Annual Financial Report

Komerční banka, a.s.

Loans to clients
(KB Group, gross loans, CZK billion)*

CZK 827.7 billion +5.5%

* Excluding Other amounts due from customers, but including debt securities issued by KB corporate clients.

Client deposits
(KB Group, CZK billion)*

CZK 1,006.2 billion +9.7%

* Excluding repo operations with clients.

Net profit attributable to KB's equity holders
(KB Group, CZK billion)

CZK 15.6 billion -11.4%

Number of standalone Bank clients

1,664,000 clients +0.7%

ANNUAL FINANCIAL REPORT 2023

Komerční banka, a.s.

Survey of Results 2019–2023

According to IFRS Accounting Standards

Consolidated data (CZK million)	2023	2022 restated[1]	2021	2020	2019
Financial results					
Net operating income	36,199	38,632	31,346	29,664	32,573
of which Net interest income	25,595	28,632	21,795	21,360	23,591
of which Net fees and commissions	6,414	6,121	5,711	5,210	5,983
of which Net profit on financial operations	3,832	3,666	3,630	2,884	2,804
Total operating expenses	(17,321)	(16,014)	(15,099)	(14,995)	(14,932)
Profit attributable to the Group’s equity holders	15,612	17,622	12,727	8,156	14,901
Earnings per share (CZK)	82.67	93.31	67.39	43.19	78.90
Balance sheet					
Total assets	1,516,302	1,305,304	1,244,353	1,167,131	1,077,334
Loans and advances to customers, net	833,542	781,463	724,587	679,956	647,259
Amounts due to customers	1,127,227	950,693	956,929	906,217	821,507
Total shareholders’ equity[2]	125,058	121,444	123,509	113,816	105,540
Ratios (%)[3]					
Return on average equity (ROAE)	12.67	14.39	10.73	7.44	14.50
Return on average assets (ROAA)	1.11	1.38	1.06	0.73	1.39
Net interest margin	1.94	2.42	1.93	2.03	2.35
Cost/income ratio	47.85	41.45	48.17	50.55	45.84
Capital					
Capital adequacy (%)	18.78	19.45	21.31	22.34	19.72
Tier 1 ratio (%)	17.68	18.86	20.87	21.73	19.14
Tier 1	99,718	98,616	101,072	97,906	84,062
Tier 2	6,154	3,122	2,136	2,784	2,546
Total regulatory capital	105,872	101,738	103,209	100,690	86,608
Total risk-weighted assets	563,886	522,975	484,372	450,628	439,237
Number of shares issued	190,049,260	190,049,260	190,049,260	190,049,260	190,049,260
Number of outstanding shares	188,855,900	188,855,900	188,855,900	188,855,900	188,855,900
Other data					
Number of employees, average	7,551	7,503	7,687	8,061	8,167

Notes
[1] Restated to reflect Komerční pojišťovna's transition to the IFRS 17.
[2] Excluding Non-controlling interest.
[3] According to the Komerční banka methodology.
Definitions of the Alternative Performance Measures mentioned in this annual financial report are provided in the respective section herein.

Credit ratings (as of end of February 2024)[1]	Short-term	Long-term
Standard & Poor’s	A-1	A
Moody’s	Prime-1	A1
Fitch	F1	A

[1] KB was assigned a credit rating by rating agencies registered under Regulation of the European Parliament and Council Regulation (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%.

Separate data (CZK million)	2023	2022	2021	2020	2019
Financial results					
Net operating income	33,187	36,627	28,996	26,288	30,599
of which Net interest income	22,798	25,947	19,100	18,611	20,550
of which Net fees and commissions	5,530	5,277	4,924	4,536	5,313
of which Net profit on financial operations	3,816	3,654	3,629	2,878	2,802
Total operating expenses	(15,773)	(14,355)	(13,581)	(13,573)	(13,428)
Net profit	14,574	17,572	12,353	6,929	14,816
Balance sheet					
Total assets	1,439,074	1,228,892	1,169,147	1,093,508	1,011,519
Loans and advances to customers, net	714,319	668,201	622,178	589,741	567,805
Amounts due to customers	1,076,443	896,663	899,654	849,029	762,157
Total shareholders’ equity	115,103	112,584	115,418	105,196	98,218
Ratios (%)[1]					
Return on average equity (ROAE)	12.80	15.41	11.20	6.81	15.52
Return on average assets (ROAA)	1.09	1.47	1.09	0.66	1.47
Net interest margin	1.85	2.37	1.83	1.91	2.20
Cost/income ratio	47.53	39.19	46.84	51.63	43.88
Capital					
Capital adequacy (%)	19.61	20.75	23.02	23.82	21.10
Tier 1 ratio (%)	18.42	20.12	22.50	23.13	20.46
Tier 1	94,005	95,443	97,182	93,360	80,982
Tier 2	6,064	3,004	2,236	2,775	2,546
Total regulatory capital	100,069	98,447	99,419	96,135	83,528
Total risk-weighted assets	510,313	474,477	431,973	403,622	395,828
Other data					
Number of employees, average	6,499	6,553	6,736	7,104	7,210
Number of points of sale[2]	213	219	243	243	343
Number of clients (thousands)	1,664	1,652	1,625	1,641	1,664
Number of ATMs	796	850	860	809	796

Notes
1) According to the Komerční banka methodology.
2) Including one branch in Slovakia.
Definitions of the Alternative Performance Measures mentioned in this annual financial report are provided in the respective section herein.

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 is available in the ‘About KB’ section at https://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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Profile of Komerční banka Group

In addition to this Annual Financial Report, Komerční banka Group is issuing the KB Group Sustainability Report 2023, covering environmental and social sustainability and additional non-financial topics. The Sustainability Report is available at www.kb.cz/en/non-financial-reporting*.*

The full legal names of KB Group companies mentioned in simplified form throughout this annual financial report are listed in the section “Komerční banka Group”.

