4	6.2	5.9
Czech Republic	Baseline	40%		0.9	3.7	3.4
	Downside	59%		(4.9)	0.3	0.9
December 2022		**2023-2025**	**2022**	**2023**	**2024**	**2025**
	Upside	1%		3.4	6.2	5.9
Czech Republic	Baseline	40%	2.3	0.9	3.7	3.4
	Downside	59%		(4.9)	(0.3)	0.9

	Baseline scenario			Scenario weighted outcome		
	2023	2024	2025	2023	2024	2025
June 2023						
Unemployment rate	3.3	3.4	3.4	3.8	4.5	4.4
Inflation (PPI)	144.2	146.6	149.6	146.2	148.7	151.7
December 2022						
Unemployment rate	3.3	3.4	3.4	3.8	4.5	4.4
Inflation (PPI)	144.2	146.6	149.6	146.2	148.7	151.7

Collective assessment

As of March 2023, in addition to standard SICR assessment, the Group applied collective SICR assessment ("stage overlays"), i.e., transfer into Stage 2 based on pre-defined portfolio characteristics, due to the uncertainty caused by the war in Ukraine and the energy crisis. It requires, after the assessment of the outliers from the common portfolio characteristics, to have exemptions from the collective SICR assessment, if properly documented why they would behave differently than the rest of the portfolio.

War in Ukraine and energy crisis

The geopolitical situation and tightening monetary policies have intensified the challenges in the business environment.

In June 2022, the Group implemented rules for stage overlays due to the war in Ukraine (UA war overlays) as a combination of industries with correlation to economic downturn (cyclical industries) and one-year IFRS PD. These rules were defined on top of existing criteria mentioned in the section 'Significant increase in credit risk determination – Qualitative criteria' (Stage 2 identification based on the early warning signal and negative information about geopolitical risk in March 2022). The table below shows volumes for the cyclical industries category.

In addition to cyclical industries, from September 2022 the Group has introduced additional Energy stage overlay due to the current distortions in the energy market with implications on gas/energy availability and price. Two-folds effects were identified. Effects of gas rationing/shortage on clients either due to energy intensive production processes or relying on gas as a primary input in their business processes. Vulnerability is driven by gas dependency, (limited) substitution possibilities and implications of a substitution on financials, hedging and price mechanisms. Within the industry Energy sector and Metals and Chemical subindustries were identified as being most affected. All companies belonging to the Energy sector as the whole industry can potentially be affected by the massive shortages and distortions in the current energy market: price volatility, margin calls, price caps, adverse weather environment for hydro power, fixed off-take contracts (putting off-takers at risk when stopped and / or limiting producers of renewable energy profiting from the higher prices), exceptional taxes, etc. All customers belonging to these industries / sub-industries were migrated to Stage 2.

Increasing interest rates together with unprecedented increase of inflation may pose a threat to clients in segment private individuals. Analysis of mortgages and unsecured portfolio indicated that some clients may be at risk due to inflation affecting their expenses and increased interest rates affecting their debt payments. If a client is identified as having expenses, together with repayments, in excess of household income, the client 's accounts are transferred to Stage 2.

Credit risk exposure and credit loss allowances by industry and IFRS 9 treatment – cyclical industries

in CZK million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total	Credit loss allowances
June 2023								
Natural Resources & Commodities	30,707	29,104	2,548	79	62,438	9,753	72,191	(2,625)
of which cyclical	1,286	13,824	1,325	21	16,457	4,632	21,088	(1,295)
Energy	306	50,201	144	86	50,737	12,868	63,605	(907)
Construction and building materials	24,848	6,483	707	167	32,205	30,936	63,140	(1,065)
of which cyclical	20,586	5,852	580	119	27,136	26,903	54,039	(851)
Automotive	25,654	5,296	470	12	31,432	5,053	36,485	(550)
of which cyclical	23,223	4,955	405	12	28,594	4,910	33,504	(453)
Cyclical Consumer Products	25,617	8,701	896	335	35,548	5,816	41,364	(1,348)
Non-Cyclical Consumer Products	31,190	4,516	281	88	36,075	7,409	43,484	(459)
Machinery	16,163	1,399	841	113	18,515	6,573	25,088	(794)
of which cyclical	14,600	1,187	825	112	16,725	5,746	22,471	(748)
Transportation	25,561	1,247	299	99	27,207	6,256	33,463	(306)
of which cyclical	8,999	595	161	95	9,850	1,226	11,077	(81)

