

Half-yearly report 2023

23

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Further information

Detailed financial and operational information about Komerční banka Group is available in other publications on KB's website for shareholders and investors, www.kb.cz/investors. Additional information on corporate social responsibility and ethics at KB as well as KB's corporate governance is available at www.kb.cz/en/about-bank. Information about KB's products and services is accessible from the homepage, www.kb.cz/en.

This document contains a number of forward-looking statements relating to the targets and strategies of Komerční banka Group. These statements are based on numerous assumptions, both general and specific. As a result, there is a risk that these

projections will not be fulfilled. Forward-looking statements are valid only as of the date they are made, and it should not be assumed that they will be revised or updated in the light of new information or future events. Readers are therefore advised not to rely on this information more than is justified, as the Group's future results are liable to be affected by a number of factors and may therefore differ from current estimates.

Readers are advised to take into account factors of uncertainty and risk when basing their investment decisions on information provided in this document.

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| Company profile

Komerční banka, a.s. (hereinafter also “KB” or the “Bank”) is the parent company of KB Group (hereinafter also the “Group”) and a member of the Soci t  G n rale international financial group. KB ranks among the leading banking institutions in the Czech Republic, as well as in Central and Eastern Europe. It is a universal bank providing a wide range of services in retail, corporate, and investment banking. Member companies of Komer n  banka Group provide additional specialised financial services, such as pension savings and building society schemes, leasing, factoring, consumer lending, insurance and fintech services. These are accessible through KB’s branch network, its direct banking channels, the subsidiaries’ own sales networks or networks of the business partners. The Bank also provides services in the Slovak Republic through its branch focused on serving corporate clients as well as through selected subsidiaries.

| CZK billion | Loans to clients – gross loans* | | Amounts due to customers** | |
|--|---------------------------------|--------------|----------------------------|----------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| KB Group | 794.6 | 769.4 | 994.7 | 1,024.3 |
| KB (including KB Slovakia) | 679.5 | 660.2 | 941.5 | 968.4 |
| - Individuals | 300.8 | 293.7 | 323.7 | 347.0 |
| - Businesses and other | 378.7 | 366.5 | 617.7 | 621.4 |
| - Small businesses | 40.4 | 41.0 | 244.4 | 240.5 |
| - Medium corporates and municipalities | 130.2 | 122.2 | 248.1 | 229.8 |
| - Top corporates and other (including KB Slovakia) | 208.1 | 203.2 | 125.2 | 151.1 |
| Modr  pyramida | 88.5 | 81.5 | 53.9 | 58.0 |
| ESSOX (including PSA FINANCE) | 20.3 | 18.5 | 0.1 | 0.2 |
| Factoring KB | 9.4 | 10.3 | 1.0 | 1.1 |
| SGEF | 32.5 | 31.7 | n.a. | n.a. |
| BASTION | 1.8 | 2.0 | n.a. | n.a. |
| Consolidation and other adjustments | (37.4) | (34.8) | (1.9) | (3.4) |

* IFRS numbers entering into consolidation, excluding Other amounts due from customers, but including debt securities issued by KB corporate clients.

** IFRS numbers entering into consolidation, excluding repo operations with clients.

Komer n  banka was established in 1990 as a state institution, and in 1992 it was transformed into a joint-stock company.

In 2018, the Bank launched a transformation programme, KB Change, which comprised, among other things, simplification of the management and distribution structures and switching of important central functions to agile working methodology. Komer n  banka followed upon full implementation of the transformation steps from that plan by announcing in 2020 a further KB2025 strategic programme, which will assure KB’s leading position in the new era of digital banking.

Komer n  banka is a vibrant promoter of green financing and at the same time is focusing ever more comprehensively on the environmental, social, and governance (ESG) aspects of its own operations. As a result, Komer n  banka is a constituent company in the FTSE4Good Index Series of companies demonstrating strong ESG practices.

KB’s shares have been listed on the Prague Stock Exchange since its inception in 1993, as well as within the RM-SYST M Czech Stock Exchange. As of 30 June 2023, Komer n  banka had 72,303 shareholders (up by 7,919 year on year), of which 66,179 (greater by 7,830 from the year earlier) were private individuals from the Czech Republic. Strategic shareholder Soci t  G n rale maintained its 60.4% stake while minority shareholders owned 39.0% and KB held 0.6% of the registered capital in treasury.

| Highlights from 2023's first half

January

Since 2021, Komerční banka has been the main partner of the ice hockey extra league and at the same time main partner of the national hockey team. Support of Czech Para Hockey was added to this partnership when KB became the Official Partner of Czech Para Hockey.

February

Komerční banka received three MasterCard Awards for projects in the fields of payments, digitalisation, and innovation. In the Technology Innovation category, KB was recognised for building a new generation of banking and card systems. A Unique Issuing Project Award was won for an innovative approach to e-sports and support of the gaming community. Monika Truchlíková, tribe leader from Payment Methods, received a personal award in the Issuing Payments Leader of the Year category.

April

The General Meeting held on 20 April 2023 approved the reported financial statements for 2022 and the proposal for distribution of profit, including dividend payment in the amount of CZK 11.5 billion. It also approved the consolidated financial statements for 2022 and the Remuneration Report for 2022. The General Meeting elected Ms Marie Doucet and Ms Petra Wendelová as members of the Supervisory Board. Ms Wendelová was elected, too, as a member of the Audit Committee. The General Meeting also decided to appoint Deloitte Audit s.r.o. to perform the statutory audit for 2023.

The building of the new digital bank had reached such an advanced level as to allow introducing the “New Era of Banking Written by KB” onto the Czech market, onboarding of new clients to the new platform, and the start of a gradual migration of clients from the old system. The migration that has commenced in the Individuals segment will be followed in subsequent years by small businesses and completed with corporate clients. This schedule is in accordance, too, with the development of new products and services for the “New Era of Banking Written by KB”. Completion of the migration will enable eventual decommissioning of components making up KB's existing infrastructure.

Komerční banka signed a referral agreement with BNP Paribas Personal Finance SA (BNPP PF) on re-contracting of selected deposit customers of the Czech BNPP PF franchise operating under the Hello bank! brand. The referral agreement does not concern credit products offered by Hello bank!

March

Jitka Haubová, member of the Board of Directors of Komerční banka responsible for operations, took second place in the Manager category in the Top Women of the Czech Republic survey.

May

KB was awarded the title #1 Sustainable Bank in the 2022 VISA Awards, especially recognising its project of supporting sustainable e-shops and for photovoltaic installations on the roof of its headquarters in Prague–Stodůlky.

At the awards ceremony of the French–Czech Chamber of Commerce, KB took home an award in the Corporate Social Responsibility category. The jury praised activities in the field of sustainability, especially the innovative ATM sharing project.

June

As in previous years, KB was again recognised by the Ministry of Finance among the Top 20 income taxpayers in the Czech Republic for 2022.

Jan Juchelka, Chairman of the Board of Directors and Chief Executive Officer of Komerční banka, was elected by the member banks as President of the Czech Banking Association. The CBA represents the banking industry vis-à-vis the public, governmental offices, and international bodies. Furthermore, it supports financial education, crime prevention, sustainability, and digitalisation of financial and public services. During his three-year mandate, Mr. Juchelka aims to promote further dialogue between the state, regulatory authorities, and private sector while focusing especially on digitalisation, innovations, sustainability, and investments directed to supporting the Czech Republic's long-term prosperity.

Komerční banka has founded a new fully owned subsidiary, KB Poradenství, s.r.o. KB Poradenství was established in relation to the intended development of KB Group's distribution model. The company's registered scope of business includes intermediation of consumer loans, intermediation of insurance and reinsurance, intermediation of supplementary pension savings, and investment brokerage. In order to be authorised to conduct these business activities, the company needs to obtain additional licenses.

KB Smart Solutions, a full owned subsidiary of Komerční banka, increased to 28.256% from 24.989% its stake in MonkeyData s.r.o. MonkeyData fully owns a subsidiary, Lemonero, s.r.o., which provides financing to e-shops utilising an AI-powered scoring model.

I Macroeconomic development

The domestic economy had stagnated quarter on quarter in the first three months of 2023 and then did not decline further, as it had during the technical recession in the second half of 2022. That said, there was no recovery either. Household consumption was a negative surprise, recording its sixth consecutive quarterly decrease in 2023's first quarter and coming in 9.6% lower in real terms than in the pre-pandemic fourth quarter of 2019. Its level was roughly in line with that from the second half of 2016. The steep drop in household spending was mostly due to the fall in real wages, which had been similarly pronounced. Fixed investment was lower quarter on quarter, too. In this case, it was the third quarter-on-quarter decline in a row, the pace of which accelerated significantly (to -1.1% in first quarter 2023). Overall, this year's first quarter was marked by weak domestic demand. This was offset, however, by significantly higher net exports compared with the previous quarter, mainly due to the completion and subsequent export of production in progress. In fact, components that earlier had been unobtainable were again available thanks to the renewed functioning of global supply chains. That had a positive effect on the automotive industry. This scenario is illustrated, too, by the fact that the positive contribution of net exports to GDP growth was largely offset by a negative contribution from change in inventories.¹⁾

The economy grew by 0.1% quarter on quarter in the second quarter. In annual terms, it continued to decline, by 0.6% year on year, after falling by 0.5% year to year in the first quarter. This was mainly due to two consecutive quarter-on-quarter contractions in GDP in the second half of last year, which had plunged the economy into a technical recession. Although the detailed structure of GDP is not known at the time of publishing this report, KB estimates that household consumption continued to be the main contributor to the economic downturn. The evolution of retail sales and services so far points to a further quarter-on-quarter drop, the main reason being lower household spending due to the continuing fall in real wages. Fixed investment was also likely to have been down again in relation to uncertain demand developments. Higher net exports saved the economy from a quarter-on-quarter decline, according to KB's estimate. KB expects the economy to grow by just 0.1% for the whole of 2023, with this accelerating to 1.8% next year. This year's weak result should be driven mainly by stagnation of the economy in the first half of the year even as GDP resumes growth in quarter-on-quarter terms in the second half of 2023. This should be due mainly to a recovery in household consumption.²⁾

The second quarter of this year brought retreat in inflationary pressures. Annual headline inflation slowed from an average of 16.5% in the first quarter of 2023 to 11.1% in the second quarter.

The most surprising development was in the core component, which is traditionally the most persistent. Annual core inflation fell from an average of 11.9% in 2023's first quarter to 8.7% in the second quarter. Annual inflation was also pushed downwards in all of its components by the base effect of last year. In June, year-on-year inflation slipped into single-digit territory for the first time since January 2022 (9.7% year on year) and was the lowest since December 2021. After reaching 11% in 2023, KB looks for inflation to come down significantly in 2024, to 1.3%. By contrast, the core component is expected to remain relatively high. KB expects it to fall from 7.6% in 2023 to 3.9% in 2024, due to a recovery in demand together with dissipation of accumulated savings in an environment of persistent labour market tightness and higher wage growth. The resulting partial recovery in core price pressures means core inflation might well return to the 2% target only in 2025.³⁾

The labour market continued to see significant workforce shortages in the first half of this year, with unemployment remaining minimal. The headline unemployment rate (ILO methodology) held steady at 2.7% (seasonally adjusted) in the second quarter, where it had been during the first quarter. The share of unemployed persons (MLSA methodology) remained at 3.6% (seasonally adjusted). The seasonally adjusted ratio of the number of registered unemployed to the number of job vacancies offered through employment offices declined slightly from 0.95 in first quarter 2023 to 0.92 in the second quarter. KB believes that unemployment will remain very low over the forecast horizon. The general unemployment rate should stay below 3% and the share of unemployed persons under 4%.⁴⁾

Despite the tight labour market, real wages continued to fall in year-on-year terms. Dropping 6.6% in the first quarter of 2023, this decline has continued for six quarters in a row. Compared to the pre-pandemic fourth quarter 2019, average real wages fell by 8.9% to the level of the second half of 2017. This decrease in household purchasing power was held back only by a rise in old-age pensions and social benefits, which were inflation-linked.⁵⁾

The Czech National Bank kept interest rates unchanged throughout the first half of this year. It left the base repo rate at 7%, where it has been since June 2022. KB expects rates to remain there until the end of this year, with a rapid reduction commencing next year. The 2W repo rate should reach 5% in the middle of next year and fall to 4% at the end of 2024. The CNB also had been supporting the domestic currency verbally throughout the first half of this year, and it has not intervened since October 2022. CNB officially announced the end of the

¹⁾ <https://www.czso.cz/csu/czso/ari/gdp-resources-and-uses-1st-quarter-of-2023>

²⁾ <https://www.czso.cz/csu/czso/ari/gdp-preliminary-estimate-2nd-quarter-of-2023>

³⁾ <https://www.czso.cz/csu/czso/ari/consumer-price-indices-inflation-june-2023>

⁴⁾ <https://www.mpsv.cz/web/en/information-on-unemployment>

⁵⁾ <https://www.czso.cz/csu/czso/ari/average-wages-1-quarter-of-2023>

intervention regime at its August 2023 meeting. At the same time, it declared that it will resume the programme of selling part of the proceeds from foreign exchange reserves. It added, however, that it would always, as a matter of principle, prevent excessive fluctuations in the crown's exchange rate that threaten price or financial stability whenever the CNB Board deems it necessary under the managed floating exchange rate regime.¹⁾

In the first months of 2023, the crown appreciated against the euro. The exchange rate reached 23.30 CZK/EUR. However, this trend has not continued since May. In an environment of narrowing interest rate differentials, emerging market currencies generally have not fared well. Against a backdrop of reduced exchange rate volatility, helped by the CNB's continued verbal interventions, the crown partially erased its previous gains and weakened to CZK 23.80 vis-à-vis the euro.²⁾

By the end of June, the state was running a deficit of CZK 215.4 billion. Year-on-year deterioration of the state budget balance by CZK 32.4 billion was mainly due to higher expenditures. Outlays increased by CZK 162.6 billion compared to the previous year (+16.8% year on year), primarily because of greater social spending, assistance to households and companies in the context of high energy prices, more expensive servicing of the government debt, and larger investments. Spending on social benefits, mainly due to pension inflation-indexation, grew by 16.8% year on year (CZK 62.5 billion) in the first six months of 2023. Growth on the revenues side through the end of June was significantly boosted by inflow of EU funds under the National Recovery Plan. Total revenues since the beginning of the year were CZK 130.2 billion higher year on year, which is +16.5% in relative terms. Although June data show that the chances of hitting the approved deficit target of CZK 295 billion have not yet definitively disappeared, risks remain skewed towards a deeper deficit.³⁾

¹⁾ <https://www.cnb.cz/en/monetary-policy/bank-board-decisions/CNB-Board-decisions-1691074800000/>

²⁾ Bloomberg

³⁾ <https://www.mfcr.cz/cs/ministerstvo/media/tiskove-zpravy/2023/pokladni-plneni-sr-51841> (only in Czech)

| Sustainable banking

ESG strategy

It is KB's strategic ambition to be a sustainable banking leader both on the Czech financial market and within the SG Group. It aims to be perceived as a green bank in the Czech Republic.