Komerční banka (Group) 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 Société Générale 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 Komerční 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.

	Loans to clients – gross loans*		Amounts due to customers**	
(CZK billion)	31 December 2023	31 December 2022	31 December 2023	31 December 2022
KB Group	**827.7**	**784.9**	**1,006.2**	**916.8**
KB (including KB Slovakia)	708.4	672.4	954.9	862.6
- Individuals	306.3	296.6	337.9	327.8
- Businesses and other	402.0	375.8	617.1	534.7
- Small businesses	40.2	40.1	238.6	230.6
- Medium corporates and municipalities	126.4	125.9	244.5	196.2
- Top corporates and other (including KB Slovakia)	235.4	209.8	134.0	108.0
Modrá pyramida	92.5	85.3	52.3	56.0
ESSOX (including PSA FINANCE)	20.8	18.4	0.1	0.1
Factoring KB	10.0	10.1	0.8	1.0
SGEF	34.2	31.5	n.a.	n.a.
BASTION	1.9	2.0	n.a.	n.a.
Consolidation and other adjustments	(40.1)	(34.8)	(2.0)	(2.8)

* 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.

Identification details and scope of business activities

Komerční banka, a.s., entered in the Commercial Register maintained with the Municipal Court in Prague, Section B, File No. 1360

Date of registration:
5 March 1992

Registered office:
Prague 1, Na Příkopě 33, building identification number 969, postal code 114 07

Identification number:
45317054

Legal entity identifier (LEI):
IYKCAVNFR8QGF00HV840

Legal form:
Public limited company

Business activities:

I. The Bank shall carry on business pursuant to Act No. 21/1992 Coll., the Banking Act, as amended. The business activities of the Bank shall include:
   a) acceptance of deposits from the public;
   b) granting of loans;
   c) investing in securities on the Bank's own account;
   d) financial leasing;
   e) making and receiving payments and administration of a clearing system;
   f) issuing of payment instruments, such as payment cards and traveller's cheques;
   g) provision of guarantees;
   h) issuing of letters of credit;
   i) provision of collection services;
   j) provision of investment services including:
      - main investment services of reception and transmission, on behalf of investors, of orders in relation to investment instruments,
      - main investment services of execution of orders on behalf of investors in relation to investment instruments,
      - main investment services of dealing in investment instruments for the Bank's own account in relation to investment instruments,
      - main investment services of managing portfolios of investments in accordance with mandates given by investors on a discriminatory, client-by-client basis where such portfolios include one or more investment instruments,
      - main investment services of underwriting in respect of issues of investment instruments and/or the placing of such issues in relation to investment instruments,
      - ancillary services of safekeeping and administration in relation to investment instruments,
      - ancillary services of safe custody,
      - ancillary services of granting credits or loans to an investor for the purpose of allowing the investor to carry out a transaction in one or more investment instruments wherein the firm granting the credit or loan is involved in the transaction in relation to the investment instrument,
      - ancillary services of advice to undertakings on capital structure, industrial strategy and related matters, and advice and service relating to mergers and the purchase of undertakings,
      - ancillary services of services related to underwriting in relation to investment instruments,
      - ancillary services of investment advice concerning investment instruments in relation to investment instruments, and
      - ancillary services of foreign-exchange service where these are connected with the provision of investment services;
   k) dealing on the Bank's own account or on the client's account in foreign currencies and gold;
   l) financial brokerage;
   m) foreign exchange operations (purchase of foreign currency);
   n) provision of depository services;
   o) provision of banking information;
   p) renting of safe-deposit boxes;
   q) issuing of mortgage bonds; and
   r) activities directly related to those mentioned in paragraphs a) – q).

II. Furthermore, the business activities comprise activities carried out for another as long as these activities relate to the operation of the Bank and to the operation of other banks controlled by it, of saving and credit unions, investment companies, insurance and reinsurance companies, financial institutions, and businesses which provide ancillary banking services in the scope specified below:
   a) accounting consultancy activities, book-keeping, tax record-keeping;
   b) intermediating of trades and services;
   c) advisory and consulting activities, preparation of expert studies and reports;
   d) administration and maintenance of real property;
   e) organisation of specialised courses, training, and other educational programmes, including teaching;
   f) provision of software, advisory in information technologies, data processing, hosting and relating activities, and web portals; and
   g) administration and organisational services.

Registered capital:
CZK 19,004,926,000; of which paid up: 100%

Method of the Company's establishment:
In accordance with the privatisation project of the state financial institution Komerční banka, with its registered office at Prague, Na příkopech 28, approved by resolutions of the Government of the Czechoslovak Federative Republic No. 1 of 9 January 1992 and No. 109 of 20 February 1992, the National Property Fund of the Czech Republic, as the sole founder, established the public limited company Komerční banka, a.s., based on a Deed of Incorporation of 3 March 1992 under Section 172 of the Commercial Code.

Foreign branch:
Name: Komerční banka, a.s., pobočka zahraničnej banky
Registered office: Bratislava, Hodžovo námestie 1A, postal code 811 06, Slovak Republic

Financial and ESG ratings

On 19 October 2023, S&P Global Ratings affirmed KB's rating at ICR A/Stable/A-1 and RCR A+/A-1.

On 12 October 2023, Fitch Rating affirmed Long Term Issuer Default Rating (IDR) at 'A' with a Stable Outlook and Viability Rating at 'a'.

On 6 November 2023, Moody´s Rating affirmed Long Term Deposit rating at 'A1'.

Komerční banka is included in the FTSE4Good index of companies that demonstrate good sustainability practices. KB defended its rating of 3.7 points (out of a maximum of 5) in 2023.

KB also maintained its AA rating in the MSCI ESG rating, which assesses companies' management of financially relevant ESG risks and opportunities. The AA rating is reserved for businesses that are leaders in their industries.