in CZK million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total	Credit loss allowances
TMT and paper and packaging	17,054	2,776	682	7	20,519	2,551	23,071	(535)
of which cyclical	2,506	216	32	0	2,755	554	3,309	(37)
Healthcare & Services	18,489	2,839	329	13	21,669	1,540	23,209	(550)
of which cyclical	5,039	1,275	126	5	6,445	522	6,967	(241)
Hotels & Leisure Industry	12,852	5,514	947	252	19,566	1,109	20,675	(1,080)
of which cyclical	12,823	5,512	947	250	19,533	1,074	20,607	(1,079)
Real Estate	88,578	19,131	1,165	23	108,897	1,294	110,191	(1,918)
of which cyclical	84,037	18,654	1,111	8	103,810	791	104,601	(1,784)
Public Sector	836,734	941	817	-	838,492	3,140	841,631	(291)
Financial Institutions	46,944	1,423	9	15	48,391	48,046	96,437	(196)
Private Households	557,855	68,938	6,999	295	634,087	4	634,090	(9,685)
Other	2	-	-	-	2	-	2	(0)
Total	**1,758,555**	**208,508**	**17,132**	**1,585**	**1,985,780**	**142,348**	**2,128,128**	**(22,309)**
of which cyclical (including Cyclical Consumer Products)	**198,718**	**60,770**	**6,407**	**958**	**266,853**	**52,174**	**319,027**	**(7,916)**
December 2022								
Natural Resources & Commodities	30,554	26,613	2,421	60	59,647	9,971	69,618	(2,530)
of which cyclical	1,077	14,255	1,622	18	16,973	4,429	21,402	(1,585)
Energy	643	46,949	88	104	47,784	11,693	59,477	(770)
Construction and building materials	24,737	5,811	786	120	31,454	29,389	60,843	(1,091)
of which cyclical	21,461	5,190	672	73	27,396	25,731	53,128	(907)
Automotive	26,264	4,059	930	6	31,259	4,930	36,189	(917)
of which cyclical	23,960	3,487	840	6	28,294	4,775	33,069	(791)
Cyclical Consumer Products	26,267	7,062	1,226	299	34,854	5,709	40,563	(1,500)
Non-Cyclical Consumer Products	32,687	3,344	288	109	36,429	3,796	40,224	(412)
Machinery	13,876	2,099	1,158	103	17,235	7,221	24,457	(1,144)
of which cyclical	12,587	1,997	1,141	102	15,827	5,597	21,424	(1,111)
Transportation	23,879	1,144	296	133	25,453	5,372	30,825	(313)
of which cyclical	8,962	652	136	131	9,881	1,089	10,971	(91)
TMT and paper and packaging	17,836	1,659	671	7	20,173	2,543	22,716	(514)
of which cyclical	2,377	242	41	-	2,660	509	3,169	(31)
Healthcare & Services	18,111	3,014	390	4	21,519	1,476	22,995	(564)
of which cyclical	4,961	1,506	134	-	6,600	383	6,983	(249)
Hotels & Leisure Industry	12,749	4,640	1,142	169	18,700	1,490	20,190	(1,119)
of which cyclical	12,749	4,640	1,142	169	18,700	1,490	20,190	(1,119)
Real Estate	87,950	14,484	1,025	11	103,470	1,419	104,889	(1,700)
of which cyclical	85,580	13,912	985	11	100,488	1,406	101,894	(1,593)
Public Sector	642,719	1,732	-	-	644,451	3,324	647,774	(244)
Financial Institutions	33,974	8,358	12	80	42,423	52,923	95,346	(314)
Private Households	531,547	69,971	6,778	105	608,400	4	608,404	(9,335)

in CZK million	Stage 1	Stage 2	Stage 3	POCI	Credit risk exposure (AC and FVOCI)	Not subject to IFRS 9 impairment	Total	Credit loss allowances
Other	41	-	-	-	42	-	42	(1)
Total	**1,523,833**	**200,940**	**17,210**	**1,311**	**1,743,294**	**141,258**	**1,884,552**	**(22,469)**
of which cyclical (including Cyclical Consumer Products)	**199,981**	**52,944**	**7,938**	**810**	**261,673**	**51,118**	**312,792**	**(8,978)**

Effect on Expected Credit Loss

The analysis tables below present the effects of the portfolio overlays and FLI on both exposure migration to Stage 2 and the resulting increase of ECL. Additional sensitivities to the baseline, upside and downside scenarios are simulated.

Exposure in Stage 2 due to the application of the rules for Ukraine war overlays stood at for cyclical industries CZK 20,694 million in June 2023 (December 2022: CZK 20,531 million) and CZK 60,382 million for energy, metals and chemical overlays in June 2023 (2022: CZK 50,854 million), with additional ECL allocated in the amount of CZK 885 million (2022: CZK 807 million) for cyclical industries and CZK 408 million (2022: CZK 327 million) for energy, metals and chemical overlays. Moreover exposure in Stage 2 increased by CZK 30,138 million in June 2023 (2022: CZK 31,002 million) for overlays for private individuals with additional ECL allocated in the amount of CZK 415 million (2022: CZK 382 million).

As described above, FLI were re-assessed based on the latest macro-scenarios in the last quarter of 2022. Effects of the inflation and/or increased interest rates partially compensated for the COVID-19 crisis year lagging. Therefore, Stage 2 exposure due to FLI is higher by CZK 18,241 million with additional ECL allocated in the amount of CZK 2,408 million as of June 2023 (December 2022 Stage 2 exposure: CZK 17,242 million, ECL: CZK 2,109 million).

Scenario analysis – Different probabilities of default (PD)

Scenario simulation presents sensitivity analyses taking into consideration only changes due to the different values of PDs, if baseline, upside or downside FLI scenarios had 100% weight. Sensitivities of these scenarios are calculated in comparison to current production - weighted scenarios FLI shifted - PDs (weights and scenarios are disclosed in the "Incorporation of forward-looking information" section above). Both staging and resulting ECL were simulated with the scenario PDs.

The incorporation of 100% baseline scenario instead of the currently applied probability weighted scenario, would lead to a decrease of Stage 2 exposure by CZK 8,087 million (2022: CZK 6,492 million), resulting in an ECL drop by CZK 641 million (2022: CZK 582 million).

The downside scenario would lead to additional CZK 5,825 million of exposure migration to Stage 2 in comparison with probability weighted FLI (2022: CZK 6,293 million), resulting in ECL increase of CZK 500 million (2022: CZK 494 million).

33 Detailed analysis of loans and advances to customers

Loans and advances to customers

The tables on the following pages present the structure of the customer loan book, excluding loans to central banks and credit institutions broken-down by different categories. Loans and advances to customers comprise

- loans to customers at FVPL;
- loans and advances to customers at AC;
- finance lease receivables;
- trade and other receivables.

On the next pages loans and advances to customers are presented by:

- business segment and risk category;
- business segment and coverage of non-performing loans to customers by loan loss allowances;
- business segment and coverage by loan loss allowances and IFRS 9 treatment.

The presentation is by gross carrying amount excluding loan loss allowances and collateral.