The Group's ESG strategy is aligned with the KB2025 strategic programme as well as with the ESG ambitions of Société Générale Group, which are themselves built on four pillars:

- Culture of responsibility,
- Environmental transition,
- Positive local impact, and
- Responsible employer.

KB Group participates in ESG by Design, a programme launched by Société Générale. The programme's purpose is to manage and co-ordinate implementation of the European Central Bank's action plans while directing and articulating current and future initiatives within Société Générale Group. ESG by Design comprises both risk components and business aspects. It also seeks to operationalise business and regulatory commitments and to embed ESG natively in all of the organisation's processes (e.g. in relation to people, products, IT, and finance).

The Group is integrating into its ESG strategy the Sustainable Development Goals adopted in 2015 by member states of the United Nations. These goals serve as guidance towards ensuring prosperity and peace for all, building partnerships, providing for dignified lives free of poverty and inequality, and protecting the environment.

KB is assessing ESG-relevant issues with significant impact on the business, financial, and risk outlook for KB Group, as well as on the interests of the Group's stakeholders. This analysis is created by surveying representatives of KB's stakeholder groups as well as Group managers.

This materiality analysis helps in understanding the relative importance of specific topics and in prioritising the Group's efforts and resources when taking strategic decisions. It is reviewed on an annual basis. Completed in June, the 2023 round identified the following top 5 material topics for KB Group:

- Data security – as financial institutions' ability to keep their data and that of clients safe is seen as a crucial condition for maintaining the trust of clients and other business partners.
- Management of legal and regulatory environment – because assuring full compliance with applicable regulations is a prerequisite for long-term viability of the business. At the same time, ever-increasing and complex regulatory requirements and mandates make it imperative to manage effectively the

various functions involved, including compliance, governance, operational resilience, and cyber security.

- Energy transition – shifting the energy infrastructure away from fossil fuels and towards cleaner energy sources has a number of socio-economic impacts on the whole economy. A successful transition will, among other benefits, create new employment opportunities while improving resilience of the technical infrastructure, sustainability of the economic growth, and income distribution. Financial institutions should deploy their resources to support the energy transition and thus capitalise on the immense opportunities linked to the energy transition's investment needs.
- Business model resilience – long-term viability of the business model requires adequate risk management frameworks, operational resilience, diversification of activities and resources, as well as adaptability and flexibility in relation to ever-changing market conditions.
- Digitalisation – a process evolving all across the economy and society, it determines competitiveness and effectiveness of all players on the financial markets. Leadership in digitalisation can provide the Bank a significant competitive edge within its relevant market segments and in relation to clients, employees, and other business partners.

The materiality analysis helps KB to focus and align business goals with the strategy, to reduce risks, and to enhance sustainability of the Group's activities.

ESG governance

The main owner of the sustainability concept at Komerční banka is Jan Juchelka, Chairman and CEO, and the sponsor is Jitka Haubová, member of the Board of Directors and Chief Operations Officer. Sustainability activities are co-ordinated by the Sustainability Working Group managed by the Executive Director for Brand Strategy and Communication. The Working Group also includes members from other key areas of the Bank (i.e. Brand Strategy and Communication, Strategy and Finance, HR, Compliance, Facility Management, Risk, and Retail and Corporate Banking). They help to develop the individual pillars of the strategy and achieve internal Objectives and Key Results (OKRs).

KB has been consistently developing rigorous governance and compliance standards and processes, including in the anti-money laundering and know-your-client areas. KB has no risk appetite for compliance breaches. In the context of heightened cyber security risks, it has enhanced its security protections and anti-fraud measures, and KB also has strict rules about asserting

the Bank's interests with public authorities (i.e. lobbying). It continues to follow a course of political neutrality and refrains from supporting political organisations or activities.

Environmental transition

KB Group is committed to supporting the energy transition, decarbonisation, and sustainability of the whole economy.

As of 30 June 2023, the volume of loans with sustainable positive impacts granted by KB Group companies reached CZK 47.8 billion, having increased by 42% from a year earlier.

KB has been developing its offer of products conducive to sustainability, such as sustainability-linked loans and bonds. KB's sustainability-related advisory is being built upon expertise of the Group's ENVIROS and KB Advisory companies, on the spolecne-udrzitelne.cz web platform, and in additional ways.

As part of its risk management framework, KB has implemented an environmental and social risks management (ESRM) system in the financing of corporate clients. The system also takes into account requirements of the Equator Principles for assessing larger projects and evaluates specific climate vulnerability indicators.

KB has been rolling out its New Digital Bank, which, among other innovations, features fully paperless processes, internally as well as in relation to the clients.

Komerční banka, Modrá pyramida, and ESSOX have unveiled advantageous lending products that support sustainable housing and acquisition of sustainable technologies, such as photovoltaics, water collecting tools, heat pumps, and heat recuperators.

The Bank has committed to limiting global warming and to reducing its direct emissions (scopes 1 and 2) in accordance with the Paris Agreement's 1.5°C scenario. KB will contribute to carbon removal projects with a view to reaching carbon neutrality by 2026.

Achievements in reducing environmental impacts from its own operations are reported on an annual basis and will be included into the Sustainability Report.

Recognitions

FTSE Russell has affirmed KB's inclusion in the FTSE4Good Index series, designed to identify companies that demonstrate strong ESG practices as measured against international standards. KB received a score of 3.7 from a maximum 5 points.

In July, KB was rated AA, the second highest rating level, in MSCI ESG Ratings aimed to measure resilience of companies to long-term ESG risks.

The Czech–French Chamber of Commerce recognised KB with its award for CSR activities.

In July, KB received a Green Crown award in the annual Golden Crown contest, commending its loan for sustainable technologies.

| Business performance

Developments in the client portfolio and distribution networks

| | 30 June 2022 | 30 June 2023 | Change YoY |
|---|--------------|--------------|------------|
| KB Group's clients | 2,256,000 | 2,227,000 | (29,000) |
| Komerční banka | 1,650,000 | 1,661,000 | 11,000 |
| – individual clients | 1,407,000 | 1,417,000 | 11,000 |
| – internet banking clients | 1,503,000 | 1,523,000 | 20,000 |
| – mobile banking clients | 1,099,000 | 1,185,000 | 85,000 |
| Modrá pyramida | 472,000 | 446,000 | (26,000) |
| KB Penzijní společnost | 512,000 | 491,000 | (21,000) |
| ESSOX (Group) | 135,000 | 133,000 | (2,000) |
| KB branches (CZ) | 218 | 215 | (3) |
| Modrá pyramida points of sale | 194 | 203 | 9 |
| SGEF branches | 9 | 9 | 0 |
| ATMs | 863 | 852 | (11) |
| – of which deposit-taking | 521 | 536 | 15 |
| – of which contactless | 641 | 690 | 49 |
| ATMs (Total shared network) | 863 | 2,062 | 1,199 |
| Number of active debit cards | 1,456,000 | 1,487,000 | 31,000 |
| Number of active credit cards | 188,000 | 206,000 | 18,000 |
| Number of cards virtualised into payment apps | 449,000 | 589,000 | 141,000 |
| KB key authentication users | 1,036,000 | 1,140,000 | 104,000 |

Selected initiatives in the first half of 2023

A major aspect of the strategic KB2025 programme announced in November 2020 has been Komerční banka's developing a new banking infrastructure that includes a new core banking system, the KB+ mobile application, internet banking, a card management system, and analytical tools allowing an upgraded client proposition.

By April 2023, the building of this new digital bank had reached such advanced level as to allow introducing the “New Era of Banking Written by KB” onto the Czech market, onboarding of new clients to the new platform, and the start of a gradual migration of clients from the legacy system.

By June 2023, some 22,000 clients had enrolled into the new digital bank. Of this total, more than 5,000 were new clients to KB. The migration that has commenced in the Individuals segment will be followed in subsequent years by small businesses and completed with corporate clients. This schedule is in accordance, too, with the development of new products and services for the “New Era of Banking Written by KB”. Completion

of the migration will enable decommissioning of components making up KB's existing infrastructure.

On 28 April, Komerční banka signed a referral agreement with BNP Paribas Personal Finance SA (BNPP PF) on re-contracting of selected deposit customers of the Czech BNPP PF franchise operating under the Hello bank! brand. The referral agreement does not concern credit products offered by Hello bank!

Loans to customers

Total **gross volume of lending to clients** rose by 3.3% year on year to CZK 794.6 billion.¹⁾

In **lending to individuals**, the overall volume of housing loans grew by 3.4% from the year earlier. Within this total, the portfolio of mortgages to individuals expanded by 1.9% to CZK 271.3 billion. Modrá pyramida's loan portfolio developed even faster, by 8.5% to CZK 88.5 billion. The new production of housing loans has been recovering since March of this year, but it nevertheless remained lower by (39.2%) year on year from the still-strong levels of 2022's first half, at CZK 16.0 billion. The volume of KB Group's consumer lending (provided by the Bank and ESSOX Group in the Czech Republic and Slovakia) was up by 6.6%, at CZK 36.8 billion. This growth pace was also influenced by improvements in the granting process and successful offer of flexible loans available online and at branches.

The total volume of **loans to businesses** and other lending provided by KB Group was greater by 2.8% year on year, at CZK 398.1 billion. Expansion was faster in euro-denominated loans, which are available to businesses with revenues in the European currency. Lending to small businesses declined by (0.7%) to CZK 47.4 billion. The overall CZK volume of credit granted by KB to medium-sized, large corporate, and other clients in the Czech Republic and Slovakia²⁾ climbed by 3.4% year on year to CZK 318.3 billion. At CZK 32.5 billion, the total credit and leasing amounts outstanding at SGEF were up by 2.5% year over year.

Amounts due to customers and assets under management

The **volume of standard client deposits** within KB Group decreased by (2.9%) year on year to CZK 994.7 billion.³⁾ Year to date, the volume grew by 8.5%. This development was influenced by clients shifting some of their savings to mutual funds. Competition in the deposits market has remained intense. Moreover, clients often have been switching their deposits from current accounts to better-yielding term and savings accounts. Deposits at Komerční banka from individual clients were down by (6.7%) from the year earlier to CZK 323.7 billion. The deposit book at Modrá pyramida diminished by (7.0%) to CZK 53.9 billion. Total deposits from businesses and other corporations were down by (0.2%) to CZK 610.9 billion.

The volumes in mutual funds held by KB Group clients grew by 31.5% to CZK 116.4 billion. Client assets managed by KB Penzijní společnost were 3.4% greater, at CZK 74.0 billion. Technical reserves in life insurance at Komerční pojišťovna were smaller by (0.7%) year on year, at CZK 45.3 billion.

The Group's liquidity as measured by the ratio of net loans⁴⁾ to deposits (excluding repo operations with clients but including debt securities held by KB and issued by the Bank's clients) stood at 80.2%. The Group's liquidity coverage ratio ended the year at 169%, well above the regulatory limit of 100%.

¹⁾ Including debt securities issued by KB's corporate clients. There were no reverse repo operations with clients to report as of 30 June 2023 or 30 June 2022.

²⁾ Inclusive of factor finance outstanding at Factoring KB and merchant and car dealers' financing from ESSOX Group.

³⁾ Excluding volatile repo operations with clients. The total volume of 'Amounts due to customers' decreased by 1.1% year on year to CZK 1,091.7 billion.

⁴⁾ Gross volume of loans reduced by the volume of provisions for loan losses.

| Financial performance

Income statement

Komerční banka's **revenues (net operating income)** reached CZK 18,099 million, down by (5.6%) compared to the first half of 2022. Net interest income declined as the impact from higher average costs of deposits was not offset by expanding loan volumes. Net fee and commission income was up slightly, mainly thanks to clients' larger investments in mutual funds and greater transaction activity. Net profit on financial operations improved from the already strong level of last year's first half.