KB scored 51 points in the annual S&P Global Corporate Sustainability Assessment, making it one of the world's leading banks in sustainability measures.

Main economic activity (CZ NACE):
64190 - Other monetary intermediation
Other economic activities (CZ NACE):
63 - Information service activities
74 - Other professional, scientific, and technical activities
461 - Wholesale on a fee or contract basis
649 - Other financial service activities, except insurance and pension funding
702 - Management consultancy activities
711 - Architectural and engineering activities and related technical consultancy
66190 - Other activities auxiliary to financial services, except insurance and pension funding
68320 - Management of real estate on a fee or contract basis
69200 - Accounting, bookkeeping, and auditing activities; tax consultancy
Institutional Sector (ESA 2010)
12203 - Deposit-taking corporations, except the central bank, under foreign control

Selected awards received in 2023

January 2023	Global Finance magazine: - Komerční banka – The Best Foreign Exchange Provider Bank 2023 in the Czech Republic
February 2023	MasterCard Awards 2023 in the Czech Republic: - Komerční banka – for building a new generation of banking and card system in the Technology Innovation category - Komerční banka – for an innovative approach in the field of esports and organization of a unique tournament in the game League of Legends Prague Champs in the Unique Issuing Project Award category - Monika Truchlíková KB Payment Method Tribe manager – for her significant support of innovation and active role in building the next generation of banking in the Issuing Payments Leader category
March 2023	Hospodářské noviny survey Top Women in the Czech Republic 2022: - Komerční banka board member Jitka Haubová – 2nd place in the category TOP manager of Czechia 2022
May 2023	Visa Awards 2022: - Komerční banka – #1 sustainable bank for the photovoltaic power plant and the Sustainable e-shop project
	French-Czech Chamber of Commerce: - Komerční banka – awarded in the Corporate Social Responsibility category for an innovative ATM sharing project
June 2023	Ministry of Finance – the most important corporate income tax payers for 2022 in the Czech Republic: - Komerční banka – ranking among the top 20 most important payers
July 2023	EcoVadis Sustainability Rating: SGEF Czech Republic & Slovakia – Silver Sustainability Label
	Zlatá koruna (Golden Crown) contest: - KB Loan for sustainable technologies – Green Crown - KB Profi Auto – Silver Crown in the SME Leasing category - KB Mortgage – Bronze Crown in the Mortgage category - ESSOX Staggered payment – Golden Crown in the Non-bank Loans category
	Global Finance magazine: - Komerční banka – The Best Sub-Custodian Bank in the Czech Republic in 2023
October 2023	Časopis Euromoney: - Komerční banka – 1st place among banks in the field of cash management within the Czech Republic, receiving the title of Euromoney Best Service
November 2023	Mastercard Bank of the Year 2023: - Komerční banka – 1st place in the Bank of the Year - Komerční banka – 1st place in the Corporate Bank of the Year - Komerční banka – 1st place in the Bank without barriers - Komerční banka – 2nd place in the Private Bank of the Year - Komerční banka – 2nd place in the Responsible Bank of the Year - Lemonero – 2nd place in the FinTech of the Year
	Visa Best Insurance Company 2023 of Hospodářské noviny: - KB Pojišťovna – 1st place in the Best Life Insurance Company category - KB Pojišťovna – 2nd place in the category Client-friendly life insurance company

	Business for Society: - Komerční banka – TOP responsible large company and TOP responsible company in reporting
	National award of the Czech Republic from the Ministry of Industry and Development: - Komerční banka – 2nd place for social responsibility and sustainable development

Société Générale Group

Komerční banka has been an important part of Société Générale Group's international retail banking since October 2001. Société Générale is a top tier European Bank with 117,000 employees serving 25 million clients in more than 60 countries across the world. For almost 160 years, Société Générale has been assisting in the growth of our economies by offering a broad range of value-added financial and consulting solutions to our corporate, institutional, and individual clients.

Société Générale's most fundamental goal is sustainable value creation for all of our stakeholders, and these goals are served by our enduring and reliable client relationships, cutting-edge expertise, distinctive innovation, ESG skills, and industry-leading franchises. These traits are all ingrained in our DNA. The Group is built on three complementary core businesses:

- **French Retail Banking** with leading retail bank SG and insurance franchise, premium private banking services, and the leading digital BoursoBank;
- **International Retail Banking, Insurance, and Financial Services**, comprising well-established universal banks (in the Czech Republic, Romania, and several African countries), and ALD / LeasePlan, a global player in sustainable mobility;
- **Global Banking and Investor Solutions**, a top tier wholesale bank offering tailored-made solutions with distinctive global leadership in Equity Derivatives, Structured Finance, and ESG.

Société Générale aims to take the lead in promoting sustainability in general and the environmental transition in particular. The DJSI (Europe), FTSE4Good (Global and Europe), Bloomberg Gender-Equality Index, Refinitiv Diversity and Inclusion Index, Euronext Vigeo (Europe and Eurozone), STOXX Global ESG Leaders indexes, and the MSCI Low Carbon Leaders Index (World and Europe) are the main socially responsible investment indices in which the Group is included.

History of Komerční banka

Komerční banka was established in 1990 as a state institution, and in 1992 it was transformed into a joint-stock company. KB's shares have been listed on the Prague Stock Exchange since its inception in 1993, as well as within the RM-SYSTÉM Czech Stock Exchange.

In 2001, the state's 60% holding in Komerční banka was purchased by Société Générale. Following privatisation, KB began significantly to develop its activities for individual customers and entrepreneurs while continuing to build on its traditionally strong position in the enterprises and municipalities market.