Loans and advances to customers by business segment and risk category

in CZK million	Low risk	Management attention	Substandard	Non-performing	Total
June 2023					
Retail	508,864	93,154	16,585	8,845	627,447
Corporates	251,595	76,596	16,076	8,736	353,002
Group Markets	4,414	61	215	-	4,691
ALM&LCC	1,298	1,043	135	85	2,562
Total	**766,171**	**170,855**	**33,010**	**17,666**	**987,702**
December 2022					
Retail	540,779	25,919	14,500	8,614	589,812
Corporates	230,118	84,212	14,151	9,081	337,562
Group Markets	3,260	27	-	-	3,287
ALM&LCC	1,875	2,092	-	30	3,996
Total	**776,031**	**112,250**	**28,652**	**17,725**	**934,657**

Non-performing loans and advances to customers by business segment and coverage by loan loss allowances

	Non-performing		Gross customer loans		Loan loss allowances	Collateral for NPL		NPL ratio		NPL coverage (exc collateral)	NPL collateralisation ratio	
in CZK million	**Total**	**AC**	**Total**	**AC**	**AC**	**Total**	**AC**	**Total**	**AC**	**AC**	**Total**	**AC**
June 2023												
Retail	8,845	8,845	627,447	627,412	(12,503)	2,259	2,259	1.4%	1.4%	141.4%	25.5%	25.5%
Corporates	8,736	8,736	353,002	353,002	(8,043)	3,805	3,805	2.5%	2.5%	92.1%	43.6%	43.6%
Group Markets	-	-	4,691	4,691	(2)	-	-	0.0%	0.0%	7157.0%	0.0%	0.0%
ALM&LCC	85	85	2,562	2,562	(186)	-	-	3.3%	3.3%	218.3%	0.0%	0.0%
Total	**17,666**	**17,666**	**987,702**	**987,666**	**(20,734)**	**6,063**	**6,063**	**1.8%**	**1.8%**	**117.4%**	**34.3%**	**34.3%**
December 2022												
Retail	8,614	8,614	589,812	589,793	(12,093)	2,052	2,052	1.5%	1.5%	140.4%	23.8%	23.8%
Corporates	9,081	9,081	337,562	337,562	(8,684)	3,430	3,430	2.7%	2.7%	95.6%	37.8%	37.8%
Group Markets	-	-	3,287	3,287	(3)	-	-	0.0%	0.0%	1075.4%	0.0%	0.0%
ALM&LCC	30	30	3,996	3,996	(30)	12	12	0.7%	0.7%	100.9%	39.2%	39.2%
Total	**17,725**	**17,725**	**934,657**	**934,638**	**(20,810)**	**5,493**	**5,493**	**1.9%**	**1.9%**	**117.4%**	**31.0%**	**31.0%**

Loans and advances to customers at AC and coverage by loan loss allowances by business segment and IFRS 9 treatment

	Loans to customers					Loan loss allowances						
in CZK million	Stage 1	Stage 2	Stage 3	POCI	Not IFRS 9 impairment relevant	Stage 1	Stage 2	Stage 3	POCI	Stage 2 coverage ratio	Stage 3 coverage ratio	POCI coverage ratio
June 2023												
Retail	532,728	85,742	8,492	450	35	(1,311)	(5,604)	(5,545)	(43)	6.5%	65.3%	9.5%
Corporates	261,766	82,455	7,653	1,129	-	(793)	(2,138)	(4,599)	(513)	2.6%	60.1%	45.4%
Group Markets	4,691	-	-	-	-	(2)	-	-	-	5.0%	70.0%	57.8%
ALM&LCC	2,372	104	84	1	-	(5)	(99)	(81)	-	95.4%	96.0%	46.2%
Total	**801,557**	**168,301**	**16,229**	**1,580**	**35**	**(2,112)**	**(7,842)**	**(10,225)**	**(556)**	**4.7%**	**63.0%**	**35.2%**
December 2022												
Retail	497,605	83,493	8,517	178	19	1,150	5,327	5,575	41	6.4%	65.5%	22.8%
Corporates	255,660	72,725	8,055	1,122	-	779	2,075	5,397	433	2.9%	67.0%	38.6%
Group Markets	3,286	1	-	-	-	2	1	-	-	93.2%	98.2%	60.2%
ALM&LCC	3,967	-	28	2	-	10	-	19	1	0.0%	67.0%	64.5%
Total	**760,517**	**156,219**	**16,600**	**1,301**	**19**	**1,941**	**7,403**	**10,992**	**474**	**4.7%**	**66.2%**	**36.4%**

34 Market Risk

The following table summarizes the VaR values as of 30 June 2023 and 31 December 2022 assuming 1 day holding period and confidence level of 99%.

in CZK million	Market risk total	Interest rate risk	Credit spread risk	Currency risk	Equity risk	Commodity risk	Volatility risk
June 2023							
ČS Total	**1,126**	**1,116**	**155**	**-**	**-**	**-**	**-**
Banking book	1,121	1,111	154	-	-	-	-
Trading book	5	5	1	-	-	-	-
December 2022							
ČS Total	**1,492**	**1,484**	**154**	**-**	**-**	**-**	**-**
Banking book	1,486	1,478	154	-	-	-	-
Trading book	6	6	-	-	-	-	-

35 Liquidity Risk

The liquidity risk is defined in the Group in line with the principles set out by the Basel Committee on Banking Supervision and the Czech National Bank. Accordingly, a distinction is made between market liquidity risk, which is the risk that the Group cannot easily offset or close a position at the market price because of inadequate market depth or market disruption, and funding liquidity risk, which is the risk that the Group will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group.

Funding liquidity risk is further divided into insolvency risk and structural liquidity risk. The former is the short-term risk that current or future payment obligations cannot be met in full and on time in an economically justified manner, while structural liquidity risk is the long-term risk of losses due to a change in the Group's own refinancing cost or spread.

Liquidity risk measures

Regulatory indicators Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are regularly monitored as a part of comprehensive liquidity risk limit system. In addition, various internal metrics and stress tests are implemented to ensure sufficient levels of liquidity which are calulated at both total currency level and for significant currencies. Regulatory and internal liquidity indicators are monitored and limited for relevant members of the Group on individual levels.

The LCR is part of the internal Risk Appetite Statement (RAS) and monitored daily. The LCR limits are defined in the RAS and targeted to be well above the regulatory minimum. The LCR is reported on a monthly basis to the regulatory authority.

Same as the LCR, the NSFR is part of the internal RAS and limits are defined in the RAS sufficiently above the regulatory minimum. The NSFR is monitored monthly and reported on a quarterly basis to the regulatory authority.

Short-term insolvency risk is internally monitored by internal stress measure the Survival Period Analysis (SPA). The SPA determines the maximum period during which the entity can survive a set of defined scenarios lasting up to 12 months, including a severe market and idiosyncratic crisis while relying on its pool of liquidity enhancing actions, mainly the liquidity buffer. The monitored worst-case scenario simulates very limited money market and capital market access and at the same time significant client deposit outflows. The simulation also assumes increased drawdown on guarantees and loan commitments dependent on the type of customer, as well as the potential outflows from collateralized derivative transactions estimating the effect of collateral outflows in the case of adverse market movements.