Net interest income was down by (9.5%), at CZK 12,812 million. The volume of loans expanded, but the average lending spreads narrowed in retail segments. Switching of deposit volumes from current accounts to savings and term deposits, together with higher rates paid on deposit products, led to significantly higher average costs of deposits. Contribution to net interest income from investment banking activities diminished due to smaller differences between Czech crown interest rates and those in other currencies. Net interest margin for the first half of 2023, computed as the ratio of net interest income to interest-earning assets reported on the balance sheet, reached 2.0%. That compares to 2.2% a year earlier.

Net fee and commission income grew by 2.7% to CZK 3,049 million. Transaction fees contributed to this development, as clients' transaction activity was greater, especially in card payments but also in other non-cash payments. Deposit product fees were up slightly, as the base from last year was influenced by a humanitarian allowance for war refugees from Ukraine. Fees from cross-selling improved as well, with better contribution from mutual funds and insurance products. Income from loan services was higher, mainly due to expanding consumer lending. Because clients' activity on debt capital markets was diminished year on year, less income was generated from the related services.

Net profit on financial operations increased by 6.0% year on year to a strong CZK 2,063 million. The result was achieved on the back of robust client activity in the currency and interest rate hedging and trading. A few larger transactions executed for corporate and institutional clients also contributed positively. Small and medium-sized corporate clients continued to appreciate tailored hedging strategies, and particularly those based on currency options. Gains from foreign exchange payments were lower year on year, reflecting seasonality of travel, transaction activity of clients, and spreads adjustments. The result in the second quarter also included gain from sales of bonds reported on the banking book.

Dividend and other income was up by 82.3% to CZK 175 million. This line item primarily comprises revenues from property rental and ancillary services.

Operating expenses rose by 8.0% to CZK 9,093 million. Personnel expenses grew by 7.4% to CZK 4,069 million, reflecting a combined rise in average salaries and 0.4% increase in the average number of employees to 7,549¹⁾. General and administrative expenses (not including contributions to the regulatory funds) were up by 13.8%, at CZK 2,123 million. Growth in this category was driven by marketing, software and IT support, as well as costs related to real estate and overall inflation. The full-year charge to the regulatory funds (Deposit Insurance Fund, Resolution Fund) was lower by a slight (0.3%) year on year, at CZK 1,277 million, because the CNB reduced the Czech banks' aggregate contribution to the Resolution Fund in 2023. The levy for the Deposit Insurance Fund was increased, however, following last year's failure of Sberbank CZ. Depreciation, amortisation, and impairment of operating assets grew by 9.0% to CZK 1,624 million, whereas higher charges reflecting investments in pursuit of KB's digitalisation strategy were partly offset by lower depreciation of buildings.

The sum of profit before allowances for loan losses, provisions for other risk, profit on subsidiaries, and income tax (**operating profit**) was down by (16.2%), at CZK 9,006 million.

Cost of risk (impairment losses, provisions for loans, and net result from loans transferred and written off) reached CZK (899) million (i.e. a net release of provisions) compared to net provisions creation of CZK 562 million a year earlier. This was possible mainly due to an improved situation as well as successful recovery relating to several exposures in the corporate client segment. The level of new defaults stayed relatively low across all client segments. Net provisioning in retail segments remained low. The cost of risk in relative terms and as measured against the average volume of the lending portfolio during the first half of 2023 came to (22) basis points. That compares with 15 basis points for the same period a year earlier.

Income from shares in associated undertakings (i.e. Komerční pojišťovna) was up by 17.6% year on year, at CZK 127 million, influenced by interest rate developments, creation and utilisation of the insurance reserves, and implementation of the IFRS 17 accounting standard at Komerční pojišťovna.

Net profits (losses) on other assets reached a negative CZK (7) million. In the previous year, net profit on other assets had been CZK 120 million.

Income tax was lower by (7.5%), at CZK 1,832 million.

¹⁾ Recalculated to a full-time equivalent number.

KB Group's consolidated **net profit** for the first half of 2023 reached CZK 8,193 million, which was down by (2.8%) in comparison with the year earlier. Of this total, CZK 107 million was profit attributable to the non-controlling owners of minority stakes in KB's subsidiaries (unchanged year on year).

Reported **net profit attributable to the Group's equity holders** totalled CZK 8,086 million, which is (2.9%) less year on year.

Other comprehensive income reached CZK (371) million. This derived mainly from revaluation of some cash flow hedging positions and debt securities. **Consolidated comprehensive income** for the first 6 months of 2023 totalled CZK 7,822 million, of which CZK 105 million was attributable to owners of non-controlling stakes.

Statement of financial position

Unless indicated otherwise, the following text provides a comparison of the balance sheet values as of 30 June 2023 with the values from the statement of financial position as of 31 December 2022.

Assets

As of 30 June 2023, KB Group's total assets had grown by 12.4% year to date to CZK 1,467.3 billion.

Cash and current balances with central banks were down by (16.0%), at CZK 11.9 billion. Financial assets held for trading at fair value through profit or loss (trading securities and derivatives) decreased by (15.9%) to CZK 48.2 billion. The fair value of hedging financial derivatives declined by (24.8%) to CZK 16.2 billion.

Year to date, there was a (9.1%) decline in financial assets at fair value through other comprehensive income totalling CZK 27.4 billion. This item consisted mainly of debt securities issued by government institutions.

Financial assets at amortised cost grew by 15.6% to CZK 1,334.1 billion. The largest portion of this consisted of (net) loans and advances to customers, which increased year to date by 2.1% to CZK 798.0 billion. A 97.9% share in the gross amount of client loans was classified in Stage 1 or Stage 2 while 2.1% of the loans were classified in Stage 3 (non-performing loans). The volume of loss allowances created for amounts due from customers came to CZK 12.9 billion. Loans and advances to banks climbed by 64.2% to CZK 383.2 billion. The majority of this item consists in reverse repos with the central bank. The value held in debt securities was up by 9.7% and reached CZK 152.8 billion at the end of June 2023.

Revaluation differences on portfolio hedge items totalled CZK (1.7) billion, lower by (32.1%). Current and deferred tax assets stood at CZK 0.3 billion. Prepayments, accrued income, and other assets, which include receivables from securities trading and settlement balances, decreased overall by (1.1%) to CZK 5.7 billion. Assets held for sale diminished by (14.2%) to CZK 0.1 billion.

Because of Komerční pojišťovna's transition to the IFRS 17 standard, investments in associates rose by 6.1%, to CZK 2.8 billion, compared to the 2022 year-end restated value of CZK 2.7 billion.

The net book value of tangible assets stayed flat at CZK 8.8 billion. Intangible assets grew by 8.4% to reach CZK 9.8 billion. Goodwill, which primarily derives from the acquisitions of Modrá pyramida, SGEF, and ESSOX, remained unchanged at CZK 3.8 billion.

Liabilities

Total liabilities were 14.0% higher in comparison to the end of 2022 and stood at CZK 1,346.4 billion.

Financial liabilities at amortised cost went up by 15.3% to CZK 1,211.5 billion. Amounts due to customers comprise the largest proportion of this total, and these climbed by 14.8% to CZK 1,091.7 billion. This total included CZK 97.1 billion of liabilities from repo operations with clients and CZK 6.4 billion of other payables to customers. Amounts due to banks increased through the first half of 2023 by 23.6% to CZK 105.3 billion.

Revaluation differences on portfolios hedge items were CZK (44.1) billion. Current and deferred tax liabilities ended at CZK 2.8 billion, up by 8.0%. Accruals and other liabilities, which include payables from securities trading and settlement balances, grew by 15.5% to CZK 19.4 billion.

The provisions balance was (21.4%) lower, at CZK 0.9 billion. Provisions for other credit commitments are held to cover credit risks associated with credit commitments issued. The provisions for contracted commitments principally comprise those for ongoing contracted contingent commitments, legal disputes, self-insurance, and the retirement benefits plan.

Subordinated and senior non-preferred debt, at CZK 48.8 billion, was up by 26.2% year to date, as KB continued to subscribe new loans during second quarter 2023 to meet regulatory minimum requirements for own funds and eligible liabilities (MREL).

Equity

Total equity declined year to date by (3.0%) to CZK 120.9 billion, as the volume of the annual dividend paid in May exceeded the amount of net profit generated in the first half. Values of retained earnings as well as income from share of associated undertakings were restated as of the end of 2022 as a result of Komerční pojišťovna's adopting the IFRS 17 standard. The value of non-controlling interests reached CZK 3.1 billion. As of 30 June 2023, KB held in treasury 1,193,360 of its own shares constituting 0.63% of the registered capital.

Regulatory capital and requirements for capital and liquidity

Total **regulatory capital** for the capital adequacy calculation came to CZK 104.9 billion as of 30 June 2023. **Capital adequacy** stood at 20.0%. Core Tier 1 (CET1) capital totalled CZK 102.1 billion and the Core Tier 1 ratio was 19.5%. Tier 2 capital summed to CZK 2.7 billion, which was 0.5% of risk-weighted assets.

As of 1 July 2023, Komerční banka's overall capital requirements (OCR) were at approximately 17.6%. The minimum required level of CET1 is 12.9%, and the minimum Tier 1 capital ratio stands at 14.9%.

KB Group's Liquidity Coverage Ratio came to 169% as of 30 June 2023. The applicable regulatory minimum is 100%.

Effective from 1 January 2023, KB Group is recommended to comply with a minimum requirement for own funds and eligible liabilities (MREL) equal to 17.4% of the consolidated total risk exposure and 5.18% of the consolidated total exposure. Based on the CNB general approach,¹⁾ MREL is expected to reach 21.2% of the consolidated total risk exposure and 5.91% of the

consolidated total exposure with effect as of 31 December 2023. The MREL requirement is defined as a sum of the amount of loss absorption and recapitalisation. In addition to the MREL, expressed as a percentage of risk-weighted assets, the Group must also fulfil the combined capital buffer. According to current regulations and the criteria from the supervisor, this requirement stood at 6.75% as of 1 July 2023.

Pursuing the so-called "single point of entry" resolution strategy, KB intends to fulfil its MREL requirements by taking on senior non-preferred loans from Société Générale S.A. As of 30 June, KB had accepted such loans in a total principal volume of EUR 1.95 billion.

| Key ratios and indicators | 30 June 2022 | 30 June 2023 | Change year on year |
|--|--------------|--------------|---------------------|
| Capital adequacy (CNB) | 20.3% | 20.0% | ▼ |
| Tier 1 ratio (CNB) | 20.0% | 19.5% | ▼ |
| Total risk-weighted assets (CZK billion) | 533.2 | 524.6 | (1.6%) |
| Risk-weighted assets for credit risk (CZK billion) | 442.3 | 427.3 | (3.4%) |
| Net interest margin (NII / average interest-bearing assets) ⁱⁱⁱ | 2.2% | 2.0% | ▼ |
| Loans (net) / deposits ratio ^{iv} | 74.0% | 80.2% | ▲ |
| Cost / income ratio ^v | 43.9% | 50.2% | ▲ |
| Return on average equity (ROAE) ^{vi} | 13.4% | 13.5% | ▲ |
| Return on average Tier 1 capital ^{vii} | 16.0% | 16.1% | ▲ |
| Return on average assets (ROAA) ^{viii} | 1.2% | 1.2% | ▼ |
| Earnings per share (CZK) ^{ix} | 88.2 | 85.6 | (2.9%) |
| Average number of employees during the period* | 7,522 | 7,549 | 0.4% |

* Calculation according to Czech Statistical Office methodology.

¹⁾ <https://www.cnb.cz/en/resolution/general-approach-of-the-czech-national-bank-to-setting-a-minimum-requirement-for-own-funds-and-eligible-liabilities-mrel/>

I Definitions of the performance indicators mentioned herein

- I. **Housing loans:** mortgages to individuals provided by KB + loans to clients provided by Modrá pyramida;
- II. **Cost of risk in relative terms:** annualised 'Allowances for loan losses' divided by the average of 'Gross amount of client loans and advances', year to date;
- Average of Gross amount of client loans and advances:** ('Gross amount of client loans and advances' as of the quarter end X-1 plus 'Gross amount of client loans and advances' as of the quarter end X-2 plus 'Gross amount of client loans and advances' as of the quarter end X-3 plus 'Gross amount of client loans and advances' as of the quarter end X-4) divided by 4;
- Gross amount of client loans and advances:** 'Total loans and advances to customers, gross' minus 'Other amounts due from customers';
- III. **Net interest margin (NIM):** 'Net interest income' divided by average interest-earning assets (IEA) year to date;
- Average interest-earning assets:** ('Total interest-earning assets' as of the last day of the described period in year X plus 'Total interest-earning assets' as of the year end X-1) divided by 2;
- Interest-earning assets (IEA)** comprise 'Cash and current balances with central banks' ('Current balances with central banks' only), 'Loans and advances to banks', 'Loans and advances to customers', 'Financial assets held for trading at fair value through profit or loss' (debt securities only), 'Non-trading financial assets at fair value through profit or loss' (debt securities only), 'Financial assets at fair value through other comprehensive income' (debt securities only), and 'Debt securities';
- IV. **Net loans to deposits:** ('Loans and advances to customers' (net) less 'reverse repo operations with clients') divided by the quantity (total 'Amounts due to customers' less 'repo operations with clients');
- V. **Cost to income ratio:** 'Operating costs' divided by 'Net operating income';
- VI. **Return on average equity (ROAE):** annualised 'Net profit attributable to the Group's equity holders' divided by the quantity average group 'Shareholders' equity' less 'Minority equity', year to date;
- Average 'Total equity' less 'Non-controlling interest':** (('Total equity' less 'Non-controlling interest' as of the last day of the described period in year X) plus ['Total equity' less 'Non-controlling interest' as of the year end X-1]) divided by 2;
- VII. **Return on average Tier 1 capital:** annualised 'Net profit attributable to the Group's equity holders' divided by average group 'Tier 1 capital', year to date;
- Average Tier 1 capital:** ('Total Tier 1 capital' as of the last day of the described period in year X plus 'Total Tier 1 capital' as of the year end X-1) divided by 2;
- VIII. **Return on average assets (ROAA):** annualised 'Net profit attributable to the Group's equity holders' divided by average 'Total assets', year to date;
- Average total assets:** ('Total assets' as of the last day of the described period in year X plus 'Total assets' as of the year end X-1) divided by 2;
- IX. **Earnings per share:** annualised 'Net profit attributable to the Group's equity holders' divided by the quantity average number of shares issued minus average number of own shares in treasury.