The development of the Bank was based not only on organic growth but also on optimising the Bank's and Group's presence on the market in the form of acquisitions. Therefore, in 2004, a short-lived subsidiary of KB and SG, FRANFINANCE CONSUMER CREDIT, was merged with ESSOX and focused on consumer finance. In 2005, Komerční banka sold 100% of its stake in the asset management company Investiční kapitálová společnost KB, a.s. to SG Asset Management and a 51% stake in Komerční pojišťovna to SOGECAP S.A., whereby it retained a 49% minority interest. In 2006, it completed the acquisition of Modrá pyramida by buying the remaining 60% stake, through which the Bank gained full control over the third-largest building savings bank in the Czech Republic. Another significant step in extending the offer to clients was the acquisition of a 50.1% share in SG Equipment Finance Czech Republic s.r.o., the leading provider of asset-backed financing in the Czech Republic, in May 2011. Through a branch, SGEF also is active in Slovakia. In 2016, KB established a business alliance for credit and debit card acceptance whereby it transferred a share of its Cataps subsidiary to Worldline SA/NV. In July 2016, then, ESSOX's subsidiary completed takeover of a 100% stake in PSA FINANCE ČESKÁ REPUBLIKA, s.r.o. and PSA FINANCE SLOVAKIA, s.r.o.

In 2019, KB established a fully owned subsidiary, KB SmartSolutions s.r.o., as a platform facilitating introduction of new services to the clients. This subsidiary has acquired several stakes in start-up fintech companies. In 2020, KB established Bankovní identita, a.s., a joint venture with Česká spořitelna and Československá obchodní banka, for providing electronic identification and electronic signature services based upon the digital identities of bank clients.

Komerční banka has been operating in Slovakia since 1995, originally in the form of a subsidiary. Komerční banka Bratislava successfully implemented changes connected with the adoption of the euro (EUR) on 1 January 2009. Since 1 January 2011, it has operated as a foreign branch of the Bank.

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. Komerční 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.

In April 2023, KB launched "the New Era of Banking”. After more than two years of work on a total technological and business transformation, KB introduced to the market a new customer proposition and new KB+ banking applications for clients, all based on the completely new banking and analytical infrastructure. In accordance with the agile approach, the KB+ app initially included only a simple set of basic products, which will be gradually enhanced. At the same time, onboarding of new clients and transfer of (retail) clients from the legacy system to the new banking proposition was launched.

Major events of 2023

January
Komerční banka became the Official Partner of Czech Para Hockey, thereby complementing the main partnership it has had since 2021 with the ice hockey extra league. KB is also the main partner of the national hockey team.

February
Three MasterCard Awards were presented to Komerční banka for projects in the fields of payments, digitalisation, and innovation. In the category Technology Innovation, 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 category Issuing Payments Leader of the Year.

March
Jitka Haubová, member of Komerční banka's Board of Directors responsible for operations, was ranked second within the Manager category in the Top Women of the Czech Republic survey.

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 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.

Part of the OneGroup project to integrate certain subsidiaries into the Bank's internal structure is the incorporating of Factoring KB. Moving to outsource its factoring activities to KB, all employees of Factoring KB were transferred to Komerční banka on 1 April 2023.

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!

May
KB was awarded the title #1 Sustainable Bank in the 2022 VISA Awards. It was recognised especially for its project 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 its 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 as being 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, government agencies, and international bodies. Furthermore, it supports financial education, crime prevention, sustainability, and digitalisation of financial and public services. During his 3-year mandate, Mr Juchelka aims to promote further dialogue between the state, regulatory authorities, and the private sector while focusing especially on digitalisation, innovations, sustainability, and investments directed to supporting the Czech Republic's long-term prosperity.

Komerční banka set up a new fully owned subsidiary, KB Poradenstvi, s.r.o. The firm was established in relation to the intended development of KB Group's distribution model based on the network of Modrá pyramida's financial advisors. It will become an integral part of KB Group's distribution network so that, within the New Era of KB, clients will have the full range of KB Group products and services across all distribution channels, including digital platforms.

As part of the OneGroup program, KB Group is concentrating complete know-how and expertise in the field of housing finance into Modrá pyramida, including the transfer of KB specialists to MPSS. Within the KB Group, Modrá pyramida will provide complete processing of mortgage loans as well as product development for all housing products, including mortgages.

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.

July
SGEF Czech Republic & Slovakia was awarded a silver rating from EcoVadis, a provider of business sustainability assessments. The international rating confirms that SGEF follows the principles of sustainability and successfully fulfils its global vision and ambition to be a worldwide partner for integrated equipment solutions creating a sustainable and positive impact on the planet.

August
Komerční banka introduced the Mortgage for Sustainable Housing, a mortgage loan with an advantageous interest rate tailored for financing energy-efficient real estate.

September
KB Smart Solutions further increased its stake in MonkeyData s.r.o. to 33.171% from 28.256%.

October
As part of the OneMortgage Factory project, Komerční banka and Modrá pyramida deployed new joint systems in pilot operation to handle the entire process of providing a mortgage – from verifying the client's creditworthiness, through real estate valuation and mortgage approval, to drawing of the mortgage, settling the monthly repayment instalments, and resolving mortgages in default.

Komerční banka introduced further innovations in its New Era of Banking for disadvantaged clients with various types of handicaps. The new KB+ application is accessible also to people with visual impairments. To enable reading, it offers font enlargement and a high-contrast mode. In co-operation with Mastercard, KB introduced a new card design standard for visually impaired clients. Its Touch Card, with unique tactile notches, lets cardholders identify their cards by touch.

Twenty-five years have passed since the establishment of Nadace Komerční banka. During that time, the foundation has supported almost 1,600 projects and distributed more than CZK 250 million. Since inception, it has been dedicated to supporting health, social, and environmental projects while actively assisting in the development of civil society and a sustainable future. Through the past quarter century, the foundation has participated in improving quality of life for families and individuals.