Long-term structural liquidity is internally monitored by the Structural Liquidity Ratio (STRL). The STRL is measuring the structural funding gap ensuring an appropriate balance between assets and liabilities in the medium- and long-term time horizons avoiding excessive maturities transformation and consequently avoiding increased pressure on the short-term liquidity position.

The Group also reports Additional Liquidity Monitoring Metrics (ALMM) to its regulator, which complement regulatory liquidity risk ratios in the form of several detailed liquidity risk reports.

Methods and instruments of risk mitigation

General standards of liquidity risk management have been thoroughly defined and are continuously reviewed and improved within internal liquidity adequacy assessment process (ILAAP).

All liquidity indicators and liquidity situation are regularly reported to and monitored by the Operational Liquidity Committee (OLC). On a monthly basis the management board is informed during the Asset Liability Committee (ALCO).

The Contingency Funding Plan ensures the necessary coordination of all parties involved in the liquidity management process in case of crisis and is reviewed on a regular basis.

Analysis of liquidity risk

At the end as well throughout whole year, both LCR and NSFR for the Bank were significantly above the regulatory and internal limits and confirm a sound liquidity situation of the bank. A comfortable liquidity situation was also confirmed by other short-term and long-term internal liquidity measures.

Counterbalancing capacity

The Group regularly monitors its liquid assets, which consists of cash, excess minimum reserve at the central banks, and unencumbered central bank eligible assets. These assets can be mobilized in short term to offset potential cash outflows in a crisis situation.

36 Related party transactions and principal shareholders

Related parties involve connected entities or parties that have a special relationship to the Group.

Parties are considered to be related if one party has the ability to control the other or exercise significant influence over the other in making financial or operational decisions. The Group is controlled by Erste Group Bank AG.

The parties that have a special relationship to the Group are considered to be members of the Group's statutory and supervisory bodies and management, legal entities exercising control over the Group (including entities with a qualified interest in these entities and management of these entities), persons closely related to the members of the Group's statutory and supervisory bodies, management, and entities exercising control over the Group, legal entities in which any of the parties listed above holds a qualified interest, entities with a qualified interest in the Group and any other legal entity under their control, members of the ČNB's Banking Board, and legal entities which the Group controls.

Pursuant to the definitions outlined above, the categories of the Group's related parties principally comprise Erste Group Bank, members of its Board of Directors and Supervisory Board, and other related parties, which include companies directly or indirectly controlled by Erste Group Bank.

A number of banking transactions are entered into with related parties in the normal course of business. These principally include loans, deposits and other transactions. These transactions were carried out on an arm's length basis and were settled exclusively in cash. The interest rates charged to and by related parties are at standard commercial rates. Outstanding balances at the year-end are unsecured except for loans to finance investment property and property under construction.

There was no impairment related to the outstanding balances with related parties reported by the Group.

Loans and advances to and amounts owed to related parties

	Erste Group Bank AG	Other related parties	Members of the Board of Directors and Supervisory Board	Erste Group Bank AG	Other related parties	Members of the Board of Directors and Supervisory Board
	June 2023			December 2022		
Assets						
Cash and cash balances	1,140	95	-	1,236	40	-
Financial assets - held for trading	16,722	-	-	19,994	-	-
Financial assets - FVPL	501	-	-	1,383	-	-
Financial assets – amortised costs	13,786	232	42	1,377	277	40
Derivatives Hedge Accounting	4,018	-	-	3,000	-	-
Other assets	-	1	-	-	1	-
Liabilities						
Financial liabilities held for trading	8,645	-	-	10,557	-	-
Financial liabilities measured at amortised costs	146,421	676	111	88,173	506	128
Debt securities in issue	30,030	17	-	42,703	17	-
Derivatives Hedge Accounting	2,431	-	-	2,839	-	-
Other Liabilities	-	1	-	-	1	-
Profit&Loss statement	01-06 2023			01-06 2022		
Net interest income	(5,083)	3	2	(4,939)	1	1
Net fee and commision income	15	625	-	10	567	-
Dividend income	-	-	-	-	10	-
Net trading result and fair value result	5,602	-	-	2,643	-	-
Other administrative expenses	(76)	(592)	-	(61)	(530)	-
Other operating result	49	11	-	53	36	-
Loans commitments, financial guarantees and other commitments given	7,201	677	-	5,286	399	-
Loan commitments, financial guarantees and other commitments received	-	-	-	-	-	-

37 Contingent liabilities – legal proceedings

There have not been any material changes since year-end 2022 in the assessment of the influence of the outcome of the litigation cases in which the Česká spořitelna, a.s. and some of its subsidiaries are involved with respect of the financial and/or earnings situation of the Group.

38 Fair value of financial instruments

The measurement of fair value at the Group is based primarily on external sources of data (stock market prices or broker quotes in highly liquid market segments). Financial instruments for which the fair value is determined on the basis of quoted market prices are mainly listed securities and derivatives as well as liquid OTC bonds.

The best indication of fair value is quoted market prices in an active market. Where such prices are available, they are used to measure the fair value (level 1 of the fair value hierarchy).

In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as level 2. If no market prices are available the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as level 2 of the fair value hierarchy. For level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor of valuation models that rely entirely on observable market data. In these cases individual valuation parameters not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as level 3 of the fair value hierarchy. For level 3 typically credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures are used as unobservable parameters.

All financial instruments at fair value are measured at fair value on recurring basis. 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.

Financial instruments carried at fair value

Description of valuation models and parameters

The Group uses valuation models that have been tested internally and for which the valuation parameters (such as interest rates, exchange rates, volatilities and credit spreads) have been deter- mined independently. For financial instruments which have been converted to the new alternative reference rates, the new interest rates are considered for the calculation of fair values.

Loans. Not SPPI (solely payments of principal and interest) compliant loans are to be valued at fair value. The methodology to compute fair value of these assets corresponds to the basic present value technique. The credit risk is recognized by adjusting contractual cash flows to come to expected cash flows accounting for customer's probability of default and loss given default. These adjusted cash flows are then discounted by a yield curve which consists of a risk free rate and a funding spread for senior unsecured issues. For a limited number of profit-participating loans, the expected cash flows are discounted using a risk-adjusted discount rate. This risk-adjusted rate is determined applying the Capital Assets Pricing Model (CAPM) on the basis of comparable listed entities.