Reconciliation of 'Net interest margin' calculation, (CZK million, consolidated, unaudited)

| (source: Profit and Loss Statement) | 1H 2023 | 1H 2022 |
|---|---------------|---------------|
| Net interest income income, year to date | 12,812 | 14,157 |
| Of which: | | |
| Loans and advances at amortised cost | 30,191 | 21,995 |
| Debt securities at amortised cost | 2,160 | 1,466 |
| Other debt securities | 271 | 278 |
| Financial liabilities at amortised cost | (16,814) | (7,477) |
| Hedging financial derivatives – income | 23,685 | 15,034 |
| Hedging financial derivatives – expense | (26,681) | (17,139) |

| (source: Balance Sheet) | 30-Jun-23 | 31-Dec-22 | 30-Jun-22 | 31-Dec-21 |
|---|------------------|------------------|------------------|------------------|
| Cash and current balances with central banks / Current balances with central banks | 4,162 | 6,167 | 10,807 | 21,455 |
| Loans and advances to banks | 383,239 | 233,398 | 455,150 | 257,196 |
| Loans and advances to customers | 797,986 | 781,463 | 757,528 | 724,587 |
| Financial assets held for trading at fair value through profit or loss / Debt securities | 11,868 | 9,968 | 12,385 | 8,696 |
| Non-trading financial assets at fair value through profit or loss / Debt securities | 0 | 132 | 135 | 135 |
| Financial asset at fair value through other comprehensive income (FV OCI) / Debt securities | 27,362 | 30,119 | 31,004 | 35,509 |
| Debt securities | 152,825 | 139,277 | 121,237 | 114,078 |
| Interest-bearing assets (end of period) | 1,377,441 | 1,200,524 | 1,388,246 | 1,161,656 |
| Average interest-bearing assets, year to date | 1,288,983 | | 1,274,951 | |
| NIM year to date, annualised | 1.99% | | 2.22% | |

I Expected development and main risks to that development in 2023

Note: This outlook updates and thus replaces the outlook presented on 12 May 2023 on the occasion of Komerční banka's announcing its results for the first quarter of 2023. Given the high level of uncertainty and risks related to projecting future business results, investors should exercise caution and judgement before making their investment decisions while considering these forward-looking estimates and targets.

The Czech economy is expected to grow only marginally in 2023, if at all. A positive contribution will come from net exports, while fixed investments and household consumption, hindered by gloomy confidence levels, probably will decline year on year. The quarterly data on economic output should see some recovery in activity during the second half of this year.

Although inflation will decelerate, its average rate during the year will still exceed 10%. Unemployment is expected to increase just slightly and the labour market will remain tight. The growth in nominal wages will accelerate, albeit not enough to match the rise in consumer prices.

The Czech National Bank is likely to keep interest rates at their current levels (7% repo rate) until the end of the year before starting to reduce them in 2024.

The CNB boosted the requirement for countercyclical capital buffer on Czech exposures of banks to the maximum level of 2.5%, effective from April 2023, then reduced it back to 2.25% from July. KB is not aware of further changes in capital requirements likely to occur during 2023. KB will also continue in gradually taking loans from Société Générale in order to meet the regulatory requirements for own funds and eligible liabilities (MREL) from the EU's Bank Recovery and Resolution Directive (as the concept of single point of entry is applied within the SG Group).

In December 2022, the Parliament approved a bill introducing a new tax impacting several banks, including Komerční banka. This so-called "windfall tax" will be applied to profits of selected banks generated in the years 2023, 2024, and 2025. The windfall tax rate of 60% is constructed as a surcharge on top of the standard 19% tax rate, which means that the effective tax rate for the "windfall" part of the profit is 79%. Windfall is defined as a difference between the income tax base (profit before tax) of the respective year and the average profit before tax in the four years 2018–2021, increased by 20%. The windfall tax is imposed on (standalone) banks with net interest income that had exceeded CZK 6 billion in 2021. Within KB Group, it applies to standalone Komerční banka. Given the income tax base of standalone KB in 2018, 2019, 2020, and 2021, the windfall tax base comes to CZK 15.8 billion. According to the projections for the financial results detailed below, the new tax's impact in 2023 should be limited or non-existent.

The government of the Czech Republic intends to adopt measures focused on reducing the public finance deficit. A majority of the proposed measures are subject to upcoming votes by Parliament and their intended effects are from 2024.

The banking market for loans will absorb a combination of impacts, including quite dynamic nominal indicators but rather sluggish real growth rates. Total lending on the market should grow at a mid-single-digit year-on-year percentage rate. The volumes of housing loans outstanding are expected to develop also at a mid-single-digit rate, as the production of these loans has been recovering since March from the drop recorded during 2022. Consumer credit expansion should reach a high-single-digit pace, supported by the favourable labour market situation. Lending to businesses and other corporations should rise at a mid-single-digit tempo, affected by cooling demand for working capital financing (due to less need in industry to keep high inventories) and hesitation about new investment plans.

Growth in the volume of deposits on the market will reach mid-to high-single digits in total. The pace of expansion in deposits from individuals will be slower, as some households continue to tap their reserves to cover increased costs of living. Businesses, on the other hand, have in aggregate been able to protect their profitability margins and ability to generate cash. Several players on the deposits market have adopted aggressive pricing policies. This situation may last as long as market interest rates remain high.

Komerční banka will continue implementing the changes in accordance with its KB2025 programme that had been announced in November 2020. Among other initiatives, it will continue a gradual migration of individual clients to the new digital bank, commenced in April 2023.

In this context, KB management expects that the Group's loan portfolio will record a mid-single-digit growth rate for 2023. The outstanding volume of housing loans should expand also at a mid-single-digit pace, and the volume of new sales of these loans should be recovering in comparison with the second half of 2022. Consumer lending should grow faster, also thanks to improvements in the offer and the sales process. The corporate loan book should develop at a mid-single-digit pace, as KB aims to confirm the gains recently achieved in its market share of business loans.

Total deposit balances are expected to expand at a mid-single-digit tempo. Deposits of corporate clients may grow somewhat faster than do volumes in the retail segments. The year-on-year growth in term deposits will probably still outpace that in current accounts by a large margin.

KB Group's total net operating income for 2023 will probably decline somewhat compared to that in the previous year. Net interest income will retreat at a high-single-digit pace, mainly because of higher average costs of deposits. Net fees and commissions should improve by mid-single digits, driven especially by dynamic development of the volumes in mutual funds. The net profit on financial operations will likely grow notably, propelled by income from clients' hedging and trading activity, but also due to a shifting allocation of trading gains from interest income to financial operations, which reflects movements in interest rates in different currencies.

As ever, operating expenses remain under tight control and the figure for the full year will rise at a high-single-digit pace, thus slower than the rate of inflation. The Group will continue its transformation, which consists in investing into building the new digital infrastructure, overall simplification, and decreasing the numbers of employees and premises in use. The management has agreed with the trade unions on increasing wages by an average 5% from April 2023 on a constant staff basis. Depreciation and amortisation charges will be growing at a low-double-digit rate, a reflection of the investments in digital transformation. Total regulatory levies for the Resolution and Deposit insurance funds will remain at a similar level year on year. As for other administrative costs, the Group will be mitigating the effects of high inflation through ongoing optimisation of operations.

Cost of risk will be influenced by several factors, including inflation, slower economic growth, and higher interest rates, as well as low unemployment and strong recovery performance. Certain impacts from high inflation and energy costs had been anticipated in provisioning during 2022. Reflecting the resilient credit profile of KB's asset portfolio, the cost of risk in 2023 is expected to reach between 0 and 10 basis points, thus significantly below the normalised level across the whole business cycle.

The key risks to the expectations described above consist in further escalation of the war in Ukraine and its economic repercussions, as well as rapid decline in aggregate consumption or significant changes in parameters of financial schemes supported by the state. Generally, the open Czech economy would be sensitive to a worsening external economic environment, as well as to abrupt changes to relevant exchange and interest rates or to monetary or fiscal policies.

Management expects that KB's operations will generate sufficient profit in 2023 to cover the Group's capital needs ensuing from its growing volume of assets as well as to pay out dividends.

| Events in corporate governance

The General Meeting held on 20 April 2023 approved the reported financial statements for 2022 and the proposal for distribution of profit, including dividend payment in the amount of CZK 11.5 billion. It also approved the consolidated financial statements for 2022 and the Remuneration Report for 2022. The General Meeting elected Ms Marie Doucet and Ms Petra Wendelová as members of the Supervisory Board. Ms Wendelová was elected, too, as a member of the Audit Committee. The General Meeting also decided to appoint Deloitte Audit s.r.o. to perform the statutory audit for 2023.

| Changes in Group structure

Komerční banka has founded a new fully owned subsidiary, KB Poradenství, s.r.o. The company was established by its entry into the register of companies on 27 June 2023. KB Poradenství was founded in relation to the intended development of of KB Group's distribution model. The company's registered scope of business includes intermediation of consumer loans, intermediation of insurance and reinsurance, intermediation of supplementary pension savings, and investment brokerage. In order to be authorised to conduct these business activities, the company needs to obtain additional licenses.

On 30 June 2023, KB Smart Solutions, a full owned subsidiary of Komerční banka, increased to 28.256% from 24.989% its stake in MonkeyData s.r.o. MonkeyData fully owns a subsidiary, Lemonero, s.r.o., which provides financing to e-shops utilising an AI-powered scoring model.

| Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

As of 30 June 2023, the Group was controlled by Société Générale, which owns 60.35% (31 December 2022: 60.35%) of the Bank's issued share capital.

A number of banking transactions are entered into with related parties in the normal course of business. These specifically include loans, deposits, transactions with derivative financial instruments, and other types of transactions. These transactions were carried out on an arm's length basis.

Amounts due to and from the Group companies

As of 30 June 2023, the Group had deposits of CZK 3,451 million (31 December 2022: CZK 3,318 million) due to the associate Komerční pojišťovna, a.s. and the Bank had provided it a subordinated loan in the amount of CZK 452 million (31 December 2022: CZK 446 million). The positive fair value of financial derivatives in relation to the associate Komerční pojišťovna, a.s. totalled CZK 108 million (31 December 2022: CZK 230 million) and the negative fair value CZK 745 million (31 December 2022: CZK 467 million). The book value of mortgage bonds issued by the Bank was CZK 0 million (31 December 2022: CZK 0 million) and interest expense from mortgage bonds for the first six months totalled CZK 0 million (30 June 2022: CZK 3 million).

During the half year ended 30 June 2023, interest income from financial derivatives of Komerční pojišťovna, a.s. to the Group totalled CZK 188 million (30 June 2022: CZK 246 million) and interest expense on financial derivatives amounted to CZK 172 million (30 June 2022: CZK 208 million). Interest income from the subordinated loan was CZK 6 million (30 June 2022: CZK 6 million), interest expense from deposits totalled CZK 116 million (30 June 2022: CZK 67 million), fee income of the Group arising from intermediation was CZK 293 million (30 June 2022: CZK 253 million), fee expense totalled CZK 77 million (30 June 2022: CZK 68 million), insurance expenses were CZK 5 million (30 June 2022: CZK 4 million), and other income totalled CZK 15 million (30 June 2022: CZK 12 million).

As of 30 June 2023, deposits received by the Group from other associated companies represent CZK 173 million (31 December 2022: CZK 88 million), loans granted to these companies amount to CZK 287 million (31 December 2022: CZK 252 million) and allowances for these loans amount to CZK 28 million (31 December 2022: CZK 26 million). Related interest income totalled CZK 11 million (30 June 2022: CZK 3 million) and interest expense totalled CZK 3 million (30 June 2022: CZK 0 million).