The Czech National Bank decided to discontinue paying interest with effect from 5 October 2023 on required minimum reserves held by banks at the CNB. Until that time, the required minimum reserves had earned the central bank's announced two-week repo rate.

November
Komerční banka was one of the initiators in launching the Payment per Contact service into the Czech banking market. The service allows one to send money without knowing the counterparty's bank account number.

In a vote of economists, analysts, and banking experts, Komerční banka was named winner in the 22nd year of the prestigious MasterCard Bank of the Year survey. KB thus repeated its success from the previous year. In addition to the main prize, it also won first place for Corporate Bank of the Year and Bank without Barriers, as well as second place for Private Bank of the Year and Sustainable Bank of the Year.

In the VISA Best Insurance Company 2023 awards, Komerční pojišťovna held onto its title, once again being named Best Life Insurer 2023.

KB defended the previous year's award from the Business for Society platform in the category TOP Responsible Large Company and TOP Responsible Company in reporting within the field of sustainability. Furthermore, KB won the National Award of the Czech Republic for social responsibility.

December
The Czech National Bank kept rates unchanged for almost all of 2023 due to concerns about persistent inflationary pressures. The first 25 bps cut was made only in December. The base repo rate thus fell to 6.75% after being stuck at 7% for a year and a half.

Strategy and Results

The following chapter summarises KB Group's strategy and describes how Komerční banka Group looks after its customers, how it organises its business activities, and what it has done in 2023 to further improve its customer experience and market position. It also describes the evolution of the market environment, summarises the business and financial results, including a comparison with the targets set for 2023, and provides an outlook for 2024.

The KB Group Sustainability Report 2023 provides a detailed description of the Group's activities to meet its environmental and social objectives and commitments.

Purpose of Komerční banka

Building together with our clients a better and sustainable future through responsible and innovative financial solutions.

Mission

Be a leader in the new era of banking for 2 million active clients.

Strategic pillars

Growth, helpfulness, responsibility.

Principles of activity

The principles of Komerční banka's activities constitute a part of KB's governance. KB shall respect legal regulations, inclusive of international conventions to which it adheres. In its operations, KB shall respect, among others, the following general principles:

- KB's activities shall be conducted with respect for fundamental human rights and the rights of workers. No discrimination of any kind with regard to employees, job seekers, customers, business partners, or suppliers shall be permitted.
- KB shall respect intellectual property rights, and special emphasis shall be placed upon the honouring of software product licences.
- KB shall respect the rules of economic competition in its activities and, especially, in its contacts with the representatives and employees of other banks and financial institutions.
- KB shall comply with the rules for disclosure of information to the shareholders, investors in financial markets, and the general public. KB shall publish the information regarding its current situation and expected development in a timely manner, in an accessible form, sufficiently, and proportionally.
- KB shall be active in performing its duties in fighting corruption, money laundering, and the financing of terrorism.
- KB shall respect the privacy of its customers, business partners, and employees. Therefore, it shall request and use only such information about its customers, business partners, and employees as is needed to serve these, to enhance the quality of KB's services, to manage KB's human resources, and to comply with the obligations specified by legal regulations.
- KB applies recognised and proven principles and procedures of corporate governance (so-called recognised standards) that it has chosen as well as policies that the controlling company, Société Générale, requires to be applied in its subsidiaries. On a standalone basis, KB applies the Code of Corporate Governance that is based upon principles of the Organisation for Economic Co-operation and Development (OECD)[1] and the Guidelines on internal governance of credit institutions issued by the European Banking Authority (EBA Guidelines).

[1] https://www.mfcr.cz/cs/o-ministerstvu/odborne-studie-a-vyzkumy/2019/kodex-spravy-a-rizeni-spolecnosti-cr-201-34812

- KB shall co-operate with the Czech National Bank and other regulatory bodies responsible for supervising KB's activities. It shall provide correct, complete, current, and transparent information about its activities.

- KB supports the principle of social responsibility. It shall seek to minimise the impact of its activities on the environment and use natural resources and energy in a conservative manner. KB is governed by international conventions to which it has acceded or which were acceded to by the SG Group.

- KB shall maintain political neutrality. It shall not back any political party or political movement through donations or any other kind of support.

- KB continuously strives for long-term creation of value for its shareholders.

Moreover, KB respects a range of principles relating to specific areas, including principles regarding business conduct, dealing with clients, the management and control system, and remuneration.

Environmental, social, and governance (ESG) principles

Komerční banka and its subsidiaries act responsibly in their relationships with clients, employees, shareholders, and other stakeholders and partners. KB perceives that such behaviour is in accordance with the interests and expectations of the main stakeholders, as well as with applicable regulations. Responsibility is the basis of every partnership, and it is also a precondition for long-term successful business.

KB Group's environmental, social, and governance (ESG) strategy[1)] is based on a materiality assessment that identifies the ESG factors most important to the Group's stakeholders, as well as for the Group's growth and risk outlook. KB's ESG strategy is fully aligned with the purpose, mission, and overall strategy of KB as formulated in the KB2025 plan. The implementation of changes in the ESG area is closely co-ordinated with Société Générale and takes place within the SG group's "ESG by Design" programme.

KB Group has been gradually applying a holistic approach to ESG regulations and embedding further ESG impacts into its core operations and policies. KB Group is gradually increasing its ability to collect, measure, and disclose ESG data.

KB develops responsible business in economic, environmental, and societal areas through a variety of activities at all levels and as an integral aspect of the entire organisation. KB Group has very little to no appetite to develop business with the following sectors: political parties, economic sectors that are prohibited under the CSR policy, or any activities likely to create compliance or reputational risks.

Detailed non-financial information on Komerční banka's environmental, social, and governance activities and results is provided in KB Group Sustainability Report 2023,[2)] which will be issued along with this annual financial report. In accordance with Sec. 32g (7) of the Act 563/1991 Coll., on Accounting, KB is not disclosing certain non-financial information provided by Société Générale as a consolidating entity.[3)] The Group has been preparing for meeting disclosure obligations according to the EU's Corporate Sustainability Reporting Directive (CSRD).