Securities. For plain vanilla (fixed and floating) debt securities the fair value is calculated by discounting the future cash-flows using a discounting curve depending on the interest rate for the respective issuance currency and a spread adjustment. The spread adjustment is usually derived from the credit spread curve of the issuer. If no issuer curve is available the spread is derived from a proxy instrument and adjusted for differences in the risk profile of the instruments. If no close proxy is available, the spread adjustment is estimated using other information, including estimation of the credit spread based on internal ratings and PDs or management judgment. For more complex debt securities (e.g. including option- like features such as callable, cap/floor, index-linked) the fair value is determined using combinations of discounted cash flow models and more sophisticated modelling techniques including methods described for OTC-derivatives.

Equity instruments. Non-trading equity instruments which have quoted market prices in an active market are valued by using the quoted market price. For other investments in non-trading equity instruments the fair value is determined by standard valuation models using also unobservable input parameters. These models include the adjusted net asset value method, the simplified income approach, the dividend discount model and the comparable company multiple method.

The adjusted net asset method requires an investor to measure the fair value of the individual assets and liabilities recognized in an investee's statement of financial position as well as the fair value of any unrecognized assets and liabilities at the measurement date. The resulting fair values of the recognized and unrecognized assets and liabilities should therefore represent the fair value of the investee's equity.

The dividend discount model assumes that the price of equity instruments issued by an entity equals the present value of all its expected future dividends in perpetuity. Similar to the dividend discount model, the simplified income approach estimates the fair value based on the future income. However, it can be used also when only one year planned income is available. The simplified income approach and the dividend discount model discount future income and dividends using the cost of equity. The cost of equity is dependent on the risk-free rate, the market risk premium, the levered beta and the country risk premium. The levered beta is derived from the industry classification which is published and maintained by Damodaran.

In rare cases, techniques for non-trading equity instruments may also include comparable company multiple methods. These are valuation techniques that use prices and other relevant information generated by market transactions involving comparable company peers of an investee to derive a valuation multiple from which the indicated fair value of the investee's equity or enterprise value can be inferred.

Liabilities. The fair value of financial liabilities designated at fair value through profit or loss under the fair value option is determined based on quoted prices in active markets, if available. For issued securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows. Significant input factors for the spread adjustment of Erste Group's own credit risk for the respective seniority class are credit spreads derived from liquid benchmark bonds and additional indications from external investments banks, which are provided on a regular basis. The applied spreads are validated on a regular basis from an independent Risk Management unit. In case of issued securities with structured features, optionality is taken into account as well when calculating the fair value.

Non-trading equity instruments which have quoted market prices in an active market are valued by using the quoted market price (bid for long position, ask for short position). For other investments in non-trading equity instruments the fair value is deter- mined by standard valuation models using also unobservable input parameters.

OTC-derivative financial instruments. Derivative instruments traded in OTC markets (e.g. interest rate swaps and options, foreign exchange forward and options, options on listed securities and indices) are valued by using standard valuation models. These models include discounting cash flow models, option models of the Black-Scholes. Models are calibrated on quoted market data (including implied volatilities). Valuation models for more complex instruments also use Monte-Carlo-techniques. For instruments in less liquid markets, data obtained from less frequent transactions or extrapolation techniques are used.

The Group values derivatives at mid-market levels. The derivatives position value is adjusted of close-out adjustment to take into account impact of bid/ask spread to the valuation. Parameters are reviewed on a regular basis or in case of significant market moves.

Credit valuation adjustments (CVA) for counterparty risk and debt valuation adjustments (DVA) for the own default credit risk are applied to OTC derivatives. For the CVA, the adjustment is driven by the expected positive exposure of all derivatives and the credit quality of the counterparty. DVA is driven by the expected negative exposure and the Group's credit quality. Modelling of the expected exposure is based on option replication strategies for most of the counterparties and the products. For Ministry of Finance of the Czech Republic and for counterparties with Credit Support Annex ('CSA') agreements in place with higher threshold amounts Monte Carlo approach is applied, netting is considered. For CSA counter- parties with small threshold amounts no CVA/DVA was taken into account. The methodology for the remaining entities and products is determined by market value plus add-on considerations. The probability of default of counterparties which are not traded in an active market is determined from internal PDs mapped to a bas- ket of liquid titles being present in the central European market. Thereby market based valuation concepts have been incorporated. Counterparties with liquid bond or CDS markets are valued by the respective single-name market based PD derived from the prices.

According to the described methodology the accumulated CVA-adjustments amounted to CZK -56 million (2022: CZK -84 million) and the total DVA-adjustment amounted to CZK 110 million (2022: CZK 135 million).

Based on an analysis carried out by the Group it was decided that for the valuation of OTC derivatives no Funding Value Adjustment (FVA) would be considered.

Validation and control

The responsibility for valuation of financial instruments measured at fair value is independent from the trading units. In addition, The Group has implemented an independent validation function in order to ensure separation between units responsible for model development, fair value measurement and validation. The aim of independent model validation is to evaluate model risks arising from the models' theoretical foundation, the appropriateness of input data (market data) and model calibration.

Fair value hierarchy

Financial assets and financial liabilities measured at fair value are categorized under the three levels of the IFRS fair value hierarchy.

Level 1 of the fair value hierarchy

The fair value of financial instruments assigned to Level 1 of the fair value hierarchy is determined based on quoted prices in active markets for identical financial assets and liabilities. The evaluated fair value can qualify as Level 1 if transactions occur with sufficient frequency, volume and pricing consistency on an ongoing basis.

Level 1 measurements include exchange traded derivatives (options), shares, government bonds as well as other bonds and funds, which are traded in highly liquid and active markets.

Level 2 of the fair value hierarchy

In case a market quote is used for valuation but due to restricted liquidity the market does not qualify as active (derived from available market liquidity indicators) the instrument is classified as Level 2. If no market prices are available the fair value is measured by using valuation models which are based on observable market data. If all the significant inputs in the valuation model are observable the instrument is classified as Level 2 of the fair value hierarchy. For Level 2 valuations typically yield curves, credit spreads and implied volatilities are used as observable market parameters.