Amounts due to and from Société Générale Group entities

Principal balances due from Société Générale Group entities include:

| (CZKm) | 30 Jun 2023 | | 31 Dec 2022 | |
|--|---------------|----------------------|---------------|----------------------|
| | Total | Of which derivatives | Total | Of which derivatives |
| ALD Automotive s.r.o. | 8,330 | 0 | 7,465 | 0 |
| ALD Automotive Slovakia s. r. o. | 93 | 0 | 36 | 0 |
| BRD - Groupe Société Générale SA | 13 | 0 | 109 | 0 |
| LeasePlan Czech Republic, s.r.o. | 1,595 | 0 | 0 | 0 |
| SG Bruxelles | 1 | 0 | 1 | 0 |
| SG Private Banking (Suisse) | 2 | 0 | 0 | 0 |
| SG Zurich | 494 | 0 | 0 | 0 |
| Société Générale International Limited | 0 | 0 | 2 | 0 |
| Société Générale London | 14 | 0 | 0 | 0 |
| Société Générale New York | 13 | 0 | 0 | 0 |
| Société Générale oddział w Polsce | 90 | 90 | 2 | 1 |
| Société Générale Paris | 36,983 | 15,360 | 30,189 | 19,592 |
| Total | 47,628 | 15,450 | 37,804 | 19,593 |

Principal balances due to Société Générale Group entities include:

| (CZKm) | 30 Jun 2023 | | 31 Dec 2022 | |
|-----------------------------------|----------------|----------------------|----------------|----------------------|
| | Total | Of which derivatives | Total | Of which derivatives |
| ALD Automotive s.r.o. | 530 | 0 | 379 | 0 |
| BRD - Groupe Société Générale SA | 1 | 0 | 3 | 0 |
| Crédit du Nord | 0 | 0 | 20 | 0 |
| SG Amsterdam | 3 | 0 | 4 | 0 |
| SG Frankfurt | 202 | 0 | 15 | 0 |
| Société Générale Luxembourg | 36 | 0 | 43 | 0 |
| SG Milan | 3 | 0 | 6 | 0 |
| SG Private Banking (Suisse) | 45 | 0 | 45 | 0 |
| SG Zurich | 0 | 0 | 1 | 0 |
| SGEF SA | 1 | 0 | 3 | 0 |
| Société Générale Factoring | 27 | 0 | 8 | 0 |
| Société Générale London | 134 | 0 | 138 | 0 |
| Société Générale New York | 4 | 0 | 37 | 0 |
| Société Générale oddział w Polsce | 6 | 0 | 3 | 2 |
| Société Générale Paris | 123,361 | 14,099 | 104,825 | 15,774 |
| SOGEPPROM Czech Republic s.r.o. | 4 | 0 | 4 | 0 |
| Total | 124,357 | 14,099 | 105,534 | 15,776 |

Amounts due to and from the Société Générale Group entities principally comprise balances of current and overdraft accounts, nostro and loro accounts, subordinated and senior non-preferred debt, issued loans, interbank market loans and placements, deposited margins in favour of a counterparty, and fair values of derivatives.

As of 30 June 2023, the Group also carried off-balance sheet exposures to Société Générale Group entities, of which off-balance sheet nominal assets and liabilities totalled CZK 611,579 million (31 December 2022: CZK 585,700 million) and CZK 520,391 million (31 December 2022: CZK 516,540 million), respectively. These amounts principally relate to currency spots and forwards, interest rate forwards and swaps, options, commodity derivatives, emission allowances, and guarantees for credit exposures.

As of 30 June 2023 and 31 December 2022, the Group also recorded other accounts receivable and payable from and to Société Générale Group entities the amounts of which are not significant.

During the half year ended 30 June 2022, the Group generated net operating revenues due to the Société Générale Group of CZK 1,335 million (30 June 2022: CZK 5,188 million). The total amount is mainly affected by the volatile revaluation of derivative transactions to fair value. These operations follow on from operations concluded with clients and eliminate the Group's market risk or they are hedging derivatives of the fair value hedging type. Other sources of revenue include the distribution of SG Group products, as well as providing services in areas of infrastructure, information technology, and business intelligence. Net interest income of CZK (1,298) million (30 June 2022: CZK 18 million) consisted mainly of interest on hedging derivatives, transactions on the interbank market, and subordinated debt and senior non-preferred debt received. Operating expenses realised in relation to the SG Group reached CZK 144 million (30 June 2022: CZK 132 million), mostly for the use of services in the area of operation and management of hardware and software and for assistance services. The operating result in relation to the SG Group reached CZK 1,191 million (30 June 2022: CZK 5,056 million).

In connection with lease contracts the Group records:

| (CZKm) | 30 Jun 2023 | | | | 31 Dec 2022 | | | |
|----------------------------------|---------------------|-------------------|----------------------|------------------|---------------------|-------------------|----------------------|------------------|
| | Right-of-use assets | Lease liabilities | Depreciation expense | Interest expense | Right-of-use assets | Lease liabilities | Depreciation expense | Interest expense |
| ALD Automotive s.r.o. | 109 | 46 | 13 | 0 | 127 | 52 | 23 | 1 |
| ALD Automotive Slovakia s. r. o. | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Total | 110 | 46 | 13 | 0 | 128 | 52 | 23 | 1 |

As of 30 June 2023, the Group reported a loss of CZK 0 million (30 June 2022: CZK 1 million) on terminated contracts.

Amounts due from members of the Board of Directors and Supervisory Boards

In respect of loans and guarantees as of 30 June 2023, the Group recorded loan receivables from loans granted to members of the Board of Directors and Supervisory Board totalling CZK 46 million (31 December 2022: CZK 50 million). During the first half of 2023, drawings of CZK 0 million (30 June 2022: CZK 3 million) were made under the loans granted. During the first half of 2023, loan repayments totalled CZK 1 million (30 June 2022: CZK 1 million). The change of loans in 2023 is also affected by new members already having loans totalling CZK 7 million. Loans to resigning members amounted to CZK 10 million as of 31 December 2022.

| Report of financial results as of 30 June 2023

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Consolidated Income Statement and Statement of Comprehensive Income

Period ended 30 June 2023

| (CZKm) | Note | 30 Jun 2023 | Restated 30 Jun 2022 |
|---|------|----------------|-------------------------|
| Interest income | | 56,328 | 39,081 |
| Interest expense | | (43,516) | (24,924) |
| Net interest income | | 12,812 | 14,157 |
| Net fee and commission income | | 3,049 | 2,969 |
| Net profit/(loss) on financial operations | | 2,063 | 1,946 |
| Dividend income | | 2 | 2 |
| Other income | | 173 | 94 |
| Net operating income | | 18,099 | 19,168 |
| Personnel expenses | | (4,069) | (3,787) |
| General and administrative expenses | | (3,400) | (3,146) |
| Depreciation, amortisation, and impairment of operating assets | | (1,624) | (1,490) |
| Total operating expenses | | (9,093) | (8,423) |
| Operating profit | | 9,006 | 10,745 |
| Impairment losses | | 912 | (486) |
| Net gain from loans and advances transferred and written off | | (13) | (76) |
| Cost of risk | | 899 | (562) |
| Income from share of associated undertakings | | 127 | 109 |
| Profit/(loss) attributable to exclusion of companies from consolidation | | 0 | 0 |
| Gain on a bargain purchase | | 0 | 0 |
| Net profits on other assets | | (7) | 120 |
| Profit before income tax | | 10,025 | 10,412 |
| Income tax | | (1,832) | (1,980) |
| Net profit for the period | | 8,193 | 8,432 |
| Profit attributable to the Non-controlling owners | | 107 | 107 |
| Profit attributable to the Group's equity holders | | 8,086 | 8,325 |
| Earnings per share/diluted earnings per share (in CZK) | | 42.82 | 44.08 |

| (CZKm) | Note | 30 Jun 2023 | Restated 30 Jun 2022 |
|---|------|--------------|-------------------------|
| Net profit for the period | | 8,193 | 8,432 |
| Items that will not be reclassified to the Statement of Income | | | |
| Remeasurement of retirement benefits plan, net of tax | | 0 | 0 |
| Revaluation of equity securities at FVOCI option*, net of tax | | 0 | 1 |
| Items that may be reclassified subsequently to the Statement of Income | | | |
| Cash flow hedging | | | |
| – Net fair value gain/(loss), net of tax | | (7) | 310 |
| – Transfer to net profit/(loss), net of tax | | (282) | (390) |
| Hedge of a foreign net investment | | 4 | 1 |
| Foreign exchange difference on translation of a foreign net investment | | (2) | 2 |
| Revaluation of debt securities at FVOCI**, net of tax | | (108) | (602) |
| Share of the other comprehensive income of associates, net of tax | | 24 | (41) |
| Other income from associated undertakings | | 0 | 0 |
| Other comprehensive income for the period, net of tax | | (371) | (719) |
| Total comprehensive income for the period, net of tax | | 7,822 | 7,713 |
| Comprehensive income attributable to the Non-controlling owners | | 105 | 107 |
| Comprehensive income attributable to the Group's equity holders | | 7,717 | 7,606 |

* Revaluation of equity securities at fair value through other comprehensive income option.

** Revaluation of debt securities at fair value through other comprehensive income.

The accompanying Notes are an integral part of this Consolidated Income Statement and Statement of Comprehensive Income.

Consolidated Statement of Financial Position

As of 30 June 2023

| (CZKm) | Note | 30 Jun 2023 | Restated 31 Dec 2022 |
|---|------|------------------|-------------------------|
| ASSETS | | | |
| Cash and current balances with central banks | | 11,913 | 14,190 |
| Financial assets held for trading at fair value through profit or loss | | 48,152 | 57,269 |
| Other assets held for trading at fair value through profit or loss | | 0 | 0 |
| Non-trading financial assets at fair value through profit or loss | | 0 | 132 |
| Positive fair value of hedging financial derivatives | | 16,234 | 21,582 |
| Financial assets at fair value through other comprehensive income | 4 | 27,414 | 30,171 |
| Financial assets at amortised cost | 5 | 1,334,050 | 1,154,138 |
| Revaluation differences on portfolios hedge items | | (1,731) | (2,550) |
| Current tax assets | | 110 | 83 |
| Deferred tax assets | | 190 | 202 |
| Prepayments, accrued income, and other assets | | 5,736 | 5,797 |
| Investments in associates | | 2,815 | 2,652 |
| Intangible assets | | 9,792 | 9,030 |
| Tangible assets | | 8,766 | 8,762 |
| Goodwill | | 3,752 | 3,752 |
| Assets held for sale | | 81 | 94 |
| Total assets | | 1,467,274 | 1,305,304 |
| LIABILITIES AND EQUITY | | | |
| Amounts due to central banks | | 0 | 0 |
| Financial liabilities held for trading at fair value through profit or loss | | 62,142 | 66,949 |
| Negative fair value of hedging financial derivatives | | 44,867 | 56,746 |
| Financial liabilities at amortised cost | 7 | 1,211,465 | 1,050,337 |
| Revaluation differences on portfolios hedge items | | (44,059) | (52,689) |
| Current tax liabilities | | 1,859 | 1,529 |
| Deferred tax liabilities | | 959 | 1,080 |
| Accruals and other liabilities | | 19,437 | 16,831 |
| Provisions | 8 | 905 | 1,151 |
| Subordinated and senior non-preferred debt | | 48,818 | 38,694 |
| Total liabilities | | 1,346,393 | 1,180,628 |
| Share capital | | 19,005 | 19,005 |
| Share premium, funds, retained earnings, revaluation, and net profit for the period | | 98,756 | 102,439 |
| Non-controlling interest | | 3,120 | 3,232 |
| Total equity | | 120,881 | 124,676 |
| Total liabilities and equity | | 1,467,274 | 1,305,304 |

The accompanying Notes form an integral part of this Consolidated Statement of Financial Position.

Consolidated Statement of Changes in Shareholders' Equity

Period ended 30 June 2023

| (CZKm) | Share capital | Own shares | Capital funds and retained earnings* | Share-based payment | Remeasurement of retirement benefits plan | Revaluation of equity securities at FVOCI option | Cash flow hedging | Hedge of a foreign net investment | Revaluation of debt securities at FVOCI | Shareholders' equity | Non-controlling interest | Total equity, including non-controlling interest |
|---|---------------|--------------|--------------------------------------|---------------------|---|--|-------------------|-----------------------------------|---|----------------------|--------------------------|--|
| Balance as of 31 Dec 2022 restated | 19,005 | (577) | 101,785 | 563 | (216) | 5 | 596 | (8) | 291 | 121,444 | 3,232 | 124,676 |
| Treasury shares, other | 0 | 0 | 72 | 11 | 0 | 0 | 0 | 0 | 0 | 83 | 0 | 83 |
| Payment of dividends | 0 | 0 | (11,483) | 0 | 0 | 0 | 0 | 0 | 0 | (11,483) | (217) | (11,700) |
| Transactions with owners | 0 | 0 | (11,411) | 11 | 0 | 0 | 0 | 0 | 0 | (11,400) | (217) | (11,617) |
| Profit for the period | 0 | 0 | 8,086 | 0 | 0 | 0 | 0 | 0 | 0 | 8,086 | 107 | 8,193 |
| Other comprehensive income for the period, net of tax** | 0 | 0 | 24 | 0 | 0 | 0 | (289) | 4 | (108) | (369) | (2) | (371) |
| Comprehensive income for the period | 0 | 0 | 8,110 | 0 | 0 | 0 | (289) | 4 | (108) | 7,717 | 105 | 7,822 |
| Balance as of 30 June 2023 | 19,005 | (577) | 98,484 | 574 | (216) | 5 | 307 | (4) | 183 | 117,761 | 3,120 | 120,881 |

* Capital funds and retained earnings consist of other funds created from profit in the amount of CZK 5,213 million (31 Dec 2022: CZK 5,213 million), net profit from the period in the amount of CZK 8,086 million (31 Dec 2022: CZK 17,622 million), and retained earnings in the amount of CZK 85,185 million (31 Dec 2022: CZK 78,950 million).