Information on Komerční banka's activities in the areas of respect for human rights and social and employment relations is provided in the Employee Relationships chapter of this annual financial report. Information on improving clients' satisfaction and introducing service improvements and innovations is provided in the following text of this chapter. Information about fighting against corruption and bribery is presented in the Risk Management chapter of this annual financial report.

1) https://www.kb.cz/en/about-the-bank/everything-about-kb/we-do-business-br-sustainably

2) https://www.kb.cz/en/about-bank/we-do-business-sustainably/sustainability-report-archive

3) https://www.societegenerale.com/en/publications-documents

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

Komerční banka is aware of the influence that its activities have on the surroundings wherein it operates, and it considers responsible behaviour to be important. Therefore, it adopts adequate measures that on the one hand should eliminate negative influences on the environment and on the other contribute to its protection and improvement. KB monitors the impact of its activities on the environment and identifies those areas upon which it needs to focus. Komerční banka then adopts measures directed towards effectively reducing its environmental impact.

Corporate culture
KB's strategic vision in managing human resources is to build professional relationships with employees based upon trust, respect, mutual communication, equal opportunities, and the offer of interesting professional and career growth. KB strives to create an inspiring and supportive environment where people want to work, succeed, and become ambassadors of the KB brand. Mutual co-operation among employees is then based upon four basic values or principles of behaviour: team spirit, innovation, commitment, and responsibility. Together, these form the basis of the corporate culture upon which KB is building its future.

Corporate governance
Komerční banka acceded to and upholds all the principal standards of the Code of Corporate Governance of the Czech Republic (2018)[1)] issued by the Institute of Administrative Bodies on the basis of international standards of corporate governance, in particular the G20/OECD Principles of Corporate Governance from 2015. Komerční banka's Board of Directors applies and develops the aforementioned principles of corporate governance in a spirit of transparency, accountability, and with a view to the long term, and it translates these best practices into its internal procedures and regulations.

Code of conduct
Only by taking an ethical approach to doing business and providing financial services can Komerční banka hope to maintain and even strengthen its market position over the long term. A fundamental prerequisite to successfully developing the company consists in professional conduct and behaviour on the part of its employees, as exemplified in particular by fostering and preserving direct and open relationships with clients and by fortifying mutual trust. Komerční banka expects all its employees to be fully aware of and committed to their obligation to act in accordance with the ethical standards set forth in its Code of Ethics and to endeavour always to adhere to those standards.

Tax policy
Komerční banka ensures that all KB Group companies fully respect the tax rules of all countries wherein the Group operates. Within its tax policy, Komerční banka complies with all applicable reporting obligations. Komerční banka does not encourage or promote tax evasion for itself or its clients and refrains from operations whose main purpose is tax-motivated unless this is consistent with the intention of the law.

Komerční banka strictly respects correct tax procedures and maintains open and transparent relations with tax authorities while guarding its good reputation. KB adheres to the SG Group Tax Code of Conduct,[2)] and all of KB's employees are obliged to comply with this Code. Tax policy is internally supervised by the Internal Audit arm. External oversight in relation to Czech tax law is performed by the Specialised Tax Office.

1) https://www.mfcr.cz/cs/o-ministerstvu/odborne-studie-a-vyzkumy/2019/kodex-spravy-a-rizeni-spolecnosti-cr-201-34812

2) https://www.kb.cz/getmedia/7632c13e-f17b-4383-a0b7-05c84489cbca/tax_code_of_conduct_of_societe_generale_group_uk.pdf

KB2025 strategic plan

On 5 November 2020, Komerční banka presented its KB2025 plan updating strategic directions and addressing the emerging challenges and opportunities for creating a strong, client-focused bank.[1] Together with its clients, the Bank aims to build a better and sustainable future through responsible and innovative financial solutions. KB aspires to be a leader in a new era of banking for 2 million active clients.

The strategy builds upon the pillars of helpfulness, growth, and responsibility, and with specific objectives established in nine programme areas.

KB is building a new digital bank founded on new technological and process infrastructure, introducing new services and new partners, and supported by smart innovations.

The new digital KB is rebalancing its organisation towards fully digital sales and services. As a data-driven company, KB will maximise the business value extracted from data in the digital world even as it assures the privacy of its clients' data. The Bank is developing a new advisory model supported by data analytics.

To evolve its agile, adaptive, and effective organisation, the Bank is implementing DevOps (develop–operate) practices as well as the Smart Office concept of workplace organisation. Both methodologies are expected also to support employee engagement at high levels.

The Group's position on the housing finance market is being reinforced by building up a single mortgage factory delivering solutions for clients of both KB and Modrá pyramida.

KB is striving to reinforce its market leadership position in services for corporate clients. It aims to protect KB's already best-in-market level of client satisfaction in corporate and investment banking by focusing on speed, predictability, and efficiency of corporate customer journeys.

With digitisation and automation incorporating artificial intelligence and data science components as well as advanced fraud prevention, KB's risk management is directed to identifying emerging risks and containing risk losses in the new world of digital banking and within a volatile environment. As part of its risk management framework, KB has been developing its environmental and social risk management system, including climate vulnerability assessment of clients, and it is building a data collection and analytical infrastructure for indicators related to clients' ESG factors.

The overall productivity increase; centralisation of support functions, services, and premises across KB Group; as well as branch network and sourcing optimisation will enable the Group to reaffirm its leading position in operational efficiency within the CEE region.

Komerční banka is positioning itself as a green bank and a sustainability leader in the Czech financial market and within Société Générale Group.

[1] Komerční banka's Consolidated Annual Report 2020, pages 10 and following.