Level 2 measurements include OTC derivatives, less liquid shares, bonds and funds as well as own issues.

Level 3 of the fair value hierarchy

In some cases, the fair value can be determined neither on the basis of sufficiently frequent quoted market prices nor on the basis of valuation models that rely entirely on observable market data. In these cases individual valuation parameters which are not observable in the market are estimated on the basis of reasonable assumptions. If any unobservable input in the valuation model is significant or the price quote used is updated infrequently the instrument is classified as Level 3 of the fair value hierarchy. Typically credit spreads derived from internally calculated historical probability of default (PD) and loss given default (LGD) measures are used as unobservable parameters. Furthermore, internally calculated cost of equity and adjustments made on the equity (in the adjusted net asset value method) are unobservable parameters for the valuation of non-trading equity instruments.

The volume of Level 3 financial assets can be allocated to the following categories:

- Derivatives where the credit value adjustment (CVA) has a material impact and is calculated based on unobservable parameters (i.e. internal estimates of PDs and LGDs).

- Illiquid bonds, shares, participations and funds not quoted in an active market where either valuation models with non-observable parameters have been used (e.g. credit spreads) or broker quotes have been used that cannot be allocated to Level 1 or Level 2.
- Loans which do not comply with the contractual cash flow criteria.
- Fund units issued by investment funds fully consolidated by Erste Group as well as own issues, if price updates are not provided on a regular basis
- Collateralized mortgage obligation (CMO)

The allocation of the appropriate level of positions is determined at the end of the reporting period.

A reclassification from Level 1 into Level 2 or Level 3 as well as vice versa will be performed if the financial instrument does no longer meet the criteria described above for the respective level.

Classification of financial instruments carried at fair value by levels of the fair value hierarchy

	June 2023				December 2022			
in CZK million	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS								
Financial assets - held for trading	7	23,349	-	23,356	9	27,671	329	28,009
Derivatives	-	23,257	-	23,257	-	27,633	328	27,961
Other trading assets	7	91	-	98	9	38	1	48
Non-trading financial assets - FVPL	80	-	3,127	3,207	96	-	3,235	3,331
Equity instruments	-	-	1,745	1,745	-	-	1,003	1,003
Debt securities	80	-	846	926	96	-	830	926
Loans and advances	-	-	536	536	-	-	1,402	1,402
Financial assets - FVOCI	44,257	6,240	2,245	52,742	39,901	5,406	3,126	48,433
Debt securities	44,257	6,240	2,245	52,742	39,901	5,406	3,126	48,433
Derivatives Hedge Accounting	-	4,299	-	4,299	-	3,151	84	3,235
Total assets	**44,344**	**33,888**	**5,372**	**83,604**	**40,007**	**36,228**	**6,774**	**83,009**
LIABILITIES								
Financial liabilities held for trading	-	22,556	-	22,556	-	29,597	-	29,597
Derivatives	-	22,556	-	22,556	-	29,597	-	29,597
Financial liabilities designated at fair value through profit or loss	-	27,226	-	27,226	-	31,331	-	31,331
Deposits from customers	-	27,226	-	27,226	-	31,331	-	31,331
Derivatives Hedge Accounting	-	4,700	-	4,700	-	5,870	-	5,870
Total liabilities	**-**	**54,483**	**-**	**54,483**	**-**	**66,798**	**-**	**66,798**

Changes in volumes of Level 1 and Level 2

This paragraph describes the changes in Volumes of Level 1 and Level 2 of financial instruments measured at fair value in the statement of financial position.

Reclassification between Level 1 and Level 2 based on balance sheet positions and instruments

	June 2023		December 2022	
In CZK million	**Level 1**	**Level 2**	**Level 1**	**Level 2**
Securities				
Net transfer from Level 1	-	-	-	231
Net transfer from Level 2	905	-	2	-
Purchases/sales/expiries	3,432	888	(2)	(231)
Changes in derivatives	-	(3,228)	-	-
Total year-to-date change	**4,337**	**(2,340)**	**-**	**-**

The relevant unquoted bonds were reclassified from Level 2 to Level 1 due to higher market activity.

Movements in Level 3

Development of fair value of financial instruments in Level 3

The following tables show the development of fair value of securities for which valuation models are based on non-observable inputs:

in CZK million		Gains/ losses profit or loss	Gains/ losses OCI	Purchases	Sales/ Settlements	Transfer into Level 3	Transfer out of Level 3	
	January 2023							June 2023
Assets								
Financial assets HfT	329	-	-	-	(1)	-	(328)	1
Derivatives	329	-	-	-	-	-	(328)	1
Other financial assets held for trading	1	-	-	-	(1)	-	-	-
Non-trading financial assets at FVPL	3,235	503	-	835	(1,444)	-	-	3,127
Equity instruments	1,003	-	-	742	-	-	-	1,745
Debt securities	830	2	-	77	(61)	-	-	846
Loans and advances	1,402	501	-	16	(1,383)	-	-	536
Financial assets at FVOCI	3,126	(15)	87	-	(35)	57	(976)	2,245
Debt securities	3,126	(15)	87	-	(35)	57	(976)	2,245
Hedge accounting derivatives	84	-	-	-	-	-	(84)	-
Total assets	**6,774**	**488**	**87**	**835**	**(1,481)**	**57**	**(1,388)**	**5,372**
	January 2022							June 2022
Assets								
Financial assets HfT	127	52	-	58	-	21	-	258
Derivatives	127	52	-	58	-	21	-	258
Non-trading financial assets at FVPL	2,418	895	-	108	(766)	-	-	2,655
Equity instruments	862	(137)	-	33	(22)	-	-	736
Debt securities	812	18	-	59	-	-	-	889
Loans and advances	744	1,014	-	16	(744)	-	-	1,030
Financial assets at FVOCI	2,577	7	(169)	59	(42)	1,188	-	3,620
Debt securities	2,577	7	(169)	59	(42)	1,188	-	3,620
Total assets	**5,122**	**954**	**(169)**	**225**	**(808)**	**1,209**	**-**	**6,533**

Transfers into and out of Level 3 mainly result from changes in valuation models with observable or non-observable parameters.