** Amounts in the column Capital funds and retained earnings represent share of the other comprehensive income of associates due to the consolidation of an associated company using the equity method.

| (CZKm) | Share capital | Own shares | Capital funds and retained earnings* | Share-based payment | Remeasurement of retirement benefits plan | Revaluation of equity securities at FVOCI option | Cash flow hedging | Hedge of a foreign net investment | Revaluation of debt securities at FVOCI | Shareholders' equity | Non-controlling interest | Total equity, including non-controlling interest |
|--|---------------|--------------|--------------------------------------|---------------------|---|--|-------------------|-----------------------------------|---|----------------------|--------------------------|--|
| Balance as of 31 Dec 2021 | 19,005 | (577) | 102,148 | 546 | (224) | 4 | 1,248 | (12) | 1,371 | 123,509 | 3,273 | 126,782 |
| Changes in accounting policies** | 0 | 0 | 781 | 0 | 0 | 0 | 0 | 0 | 0 | 781 | 0 | 781 |
| Balance as of 1 January 2022 | 19,005 | (577) | 102,929 | 546 | (224) | 4 | 1,248 | (12) | 1,371 | 124,290 | 3,273 | 127,563 |
| Treasury shares, other | 0 | 0 | 52 | 10 | 0 | 0 | 0 | 0 | 0 | 62 | 0 | 62 |
| Payment of dividends | 0 | 0 | (8,324) | 0 | 0 | 0 | 0 | 0 | 0 | (8,324) | (255) | (8,579) |
| Transactions with owners | 0 | 0 | (8,272) | 10 | 0 | 0 | 0 | 0 | 0 | (8,262) | (255) | (8,517) |
| Profit for the period | 0 | 0 | 8,325 | 0 | 0 | 0 | 0 | 0 | 0 | 8,325 | 107 | 8,432 |
| Other comprehensive income for the period, net of tax*** | 0 | 0 | (41) | 0 | 0 | 1 | (80) | 3 | (602) | (719) | 0 | (719) |
| Comprehensive income for the period | 0 | 0 | 8,284 | 0 | 0 | 1 | (80) | 3 | (602) | 7,606 | 107 | 7,713 |
| Balance as of 30 June 2022 | 19,005 | (577) | 102,941 | 556 | (224) | 5 | 1,168 | (9) | 769 | 123,634 | 3,125 | 126,759 |

* Capital funds and retained earnings consist of other funds created from profit in the amount of CZK 5,211 million (1 Jan 2022: CZK 5,211 million), net profit from the period in the amount of CZK 8,325 million (1 Jan 2022: CZK 12,727 million), and retained earnings in the amount of CZK 89,405 million (1 Jan 2022: CZK 84,991 million).

** First time application of IFRS 17.

*** Amounts in the column Capital funds and retained earnings represent share of the other comprehensive income of associates due to the consolidation of an associated company using the equity method.

The accompanying Notes form an integral part of this Consolidated Statement of Changes in Shareholders' Equity.

Consolidated Cash Flow Statement

Period ended 30 June 2023

| (CZKm) | 2023 | Restated 2022 |
|--|----------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before income tax | 10,025 | 10,412 |
| Non-cash and other adjustments | | |
| Movement of allowances/provisions (including impact of loans and advances transferred and written off) | (879) | 707 |
| Depreciation and amortisation expense on tangible and intangible fixed assets | 1,624 | 1,490 |
| Net profits on other assets | 7 | (120) |
| Revaluation of derivatives | (107) | 8,218 |
| Accrued interest, amortisation of discount and premium | (290) | (1,785) |
| Profit/(loss) on subsidiaries and associates | (129) | (111) |
| Foreign exchange differences | 241 | 1,744 |
| Other changes | 193 | 474 |
| Operating profit before change in operating assets and liabilities | 10,685 | 21,029 |
| Changes in assets and liabilities from operating activities after non-cash adjustments | | |
| Amounts due from banks (received/paid) | (149,914) | (194,054) |
| Loans and advances to customers | (16,952) | (33,863) |
| Debt securities at amortised cost | (11,822) | (10,173) |
| Financial assets at fair value through other comprehensive income | 4,418 | 240 |
| Financial assets held for trading at fair value through profit or loss | (1,849) | (3,684) |
| Other assets held for trading at fair value through profit or loss | 0 | 0 |
| Non-trading financial assets at fair value through profit or loss | 135 | 0 |
| Other assets | (13) | 552 |
| Amounts due to banks (received/paid) | 22,406 | 65,070 |
| Amounts due to customers | 142,266 | 145,721 |
| Financial liabilities at fair value through profit or loss | 3,413 | 3,798 |
| Other liabilities | 2,258 | 7,077 |
| Net cash flow from operating assets and liabilities | (5,654) | (19,316) |
| Net cash flow from operating activities before tax | 5,031 | 1,713 |
| Income tax paid | (1,548) | (1,137) |
| Net cash flow from operating activities | 3,483 | 576 |
| CASH FLOWS FROM INVESTMENT ACTIVITIES | | |
| Dividends received (including associated undertakings) | 0 | 2 |
| Purchase of tangible and intangible assets | (2,007) | (1,593) |
| Sale of tangible and intangible assets | 1 | 748 |
| Purchase of investments in subsidiaries and associates | (14) | (529) |
| Sale/decrease of investments in subsidiaries and associates | 0 | 0 |
| Net cash flow from investment activities | (2,020) | (1,372) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividends paid to shareholders | (11,434) | (8,362) |
| Dividends paid to non-controlling interest | (162) | 0 |
| Purchase of own shares | 0 | 0 |
| Securities issued | 0 | 0 |
| Securities redeemed | 0 | (899) |
| Lease liabilities | (226) | (219) |
| Subordinated and senior non-preferred debt | 10,186 | 6,176 |
| Increase in minority equity | 0 | 0 |
| Net cash flow from financing activities | (1,636) | (3,304) |
| Net increase/(decrease) in cash and cash equivalents | (173) | (4,100) |

| (CZKm) | 2023 | Restated 2022 |
|---|--------------|------------------|
| Cash and cash equivalents at the beginning of the year | 10,136 | 27,349 |
| Foreign exchange differences on cash and cash equivalents at the beginning of the year | (90) | (64) |
| Adjustment of cash and cash equivalents at the beginning of the year due to acquisition | 0 | 0 |
| Cash and cash equivalents at the end of the year | 9,873 | 23,185 |
| Interest received | 56,687 | 38,199 |
| Interest paid | (44,165) | (25,827) |

The accompanying Notes form an integral part of this Consolidated Cash Flow Statement.

Notes to the Consolidated Financial Statements

Period ended 30 June 2023

1 Events for the period ended 30 June 2023

Dividends declared in respect of the year ended 31 December 2022

In accordance with a resolution of the Bank's General Shareholders' meeting held on 20 April 2023, the Bank paid out CZK 11,483 million (CZK 60,42 per share before tax) in dividends and the remaining balance of the net profit was allocated to retained earnings. Moreover, the Group decided to pay out CZK 56 million in dividends to non-controlling owners of ESSOX s.r.o and CZK 162 million to non-controlling owners of SG Equipment Finance Czech Republic.

Changes in the Bank's financial group

In April, KB SmartSolutions, s.r.o. increased the equity of Finbricks, s.r.o by CZK 3 million through a financial contribution into other capital funds. Finbricks, s.r.o is currently not consolidated due to its insignificant impact on the financial statements.

In May, the Bank decreased shareholders' equity of BASTION EUROPEAN INVESTMENTS S.A. by EUR 1.4 million (equivalent to CZK 39 million).

In June, KB SmartSolutions, s.r.o. increased its share in MonkeyData s.r.o. from the previous 24.989% to the current 28.256%. KB SmartSolutions, s.r.o. is a fully consolidated unit of KB Group.

In June, a new fully owned subsidiary of the Bank, KB Poradenství, s.r.o. was established with a registered capital of CZK 100,000.

Seasonality and unusual items

The Group's principal activities are not significantly influenced by seasonality, and in the first half of 2023 no unusual transaction occurred.

2 Principal accounting policies

These Consolidated Financial Statements were neither audited nor reviewed by an auditor. The presented information is consistent with IAS 34 Interim Financial Reporting requirements.

During the first half of 2023, the Group updated its IFRS 9 provisioning models for the Stage 1 and Stage 2 portfolios while taking into account the current macroeconomic outlook. In accordance with IFRS 9 methodology, the update was based upon a so-called multisenario approach. Three scenarios were considered for June 2023 accounting closure:

- a baseline scenario with 62% probability,
- a stress scenario with 28% probability, and
- an optimistic scenario with 10% probability.

The scenarios were developed internally while using the best available estimates and closely monitoring prognoses published by state, regulatory, and other bodies.

The baseline scenario applied in the IFRS 9 models as of June 2023 expects GDP growth of 0.2% in 2023 and 2% in 2024 and average unemployment at 2.5% in 2023 and 2.8% in 2024. The severe downside scenario expects GDP to decline by 2.3% in 2023 and 2% in 2024 and average unemployment of 4.9% in 2023 and 5.7% in 2024.

The update of IFRS 9 models in the first half of 2023 led to the release of allowances in the amount of CZK 95 million.

In accordance with the forward-looking approach, the Group continued in the first half of 2023 with a specific approach using post-model adjustments for the following portfolios with deteriorated credit profile, which as of 30 June 2023 is not fully reflected in the individual credit assessments of clients:

- (i) Exposure of clients in the retail segments of Individuals and Small Businesses with higher indebtedness or lower incomes, for whom the Group expects negative impacts of high inflation, rising costs, or rising interest rates on the clients' ability to repay their obligations. In the Individuals segment, the risk class of these clients was worsened by one notch and in the Small Businesses segment the rating was downgraded by two notches for the purpose of allowances calculation. This led to the creation of additional allowances of CZK 641 million as of 30 June 2023. The exposure of this retail sub-portfolio with higher indebtedness or lower income totalled CZK 70.1 billion as of June 2023.

- (ii) In the first quarter of 2023, the Group adjusted the approach to additional allowances created due to the inflation in the second quarter of 2022 to the entire non-retail portfolio. In the first quarter, additional allowances were released (consumed) in the amount of allowances created from the beginning of 2023 on non-retail clients in Stage 1 and Stage 2, for which there was observed deterioration of the rating (the resulting impact on the cost of credit risk was neutral). In the second quarter of 2023, the Group temporarily adjusted this approach by fixing the amount of additional allowances at the March 2023 level. The Group came to this temporary solution because the share of clients reassessed based on the financial statements for 2022 is still very low (only 15% at the end of May 2023), meaning that a very low percentage of clients have the current economic situation with its negative consequences reflected in their ratings). For this reason, having no better view on ratings based on 2022 financial statements, the Group considers the rapid trajectory of additional allowances release as not sufficiently grounded. The additional allowances totalled CZK 1,583 million as of 30 June 2023.

As of June 2023, the Group did not apply any specific sectoral approaches in its IFRS 9 models. Because the Group detected no materially more inflation-sensitive sectors within its non-retail portfolio, it introduced, as mentioned above, the specific portfolio overlay covering the high inflation impact for the whole non-retail portfolio. The Group deems that the expected credit risk in the sectors is included within the IFRS 9 forward-looking component and the inflation portfolio overlay.

The Group is continuously monitoring and evaluating effects of the war in Ukraine on its activities and on its clients, which overwhelmingly are only secondarily and indirectly affected, mainly due to the clients' dependence on strategic raw materials. The Group believes that the geopolitical risk is correctly reflected in the ratings of those clients concerned and considers the clients' situation to be stable. An exception involves sensitive exposures in the amount of CZK 4 billion of clients who operate gas pipelines, whose situation the Group monitors specifically. If necessary, the Group will respond to the changing situation with measures relating to its policies and accounting estimates, including to make adjustments to its models for allowances according to the IFRS 9 standard.

Changes in accounting policies

As of 1 January 2023, the Group has applied the new standard IFRS 17 Insurance contracts, superseding the earlier standard IFRS 4. The standard provides new rules for recognition, measurement, presentation, and disclosure of insurance contracts within the scope of the standard (insurance contracts issued, reinsurance contracts, life and non-life). Similar principles shall be applied also to investment contracts issued with discretionary participation features.

The initial application of IFRS 17 is retrospective, with restatement of comparative information of the financial year 2022. The differences resulting from initial application of the standard due to the associate Komerční pojišťovna, a.s. have been recognised as of 1 January 2022 (transition date) in equity in the amount of CZK 781 million. Restating the comparative information for the first half of 2022 had an impact on net profit for the period totalling CZK 6 million and on retained earnings in the amount of CZK 690 million.

3 Segment reporting

| (CZKm) | Retail banking | | Corporate banking | | Investment banking | | Other | | Total | |
|---|----------------|---------------|-------------------|--------------|--------------------|--------------|------------|-------------|---------------|---------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 * | 2023 | 2022 * | 2023 | 2022 |
| Net interest income | 6,763 | 7,907 | 4,637 | 4,743 | 1,158 | 1,647 | 254 | (140) | 12,812 | 14,157 |
| Net fee and commission income | 2,208 | 2,102 | 901 | 903 | 10 | 50 | (70) | (86) | 3,049 | 2,969 |
| Net profit/(loss) on financial operations | 737 | 826 | 1,388 | 1,679 | (783) | (737) | 721 | 178 | 2,063 | 1,946 |
| Dividend income | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2 | 2 | 2 |
| Other income | 82 | 43 | (35) | (21) | 78 | 102 | 48 | (30) | 173 | 94 |
| Net operating income | 9,790 | 10,878 | 6,891 | 7,304 | 463 | 1,062 | 955 | (76) | 18,099 | 19,168 |

* Comparable period was adjusted according to the current method of allocation of selected items between segments.