Operational targets

The KB2025 strategic plan's operational targets, which are formulated for the standalone bank, have been affirmed.

KB aims to increase the level of client satisfaction as measured by Net Promoter Score (NPS) in the retail clients and small and medium-sized enterprises segments while stabilising that satisfaction at the already very high level (above 50 points) within the large corporations segment.

Based upon organic growth, the clients' seamless omnichannel experience should help the Bank to achieve its target of 1,850,000 clients by 2025.

The upgraded working and management methods are leading to employee empowerment and effective teamwork across the entity. KB is maintaining the Smart Office concept of hybrid work from office and home, developing the Mojevitalita programme promoting and supporting healthy life styles, and offering medical assistance as well as legal and life counselling for all colleagues. Effective leadership should help to achieve further gains in employee engagement levels as measured by a proprietary blended index to the level of 83 points from the already strong 78 points recorded in 2019.

Optimisation of operations through digitalisation, branch reduction and switching to cashless banking, automation of middle- and back-office and support functions, and deploying robotics means that the standalone bank's full operations and services will be handled by approximately 5,500 employees. This compares with 7,210 employees in the Bank as of 31 December 2019.

KB believes that pursuing sustainability in business and operations generates long-term benefits in delivering new business and value for shareholders as well as in complying with future Czech and European regulations. As measures of its maturity in the environmental, social, and governance areas, KB has selected two globally recognised indices: the FTSE4Good index of sustainably managed companies, with a target to exceed the level of 4 points; and MSCI ESG, with a target rating at the 'AA' level that is reserved for companies leading their respective industries in managing the most significant ESG risks and opportunities.

Financial targets

Financial targets have been set on a KB Group basis, and management is striving to reach these targets despite several headwinds unforeseen at the time of setting these goals in 2020.

For 2025, the cost-to-income ratio is targeted to approach 40%. Based upon organic growth, the Group's revenues should accelerate mainly in 2025. By that time, KB's new digital bank will be fully operational for retail clients, a boost will come through digital sales and an advisory model supported by data analytics, and new revenue sources will be coming online.

Operating expenditures in 2025 will be at a level similar to that in 2023 and will reflect ongoing efficiency measures, a lower number of employees, as well as a smaller expected regulatory charge in 2025 for the Resolution Fund. Savings from decommissioning old components of the banking infrastructure should begin to accrue mainly from 2026.

The potential for increase in the Group's net profitability has been severely limited, however, by imposition of the so-called "windfall tax" at an incremental 60% rate. Thus, any profits exceeding a defined threshold would be taxed at a 79% rate (81% from 2024) that is the sum of the 19% (21% from 2024) statutory rate plus the "windfall tax" rate.

With a view to reinforcing the scale of KB's existing business and thus optimising efficiency and competitiveness, KB's management remains ready to consider enhancing its performance with non-organic growth elements. Nevertheless, visibility regarding potential accretive acquisition opportunities is limited at the time of releasing this report. The minimum ambition for the number of bank clients inclusive of the non-organic growth component has been set at 2,000,000.

The Group will grow the volume of risk-weighted assets at a pace that is optimal from the perspective of creating shareholder value. The volume and structure of regulatory capital will be further optimised, even as it will at all times safely and assuredly meet the applicable and expected regulatory requirements.

Assuming all those factors as described above, KB Group targets ROE to come in around 15% for 2025.

Key risks to these targets include significant worsening of the geopolitical situation (in particular, escalation of the war in Ukraine), deterioration in the macroeconomic development, unexpected increase in regulatory requirements and bank levies, and adverse competitive dynamics.

Market environment

Economic and monetary environment in 2023

The Czech economy's performance remained subdued during 2023. Gross domestic product fell by 0.4% through the year, failing even to return to its pre-pandemic level. Quite the contrary, it fell even further behind, lagging that level by 1.4% in the fourth quarter. The main drag on the economy last year was household consumption, which suffered considerably as the result of deep decline in real wages to a level last seen at the end of 2017. Thus, low-income households faced budget constraints in 2023 even as high-income households increased their precautionary savings or shifted funds towards savings products with longer maturities or riskier investment instruments in order to achieve higher returns and offset inflationary losses. The real level of consumer spending was thus in line with that from the turn of 2016 to 2017.

On the other hand, foreign demand had a positive impact on economic development. This reflected a fading of the subcontracting problem, as automotive manufacturers in particular were able to complete work-in-progress goods and support foreign trade by exporting them. This, then, was reflected in lower inventory build-up. At the same time, weak domestic demand also contributed to weak inventory build-up due to entrepreneurs' low expectations. The development of gross value added benefited in particular from that of manufacturing and of information and communication activities in 2023. The trade, transport, accommodation, and food services group of activities had a negative impact.[1)]

Inflation and monetary policy

Inflation slowed rapidly during the year. Although it was still averaging 16.4% in the first quarter, price increases had fallen to just 7.6% by the final quarter. In particular, core inflation slowed considerably, declining from an average of nearly 12% in the first quarter to 3.9% in the fourth quarter. This development was due not only to a higher comparison base but also to strongly subdued domestic demand. Month-on-month annualised core inflation was thus already close to the central bank's 2% target. Headline inflation in 2023 mainly reflected price increases in the housing, food, and non-alcoholic beverages segments. By contrast, price developments in the transport segment contributed most to decline in the general price level.[2)]

The central bank kept rates unchanged for almost all of 2023 due to concerns about persistent inflationary pressures. The first 25 bps cut was implemented only in December. The base repo rate thus fell to 6.75% after being stuck at 7% for a year and a half. The rate-cut decision was unanimous, with all seven board members voting in favour of the 25 bps move.[3)]