Gains or losses on Level 3 instruments held at the end of the reporting period

in CZK million	01-06 2023 Unrealized gain/loss in profit or loss	01-06 2022 Unrealized gain/loss in profit or loss
ASSETS		
Financial assets - held for trading	-	52
Derivatives	-	52
Non-trading financial assets at fair value through profit or loss	503	895
Equity instruments	-	(137)
Debt securities	2	18
Loans and advances	501	1,014
Financial assets at fair value through other comprehensive income	(15)	7
Debt securities	(15)	7
Hedge accounting derivatives	-	-
Total	**488**	**954**

Unobservable inputs and sensitivity analysis for Level 3 measurement

Sensitivity analysis for Level 3 measurements

The following table shows the sensitivity analysis using reasonably possible alternatives per product type:

	Positive fair value changes when applying alternative valuation parameters		Negative fair value changes when applying alternative valuation parameters	
in CZK million	**June 2023**	**December 2022**	**June 2023**	**December 2022**
Derivatives	-	19	-	(24)
Income statement	-	19	-	(24)
Debt securities	27	48	(36)	(64)
Other comprehensive income	27	48	(36)	(64)
Equity instruments	73	72	(146)	(143)
Income statement	73	72	(146)	(143)
Total	**100**	**139**	**(182)**	**(231)**
Income statement	**73**	**91**	**(146)**	**(167)**
Other comprehensive income	**27**	**48**	**(36)**	**(64)**

In estimating these impacts, mainly changes in credit spreads (for bonds), PDs, LGDs (for CVA of derivatives) and market values of comparable equities were considered. An increase (decrease) of spreads, PDs and LGDs result in a decrease (increase) of the corresponding market values.

Following ranges of reasonably possible alternatives of the unobservable inputs were considered in the sensitivity analysis table:

- for debt securities range of credit spreads between +100 basis points and – 75 basis points;
- for equity related instruments the price range between -10% and +5%;
- for CVA on derivatives PDs rating upgrade/downgrade by one notch, the range for LGD between -5% and +10%.

Fair value of financial instruments not recognised at fair value

The following table shows fair values and fair value hierarchy of financial instruments whose fair value is disclosed in the notes for 30 June 2023 and for the year-end 2022. For assets without contractual maturities (e.g. cash and cash equivalents), the carrying amount approximates their fair value.

in CZK million	Carrying amount (balance sheet)	Fair value	Quoted market prices in active markets Level 1	Marked to model based on observable market data Level 2	Marked to model based on non-observable inputs Level 3
June 2023					
ASSETS					
Cash and cash balances	46,399	46,399	14,673	31,726	-
Financial assets at amortised costs	1,747,976	1,660,931	290,921	40,997	1,329,013
Loans and advances to banks	424,968	424,902	-	-	424,902
Loans and advances to customers	953,034	903,634	-	-	903,634
Debt securities	369,974	332,396	290,921	40,997	478
Finance lease receivables	1,425	1,440	-	-	1,440
Trade and other receivables	12,473	12,443	-	-	12,443
LIABILITIES					
Financial liabilities measured at amortised costs	1,713,979	1,703,470	12,404	59,289	1,631,777
Deposits from banks	202,630	201,450	-	-	201,450
Deposits from customers	1,428,657	1,418,547	-	-	1,418,547
Debt securities issued	75,621	76,403	12,404	59,289	4,711
Other financial liabilities	7,070	7,070	-	-	7,070
FINANCIAL GUARANTEES AND COMMITMENTS					
Financial guarantees	n/a	52	-	-	52
Loan commitments	n/a	1,042	-	-	1,042
December 2022					
ASSETS					
Cash and cash balances	21,870	21,870	14,260	7,610	-
Financial assets at amortised costs	1,495,014	1,392,244	267,930	8,337	1,115,977
Loans and advances to banks	266,675	266,624	-	-	266,624
Loans and advances to customers	900,534	849,265	-	-	849,265
Debt securities	327,805	276,354	267,930	8,337	88
Finance lease receivables	1,474	1,474	-	-	1,474
Trade and other receivables	11,821	11,820	-	-	11,820
LIABILITIES					
Financial liabilities measured at amortised costs	1,421,830	1,410,237	-	76,459	1,333,778
Deposits from banks	113,541	112,929	-	-	112,929
Deposits from customers	1,225,464	1,214,681	-	-	1,214,681
Debt securities issued	76,657	76,459	-	76,459	-
Other financial liabilities	6,168	6,168	-	-	6,168
FINANCIAL GUARANTEES AND COMMITMENTS					
Financial guarantees	n/a	17	-	-	17
Loan commitments	n/a	2,480	-	-	2,480

In the table above, positive fair values of financial guarantees and commitments are shown with a positive sign whereas negative fair values are shown with a negative sign. The calculation of fair values of financial guarantees and commitments is based on the coefficient, which is calculated by the Market risk using the Erste Group Bank algorithms.

The fair value of loans and advances to customers and credit institutions, finance lease receivables and trade and other receivables has been calculated by discounting future cash flows while taking into consideration interest and credit spread effects. The interest rate impact is based on the movements of market rates, while credit spread changes are derived from PDs and LGDs used for internal risk calculations. For the calculation of fair value loans and advances were grouped into homogeneous portfolios based on rating method, rating grade, maturity and the country where they were granted.

The fair values of financial assets at amortised cost – debt securities are either taken directly from the market or they are determined by directly observable input parameters (i.e. yield curves).

The fair value of deposits and other liabilities, measured at amortised cost, is estimated by taking into account the current interest rate environment, as well as the own credit spreads. These positions are assigned to the Level 3 category. For liabilities without contractual maturities (e.g. demand deposits), the carrying amount represents the minimum of their fair value.

The fair value of issued securities and subordinated liabilities measured at amortized cost is based on market prices or on observable market parameters, if these are available. For issued securities where the fair value cannot be retrieved from quoted market prices, the fair value is calculated by discounting the future cash flows.