Given the specifics of banking activities, the Board of Directors of the Bank (the chief operating decision maker) is provided with information on income, recognition of allowances, write-offs, and income tax only for selected segments rather than consistently for all segments. For this reason, this information is not reported for segments.

As most of the income of segments arises from interest and, in assessing the performance of segments and deciding on allocation of resources for segments the Board of Directors primarily refers to net interest income, the interest for segments is reported on a net basis (i.e. reduced by interest expense).

Transfer prices between operating segments are based on transfer interest rates representing actual market interest rates conditions, including the liquidity component, reflecting the opportunities existing to acquire and invest financial resources.

The Group's income is primarily – nearly 97% (30 June 2022: more than 98%) – generated on the territory of the Czech Republic.

4 Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise the following:

| (CZKm) | 30 Jun 2022 | 31 Dec 2022 |
|--|---------------|---------------|
| Equity instruments at FVOCI option | 52 | 52 |
| Debt securities at FVOCI | 27,362 | 30,119 |
| Total financial assets at fair value through other comprehensive income | 27,414 | 30,171 |

For detailed information on 'Debt securities', broken out by sector, currency, and country of issuer, refer to Note 6.

5 Financial assets at amortised cost

Financial assets at amortised cost comprise the following:

| (CZKm) | 30 Jun 2023 | 31 Dec 2022 |
|---|------------------|------------------|
| Loans and advances to banks | 383,239 | 233,398 |
| Loans and advances to customers | 797,986 | 781,463 |
| Debt securities | 152,825 | 139,277 |
| Total financial assets at amortised cost | 1,334,050 | 1,154,138 |

For detailed information on 'Debt securities', broken out by sector and currency, refer to Note 6.

As of 30 June 2023, 'Financial assets at amortised cost' comprise the following, as broken down by Staging:

| (CZKm) | Gross carrying value | | | | Allowances | | | | Carrying value |
|------------------------------|----------------------|----------------|---------------|------------------|----------------|----------------|----------------|-----------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | |
| Central banks | 320,875 | 0 | 0 | 320,875 | 0 | 0 | 0 | 0 | 320,875 |
| General governments | 34,209 | 0 | 49 | 34,258 | (8) | 0 | (16) | (24) | 34,234 |
| Credit institutions | 62,101 | 234 | 35 | 62,370 | 0 | (4) | (2) | (6) | 62,364 |
| Other financial corporations | 61,086 | 290 | 126 | 61,502 | (113) | (43) | (9) | (165) | 61,337 |
| Non-financial corporations | 266,314 | 25,873 | 10,324 | 302,511 | (975) | (2,013) | (5,539) | (8,527) | 293,984 |
| Households* | 327,568 | 78,946 | 6,070 | 412,584 | (259) | (965) | (2,929) | (4,153) | 408,431 |
| Total loans | 1,072,153 | 105,343 | 16,604 | 1,194,100 | (1,355) | (3,025) | (8,495) | (12,875) | 1,181,225 |
| Central banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| General governments | 149,003 | 0 | 0 | 149,003 | (21) | 0 | 0 | (21) | 148,982 |
| Credit institutions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other financial corporations | 1,718 | 0 | 0 | 1,718 | 0 | 0 | 0 | 0 | 1,718 |
| Non-financial corporations | 650 | 1,715 | 0 | 2,365 | 0 | (240) | 0 | (240) | 2,125 |
| Households* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total debt securities | 151,371 | 1,715 | 0 | 153,086 | (21) | (240) | 0 | (261) | 152,825 |

* This item also includes loans granted to individual entrepreneurs.

As of 31 December 2022, 'Financial assets at amortised cost' comprise the following, as broken down by Staging:

| (CZKm) | Gross carrying value | | | | Allowances | | | | Carrying value |
|------------------------------|----------------------|----------------|---------------|------------------|----------------|----------------|----------------|-----------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total | |
| Central banks | 181,388 | 0 | 0 | 181,388 | 0 | 0 | 0 | 0 | 181,388 |
| General governments | 30,696 | 0 | 73 | 30,769 | (11) | 0 | (14) | (25) | 30,744 |
| Credit institutions | 51,597 | 379 | 41 | 52,017 | (1) | (4) | (2) | (7) | 52,010 |
| Other financial corporations | 59,092 | 217 | 144 | 59,453 | (138) | (17) | (6) | (161) | 59,292 |
| Non-financial corporations | 263,516 | 24,714 | 12,220 | 300,450 | (1,141) | (1,986) | (6,457) | (9,584) | 290,866 |
| Households* | 321,176 | 77,602 | 5,951 | 404,729 | (294) | (964) | (2,910) | (4,168) | 400,561 |
| Total loans | 907,465 | 102,912 | 18,429 | 1,028,806 | (1,585) | (2,971) | (9,389) | (13,945) | 1,014,861 |
| Central banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| General governments | 135,831 | 0 | 0 | 135,831 | (21) | 0 | 0 | (21) | 135,810 |
| Credit institutions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other financial corporations | 1,153 | 0 | 0 | 1,153 | 0 | 0 | 0 | 0 | 1,153 |
| Non-financial corporations | 665 | 1,698 | 0 | 2,363 | 0 | (49) | 0 | (49) | 2,314 |
| Households* | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total debt securities | 137,649 | 1,698 | 0 | 139,347 | (21) | (49) | 0 | (70) | 139,277 |

* This item also includes loans granted to individual entrepreneurs.

Set out below is the breakdown of loans and advances to non-financial corporations by sector:

| (CZKm) | 30 Jun 2023 | 31 Dec 2022 |
|--|----------------|----------------|
| Agriculture, forestry, and fishing | 13,711 | 13,258 |
| Mining and quarrying | 1,962 | 2,900 |
| Manufacturing | 76,135 | 74,524 |
| Electricity, gas, steam, and air conditioning supply | 16,779 | 18,047 |
| Water supply, sewerage, waste management, and remediation activities | 4,264 | 4,266 |
| Construction | 16,926 | 15,339 |
| Wholesale and retail | 58,856 | 57,002 |
| Transportation and storage | 17,658 | 17,276 |
| Accommodation and food service activities | 1,943 | 1,980 |
| Information and communication | 6,246 | 8,338 |
| Real estate activities | 59,129 | 58,519 |
| Professional, scientific, and technical activities | 7,146 | 9,146 |
| Administrative and support service activities | 8,988 | 8,920 |
| Public administration and defence, compulsory social security | 335 | 182 |
| Education | 312 | 533 |
| Health care and social work activities | 3,663 | 3,368 |
| Arts, entertainment, and recreational activities | 3,544 | 2,430 |
| Other activities | 4,914 | 4,422 |
| Total loans and advances to non-financial corporations | 302,511 | 300,450 |

Broken out below are the types of collateral held in support of loans and advances to customers as stated in the Consolidated Statement of Financial Position as of 30 June 2023:

| (CZKm) | Collateral values applied to loans and advances to customers* | | | | |
|--|---|---|--|---|-------------------------------|
| | Loans collateralised by residential property | Loans collateralised by commercial property | Other loans collateralised by cash instruments | Other loans collateralised by other collaterals | Financial guarantees received |
| Loans and advances to customers | 328,588 | 27,768 | 9,101 | 14,230 | 36,173 |
| of which: | | | | | |
| – Other financial corporations | 38 | 766 | 0 | 1,372 | 9,855 |
| – Non-financial corporations | 3,513 | 23,330 | 2,636 | 12,381 | 24,067 |
| – Households** | 325,027 | 3,640 | 6,463 | 423 | 626 |

* The amount of the collateral is reduced by a coefficient taking into account the time value of money, cost of selling the collateral, risk of declining market prices, risk of insolvency, etc. and reduced to the actual balance of the collateralised exposure.

** This item also includes loans granted to individual entrepreneurs.

Broken out below are the types of collateral held in support of loans and advances to customers as stated in the Consolidated Statement of Financial Position as of 31 December 2022:

| (CZKm) | Collateral values applied to loans and advances to customers* | | | | |
|--|---|---|--|---|-------------------------------|
| | Loans collateralised by residential property | Loans collateralised by commercial property | Other loans collateralised by cash instruments | Other loans collateralised by other collaterals | Financial guarantees received |
| Loans and advances to customers | 321,505 | 27,321 | 9,770 | 14,538 | 35,311 |
| of which: | | | | | |
| – Other financial corporations | 44 | 471 | 0 | 1,499 | 7,713 |
| – Non-financial corporations | 3,006 | 23,132 | 2,688 | 12,508 | 24,735 |
| – Households** | 318,442 | 3,686 | 7,077 | 466 | 652 |

* The amount of the collateral is reduced by a coefficient taking into account the time value of money, cost of selling the collateral, risk of declining market prices, risk of insolvency, etc. and reduced to the actual balance of the collateralised exposure.

** This item also includes loans granted to individual entrepreneurs.

6 Debt securities

The Group's debt securities, broken out by sector and currency, comprise the following as of 30 June 2023:

| (CZKm) | Fair value through profit or loss | | | Fair value through other comprehensive income | | | Amortised cost | | |
|------------------------------|-----------------------------------|------------|---------------|---|--------------|---------------|----------------|--------------|----------------|
| | CZK | Other | Total | CZK | Other | Total | CZK | Other | Total |
| Central banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| General governments | 10,469 | 447 | 10,916 | 18,558 | 8,804 | 27,362 | 147,555 | 1,427 | 148,982 |
| Credit institutions | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other financial corporations | 845 | 0 | 845 | 0 | 0 | 0 | 1,718 | 0 | 1,718 |
| Non-financial corporations | 106 | 0 | 106 | 0 | 0 | 0 | 1,810 | 315 | 2,125 |
| Total debt securities | 11,421 | 447 | 11,868 | 18,558 | 8,804 | 27,362 | 151,083 | 1,742 | 152,825 |

The Group's debt securities, broken out by sector and currency, comprise the following as of 31 December 2022:

| (CZKm) | Fair value through profit or loss | | | Fair value through other comprehensive income | | | Amortised cost | | |
|------------------------------|-----------------------------------|------------|--------------|---|---------------|---------------|----------------|------------|----------------|
| | CZK | Other | Total | CZK | Other | Total | CZK | Other | Total |
| Central banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| General governments | 9,440 | 462 | 9,902 | 19,382 | 10,737 | 30,119 | 135,810 | 0 | 135,810 |
| Credit institutions | 60 | 0 | 60 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other financial corporations | 6 | 0 | 6 | 0 | 0 | 0 | 1,153 | 0 | 1,153 |
| Non-financial corporations | 0 | 0 | 0 | 0 | 0 | 0 | 1,992 | 322 | 2,314 |
| Total debt securities | 9,506 | 462 | 9,968 | 19,382 | 10,737 | 30,119 | 138,955 | 322 | 139,277 |

7 Financial liabilities at amortised cost

Financial liabilities at amortised cost comprise the following:

| (CZKm) | 30 Jun 2023 | 31 Dec 2022 |
|--|------------------|------------------|
| Amounts due to banks | 105,292 | 85,176 |
| Amounts due to customers | 1,091,739 | 950,693 |
| Securities issued | 11,946 | 12,156 |
| Lease liabilities | 2,488 | 2,312 |
| Total financial liabilities at amortised cost | 1,211,465 | 1,050,337 |

Amounts due to banks and customers, broken out by sector, comprise the following:

| (CZKm) | 30 Jun 2023 | 31 Dec 2022 |
|---|------------------|------------------|
| Central banks | 0 | 0 |
| General governments | 188,541 | 127,558 |
| Credit institutions | 105,292 | 85,176 |
| Other financial corporations | 135,504 | 59,545 |
| Non-financial corporations | 325,286 | 318,124 |
| Households* | 442,408 | 445,466 |
| Total amounts due to banks and customers | 1,197,031 | 1,035,869 |

* This item also includes amounts due to individual entrepreneurs.

Securities issued

Securities issued comprise the following:

| (CZKm) | 30 Jun 2023 | 31 Dec 2022 |
|--------------------------------|---------------|---------------|
| Mortgage bonds | 11,946 | 12,156 |
| Depository bills of exchange | 0 | 0 |
| Total securities issued | 11,946 | 12,156 |

The Group issues mortgage bonds to fund its mortgage activities.

Mortgage bonds according to their remaining time to maturity break out as follows:

| (CZKm) | 30 Jun 2023 | 31 Dec 2022 |
|-----------------------------|---------------|---------------|
| In less than one year | 0 | 0 |
| In one to five years | 11,946 | 12,156 |
| In five to ten years | 0 | 0 |
| In ten to twenty years | 0 | 0 |
| More than twenty years | 0 | 0 |
| Total mortgage bonds | 11,946 | 12,156 |

The issued securities detailed above include the following mortgage bonds issued by the Group:

| Name | Interest rate | Currency | Issue date | Maturity date | 30 Jun 2023 (CZKm) | 31 Dec 2022 (CZKm) |
|---|---------------|----------|-------------|---------------|-----------------------|-----------------------|
| HZL Komerční banky, a.s., XS2289128162 | 0.01% | EUR | 20 Jan 2021 | 20 Jan 2026 | 11,946 | 12,156 |
| Total mortgage bonds | | | | | 11,946 | 12,156 |

8 Provisions

Provisions comprise the following:

| (CZKm) | 30 Jun 2023 | 31 Dec 2022 |
|---|-------------|--------------|
| Provisions for contracted commitments | 220 | 219 |
| Provisions for other credit commitments | 685 | 932 |
| Provisions for restructuring | 0 | 0 |
| Total provisions | 905 | 1,151 |

The provisions for other credit commitments are held to cover credit risks associated with credit commitments issued. The provisions for contracted commitments principally comprise the provisions for ongoing contracted contingent commitments, legal disputes, self-insurance, and those for loyalty and jubilee bonuses and the retirement benefits plan.