39 Events after the balance sheet date

On 5 July 2023 the Bank concluded an agreement on future agreement for purchasing loan portfolio from Hello bank Hello bank! (BNP Paribas Personal Finance SA, odštěpný závod). The purchase agreement is subject to the opinion of the ČNB, after which other conditions for its conclusion must be met, for the actual transfer of the loans to take place. The eventual transfer of the loan portfolio is expected in Q4/2023, the final volume of loans to be transferred will be specified at the date of the closing of the purchase agreement according to the actual size of the portfolio.

After the balance sheet date the Bank received favourable court decision from a legal dispute with Tax authorities related to Nadace ČS (Depositum Bonum Foundation) and the Bank should receive the unauthorized tax imposed of approx. CZK 220 million from the Tax authorities.

Definitions of Alternative Performance Indicators

in line with the General Directive issued by ESMA (European Securities and Markets Authority) are Alternative Performance Indicators defined as financial indicators of historical or future financial performance, financial position or cash flow

Alternative Performance Indicators that Can Be Determined Directly from the Consolidated Financial Statement

Alternative Performance Indicator		Financial Statement
Net interest income	A	Consolidated income statement
Net fee and commission income	B	Consolidated income statement
Dividend income	C	Consolidated income statement
Net trading result	D	Consolidated income statement
Gains/losses from financial instruments measured at fair value through profit or loss	E	Consolidated income statement
Net result from equity method investments	F	Consolidated income statement
Rental income from investment properties and other operating leases	G	Consolidated income statement
Operating income	**H=A+B+C+D+E+F+G**	**Consolidated income statement**
Personnel expenses	I	Consolidated income statement
Other administrative expenses	J	Consolidated income statement
Depreciation and amortisation	K	Consolidated income statement
Operating expenses	**L=I+J+K**	**Consolidated income statement**
Operating result	**H+L**	**Consolidated income statement**
Cost/Income ratio	**-L/H**	**Consolidated income statement**
Non-interest operating income/Operating income	**(B+C+D+E+F+G)/H**	**Consolidated income statement**
Non-trading financial assets at fair value through profit or loss - loans and advances to customers	M	Consolidated statement of financial position
Financial assets at amortised costs - loans and advances to customers	N	Consolidated statement of financial position
Finance lease receivables	O	Consolidated statement of financial position
Trade and other receivables	P	Consolidated statement of financial position
Financial liabilities at fair value through profit or loss - deposits from customers	Q	Consolidated statement of financial position
Financial liabilities at amortised cost - deposits from customers	R	Consolidated statement of financial position
Loans and advances to customers	**S=M+N+O+P**	**Consolidated statement of financial position**
Deposits from customers	**T=Q+R**	**Consolidated statement of financial position**
Loans and advances to customers/Deposits from customers	**U=S/T**	**Consolidated statement of financial position**

The Purpose of the Alternative Performance Indicators

Operating Income

Operating income shows the amount of bank income from common business activities.

Operating Expenses

Operating expenses express the volume of bank costs used for common business activities.

Operating Result

Operating result gives information about the bank´s success rate of common business activity. It shows the amount of financial resources that was earned from common business activity.

Cost/Income Ratio

This indicator expresses the volume of operating expenses consumed to achieve the operating income. The ratio gives a clear view of how efficiently the bank is being run – the lower it is, the more profitable the bank is.

Non-interest Operating Income/Operating Income

The indicator shows the share of income other than interest income on total operating income.

Loans to Customers/Deposits from Customers

The indicator shows the share of customer deposits used for funding of customer loans.

Alternative Performance Indicators that Cannot Be Determined Directly from the Consolidated Financial Statements

ROA

The ROA (Return on Assets) indicator shows how efficient a Bank's management is at using its assets to generate earnings. It is calculated as a ratio of consolidated net profit in the accounting period attributable to the owners of the parent company (Consolidated income statement) to the average monthly volume of total assets (internal figure for 13 periods – considers balances as at 1 January of the respective year and the last days of all months of the respective year).

ROE

The ROE (Return on Equity) indicator measures the efficiency of equity utilization, and its final value expresses the share of the net profit attributed to one Czech koruna of the equity. It is calculated as a ratio of the consolidated net profit in the accounting period attributable to the owners of the parent company (Consolidated income statement) net of the Additional Tier 1 (AT1) coupons to the average monthly volume of equity attributable to the owners of the parent (internal figure for 13 periods – considers balances as at 1 January of the respective year and the last days of all months of the respective year) net of the Additional Tier 1 (AT1) capital.

Net Interest Margin

Česká spořitelna uses this indicator as the representative of the profitability of interest-bearing assets. It is calculated as a ratio where the numerator is the sum of the consolidated Net Interest Income, Dividend Income, Net Result from Equity Method Investments and Rental Income from Investment Properties and Other Operating Leases decreased by the Depreciation of these assets (Consolidated income statement), and the denominator is the average monthly volume (internal figure for 13 periods – considers balances as at 1 January of the respective year and the last days of all months of the respective year) of the sum of Non-trading Financial Assets at Fair Value through Profit or Loss, Financial Assets at Fair Value through Profit or Loss, Financial Assets at Fair Value through Other Comprehensive Income, Financial Assets at Amortised Costs, Loans and Receivables to Credit Institutions, Loans and Receivables to Customers, Finance Lease Receivables to Customers, Trade and Other Receivables, Investments in Associates and Investment Properties.

Ratio of Defaulted Receivables from Clients to Total Volume of Receivables from Clients

The indicator is the basic indicator of the quality of bank loan portfolio. It is calculated as a ratio of consolidated gross loans and advances to defaulted customers to consolidated gross loans and advances to customers.

Ratio of Loss Allowances to NPL Coverage

The indicator expresses the volume of provisions relative to non-performing loans and is used as one of the basic indicators for monitoring of the credit risk coverage. It is calculated as a ratio of consolidated impairment loss allowances to customers to consolidated gross loans and advances to defaulted customers.

Ratio of Loss Allowances and Collateral to NPL Coverage

This indicator shows the volume of loss allowances and collateral relative to non-performing loans. It is used as one of the basic indicators for the monitoring of the credit risk coverage. The indicator is calculated as a ratio of consolidated impairment loss allowances for loans and advances to customers and consolidated volume of eligible collateral received for loans and advances to defaulted customers to consolidated gross loans and advances to defaulted customers.

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