Movements in the provisions for contracted commitments and for restructuring were as follow:

| (CZKm) | Retirement benefits plan | Other provisions for contracted commitments | Provisions for restructuring | Total |
|---------------------------------------|--------------------------|---|------------------------------|------------|
| Balance as of 31 December 2022 | 64 | 155 | 0 | 219 |
| Charge | 7 | 1 | 0 | 8 |
| Release | (5) | (1) | 0 | (6) |
| Use | 0 | (2) | 0 | (2) |
| Accrual | 2 | 0 | 0 | 2 |
| Remeasurement | 0 | 0 | 0 | 0 |
| Foreign exchange difference | 0 | (1) | 0 | (1) |
| Balance as of 30 June 2023 | 68 | 152 | 0 | 220 |

| (CZKm) | Retirement benefits plan | Other provisions for contracted commitments | Provisions for restructuring | Total |
|---------------------------------------|--------------------------|---|------------------------------|------------|
| Balance as of 31 December 2021 | 68 | 114 | 41 | 223 |
| Charge | 8 | 86 | 0 | 94 |
| Release | (4) | (9) | (36) | (49) |
| Use | 0 | (7) | 0 | (7) |
| Accrual | 1 | 0 | 0 | 1 |
| Remeasurement | 0 | 0 | 0 | 0 |
| Foreign exchange difference | 0 | 0 | 0 | 0 |
| Balance as of 30 June 2022 | 73 | 184 | 5 | 262 |

9 Commitments and contingent liabilities

Legal disputes

The Group conducted a review of legal proceedings outstanding against it as of 30 June 2023. Pursuant to the review of significant litigation matters in terms of the risk of losses and litigated amounts, the Group has recorded a provision of CZK 24 million (31 December 2022: CZK 33 million) for these legal disputes. The Group has also recorded a provision of CZK 1 million (31 December 2022: CZK 3 million) for costs associated with potential payment of interest on the pursued claims.

As of 30 June 2023, the Group conducted a review of legal proceedings filed against other entities. The Group has been notified that certain parties against which it is taking legal action may file counterclaims against it. The Group will contest any such claims and, taking into consideration the opinion of its internal and external legal counsel, believes that any asserted claims made will not materially affect its financial position. No provision has been made in respect of these matters.

Financial commitments and contingencies comprise the following:

| (CZKm) | 30 Jun 2023 | 31 Dec 2022 |
|---|----------------|----------------|
| Non-payment guarantees including commitments to issued non-payment guarantees | 51,407 | 50,195 |
| Payment guarantees including commitments to issued payment guarantees | 21,296 | 23,423 |
| Committed facilities and unutilised overdrafts | 13,783 | 12,361 |
| Undrawn credit commitments | 109,315 | 125,790 |
| Unutilised overdrafts and approved overdraft loans | 21,386 | 27,402 |
| Unutilised limits under framework agreements to provide financial services | 13,008 | 19,439 |
| Open customer/import letters of credit not covered | 518 | 466 |
| Standby letters of credit not covered | 1,947 | 2,024 |
| Confirmed supplier/export letters of credit | 479 | 613 |
| Total commitments and contingencies | 233,139 | 261,713 |

As of 30 June 2023, the financial commitments and contingencies of the Group were comprised of the following, as broken down by classification:

| (CZKm) | Carrying value | | | | Provisions | | | |
|--|----------------|--------------|------------|----------------|------------|------------|------------|------------|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total |
| Central banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| General governments | 26,392 | 5 | 0 | 26,397 | 5 | 0 | 0 | 5 |
| Credit institutions | 4,087 | 0 | 0 | 4,087 | 0 | 0 | 0 | 0 |
| Other financial corporations | 11,713 | 4 | 0 | 11,717 | 16 | 1 | 0 | 17 |
| Non-financial corporations | 139,618 | 5,158 | 918 | 145,694 | 186 | 106 | 264 | 556 |
| Households* | 40,601 | 4,583 | 60 | 45,244 | 34 | 53 | 20 | 107 |
| Total commitments and contingencies | 222,411 | 9,750 | 978 | 233,139 | 241 | 160 | 284 | 685 |

* This item also includes financial commitments and contingencies granted to individual entrepreneurs.

As of 31 December 2022, the financial commitments and contingencies of the Group were comprised of the following, as broken down by classification:

| (CZKm) | Carrying value | | | | Provisions | | | |
|--|----------------|--------------|--------------|----------------|------------|------------|------------|------------|
| | Stage 1 | Stage 2 | Stage 3 | Total | Stage 1 | Stage 2 | Stage 3 | Total ** |
| Central banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| General governments | 26,334 | 0 | 0 | 26,334 | 6 | 0 | 0 | 6 |
| Credit institutions | 2,932 | 32 | 4 | 2,968 | 1 | 1 | 0 | 2 |
| Other financial corporations | 14,462 | 21 | 0 | 14,483 | 26 | 0 | 0 | 26 |
| Non-financial corporations | 158,657 | 4,557 | 1,106 | 164,320 | 243 | 117 | 404 | 764 |
| Households* | 48,566 | 4,927 | 115 | 53,608 | 51 | 58 | 25 | 134 |
| Total commitments and contingencies | 250,951 | 9,537 | 1,225 | 261,713 | 327 | 176 | 429 | 932 |

* This item also includes financial commitments and contingencies granted to individual entrepreneurs.

** The value has been restated in accordance with the values in Note 8 Provisions

Set out below is a breakdown of financial commitments and contingencies to non-financial corporations by sector:

| (CZKm) | 30 Jun 2023 | 31 Dec 2022 |
|--|----------------|----------------|
| Agriculture, forestry, and fishing | 3,309 | 4,382 |
| Mining and quarrying | 1,979 | 1,040 |
| Manufacturing | 29,358 | 33,783 |
| Electricity, gas, steam, and air conditioning supply | 21,447 | 27,213 |
| Water supply, sewerage, waste management, and remediation activities | 785 | 881 |
| Construction | 42,142 | 39,232 |
| Wholesale and retail trade, repair of motor vehicles and motorcycles | 18,037 | 27,350 |
| Transportation and storage | 6,349 | 7,771 |
| Accommodation and food service activities | 608 | 730 |
| Information and communication | 2,846 | 2,666 |
| Real estate activities | 5,818 | 6,064 |
| Professional, scientific, and technical activities | 9,562 | 10,182 |
| Administrative and support service activities | 1,050 | 1,038 |
| Public administration and defence, compulsory social security | 220 | 305 |
| Education | 51 | 47 |
| Human health and social work activities | 369 | 422 |
| Arts, entertainment, and recreation | 1,008 | 940 |
| Other service activities | 756 | 274 |
| Total commitments and contingencies to non-financial corporations | 145,694 | 164,320 |

The majority of commitments and contingencies originate on the territory of the Czech Republic.

10 Estimated fair value of assets and liabilities of the Group

The following table summarises the carrying values and fair values of those financial assets and liabilities not presented on the Group's Statement of Financial Position at their fair values:

| (CZKm) | 30 Jun 2023 | | 31 Dec 2022 | |
|--|----------------|------------|----------------|------------|
| | Carrying value | Fair value | Carrying value | Fair value |
| Financial assets | | | | |
| Cash and current balances with central banks | 11,913 | 11,913 | 14,190 | 14,190 |
| Financial assets at amortised cost | 1,334,050 | 1,271,244 | 1,154,138 | 1,126,327 |
| – Loans and advances to banks | 383,239 | 380,037 | 233,398 | 233,320 |
| – Loans and advances to customers | 797,986 | 745,749 | 781,463 | 764,259 |
| – Debt securities | 152,825 | 145,458 | 139,277 | 128,748 |
| Financial liabilities | | | | |
| Amounts due to central banks | 0 | 0 | 0 | 0 |
| Financial liabilities at amortised cost | 1,211,465 | 1,206,846 | 1,050,337 | 1,045,232 |
| – Amounts due to banks | 105,292 | 104,651 | 85,176 | 85,190 |
| – Amounts due to customers | 1,091,739 | 1,088,992 | 950,693 | 946,886 |
| – Securities issued | 11,946 | 10,715 | 12,156 | 10,844 |
| – Lease liabilities | 2,488 | 2,488 | 2,312 | 2,312 |
| Subordinated debt | 48,818 | 48,818 | 38,694 | 38,694 |

The following table presents the hierarchy of fair values for those financial assets and liabilities not presented on the Group's Statement of Financial Position at their fair values:

| (CZKm) | 30 Jun 2023 | | | | 31 Dec 2022 | | | |
|--|-------------|---------|---------|-----------|-------------|---------|---------|-----------|
| | Fair value | Level 1 | Level 2 | Level 3 | Fair value | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | | | | | |
| Cash and current balances with central banks | 11,913 | 7,751 | 0 | 4,162 | 14,190 | 8,023 | 0 | 6,167 |
| Financial assets at amortised cost | 1,271,244 | 141,018 | 0 | 1,130,226 | 1,126,327 | 124,863 | 0 | 1,001,464 |
| – Loans and advances to banks | 380,037 | 0 | 0 | 380,037 | 233,320 | 0 | 0 | 233,320 |
| – Loans and advances to customers | 745,749 | 0 | 0 | 745,749 | 764,259 | 0 | 0 | 764,259 |
| – Debt securities | 145,458 | 141,018 | 0 | 4,440 | 128,748 | 124,863 | 0 | 3,885 |
| Financial liabilities | | | | | | | | |
| Amounts due to central banks | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Financial liabilities at amortised cost | 1,206,846 | 10,715 | 0 | 1,196,131 | 1,045,232 | 10,844 | 0 | 1,034,388 |
| – Amounts due to banks | 104,651 | 0 | 0 | 104,651 | 85,190 | 0 | 0 | 85,190 |
| – Amounts due to customers | 1,088,992 | 0 | 0 | 1,088,992 | 946,886 | 0 | 0 | 946,886 |
| – Securities issued | 10,715 | 10,715 | 0 | 0 | 10,844 | 10,844 | 0 | 0 |
| – Lease liabilities | 2,488 | 0 | 0 | 2,488 | 2,312 | 0 | 0 | 2,312 |
| Subordinated debt | 48,818 | 0 | 0 | 48,818 | 38,694 | 0 | 0 | 38,694 |

11 Transfers between levels of the fair value hierarchy

There were no transfers between levels during the first half of 2023.

12 Events after the reporting period

In July, the Bank increased the equity of Bankovní identita, a.s. by CZK 10 million through an increase of the share capital and a financial contribution into other capital funds. KB's shareholding in the company has not changed.

In July, KB SmartSolutions, s.r.o. increased the equity of Finbricks, s.r.o by CZK 3 million through a financial contribution into other capital funds. Finbricks, s.r.o is currently not consolidated due to its insignificant impact on the financial statements.

| Ratings

Ratings of Komerční banka as of 30 June 2023*

| | Short-term | Long-term |
|-------------------|------------|-----------|
| Standard & Poor's | A-1 | A |
| Moody's | Prime-1 | A1 |
| Fitch | F1 | A |

Note: KB was assigned a credit rating by rating agencies registered under Regulation of the European Parliament and Council (EC) No. 462/2013. KB has considered appointment of rating agencies in accordance with Article 8d of this Regulation and decided not to appoint a rating agency whose market share is smaller than 10%.

| Shareholder structure

The share capital of Komerční banka totals CZK 19,004,926,000 and is divided into 190,049,260 ordinary shares admitted to trading on the European regulated market, each with a nominal value of CZK 100. All the Bank's shares carry the same rights.

The Bank had 72,303 shareholders as of 30 June 2023 (up by 7,919 year on year), of which 66,179 (greater by 7,830 from the year earlier) were private individuals from the Czech Republic. Strategic shareholder Société Générale maintained its 60.4% stake while minority shareholders owned 39.0% and KB held 0.6% of the registered capital in treasury.

Major shareholders of Komerční banka owning more than 1% of the share capital as of 30 June 2023: (per the extract from the issuers register taken from the Central Securities Depository)

| Shareholder | Proportion of share capital |
|-------------------------------------|-----------------------------|
| Société Générale S.A. | 60.35% |
| Chase Nominees Limited | 2.59% |
| Nortrust Nominees Limited | 1.70% |
| Clearstream Banking S.A. | 1.50% |
| State Street Bank and Trust Company | 1.01% |
| Deutsche Bank Polska Spolka Akcyjna | 1.00% |
| Other shareholders | 31.84% |

| Management affidavit

To the best of our knowledge, we believe that this half-yearly report gives a fair and true view of the Bank's and Group's financial position, business activities, and results from the first half of 2023, as well as of the outlook for the development of the Bank's and Group's financial situation, business activities, and results in the second half of 2023.

Prague, 4 September 2023

Signed on behalf of the Board of Directors:



Jan Juchelka m. p.
Chairman of the Board of Directors
and Chief Executive Officer
Komerční banka, a.s.



Jitka Haubová m. p.
Member of the Board of Directors
and Senior Executive Director, Chief Operations Officer
Komerční banka, a.s.