Real economy

Average nominal wages rose by 6.3% year on year in 2023's fourth quarter after recording 7.1% growth in the third quarter. Tensions in the labour market, combined with the still sound financial situation among firms, contributed to the continued rise in nominal wages within the business sector. In the non-business sphere, the year-on-year dynamics continued to be influenced by, among other things, the increase in salaries of security forces (e.g. police and fire protection) employees from the beginning of 2023. Real wages were down by 1.2% from the fourth quarter of 2022 (after 0.8% in third quarter). Overall, however, average real wages in 2023 were broadly in line with those from the end of 2017. The recovery in real wages was therefore very modest, reaching –2.9% in 2023, reflecting the continued marked slowing in household consumption.[4)]

Retail sales for the whole of last year showed a decline of 4.1% in real terms. Food sales fell by 5.3%, while non-food sales were down by 5.2%. In contrast, consumers spent 4.9% more on fuel. Sales and repair of motor vehicles were up by 4.2%, with sales of motor vehicles (including spare parts) climbing by 4.7% and motor vehicle repair by 2.3%.[5)]

Industrial production was 0.4% lower year over year in 2023, with decline in the other non-metallic mineral products and basic metals, metallurgy, and foundry sectors contributing significantly to this result. Compared to 2022, electricity generation also decreased. The overall decline was not offset by recovery in the production of motor vehicles and other transport equipment. The value of new industrial orders also fell year on year, by 1.7%.[6)]

The unemployment rate remained at low levels during 2023. According to the general unemployment rate (ILO), the unemployment rate stayed below 3%, while the proportion of unemployed continued under 4% (as reported by the Ministry of Labour and Social Affairs). The number of job vacancies decreased modestly, with one job open for every unemployed person. Compared to other EU countries, the Czech Republic continued to have the lowest unemployment rates of all.[7)]

1) https://www.czso.cz/csu/czso/ari/gdp-resources-and-uses-4th-quarter-of-2023

2) https://www.czso.cz/csu/czso/ari/consumer-price-indices-inflation-december-2023

3) https://www.cnb.cz/en/monetary-policy/bank-board-decisions/CNB-Board-decisions-1703174400000/?tab=statement

4) https://www.czso.cz/csu/czso/ari/average-wages-4-quarter-of-2023

5) https://www.czso.cz/csu/czso/ari/retail-trade-december-2023

6) https://www.czso.cz/csu/czso/ari/industry-december-2023

7) https://www.mpsv.cz/mesicni (only in Czech)

Crown exchange rate development

In an environment of narrowing interest rate differentials, emerging market currencies did not fare well last year. The crown's exchange rate peaked in April at CZK 23.3 to the euro. The Czech currency has been weakening since that time and closed the year at CZK 24.7 to the euro. In global foreign exchange markets, on the other hand, the US dollar continued to strengthen its position, reflecting the surprising resilience of the US economy. In addition to global influences, the CNB's announcement at its August meeting that it was ending the intervention regime that had been supporting the domestic currency contributed to the weakening of the crown. Weaker data from the Czech economy in general and, in our estimation, the crown's persistent overvaluation relative to fundamentals also impacted adversely on the currency.[1)]

Fiscal and tax policy

The state budget closed 2023 with a deficit of CZK 288.5 billion. This deficit was CZK 71.9 billion smaller year on year and CZK 6.5 billion better than the approved target of CZK 295 billion. Spending in 2023 increased by CZK 217.8 billion (+11%) year on year, mainly driven by a rise in the most important social benefits category (by CZK 100.1 billion), especially reflecting an increase in pensions (by CZK 97.1 billion). The pension insurance system itself reached a record deficit of CZK 73 billion (after ending 2022 CZK 21 billion in deficit). Compensation to households and firms for high energy prices, greater investments, more expensive servicing of the national debt, increased outlays for salaries of primary and secondary school employees, as well as higher payments for state insurers also contributed to the year-on-year increase in spending. Total revenues since the beginning of the year were CZK 289.7 billion higher year on year and by 17.8% in relative terms. The main contributors to the increase in revenues were extraordinary taxes in the form of windfall tax and the levy on excess revenues of electricity producers, EU funds (the National Recovery Plan), social and health insurance premiums, corporate tax, and the dividend from CEZ. On the other hand, collection of the second most important revenue item by weight, VAT, with its full-year increase of only 5.8%, reflected the decline in household consumption due to the fall in real wages and the persistently high savings rate. The 33.1% year-on-year gain in corporate tax collections (excluding the windfall tax), which exceeded the full-year target by a significant 28.3%, confirmed the solid profitability of firms.[2)]

Banking market development

Total bank lending across the market as a whole (apart from repo operations) grew by a 6.9%[3)] annual rate through the end of 2023. Loans to individuals in December increased by 5.0% year on year. Consumer loans expanded by 7.9% annually, while housing lending resumed its upward trajectory and in December we saw 4.2% growth year over year, as falling real estate prices renewed client interest in new mortgage loans to a certain extent. The volume of lending to corporations and other businesses expanded by 8.9%.

In December the total of deposits in Czech banks was higher by 14.4%[4)] from the year earlier. Deposits from households had increased by 6.9%, whilst market deposits from businesses had risen year on year by 23.8%. In comparison to December of the year earlier, the volumes in savings accounts had climbed by 21.6% and those in term deposits by 55.1%. Meanwhile, current account volumes were down by –3.4%.

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1) https://www.cnb.cz/en/financial-markets/foreign-exchange-market/central-bank-exchange-rate-fixing/central-bank-exchange-rate-fixing/

2) https://www.mfcr.cz/cs/ministerstvo/media/tiskove-zpravy/2024/pokladni-plneni-sr-54299 (only in Czech)

3) Source of data on banking market developments: ARAD statistics of the CNB, https://www.cnb.cz/arad/#/en/home

4) Source of data on banking market developments: ARAD statistics of the CNB, https://www.cnb.cz/arad/#/en/home

Financial markets developments

Global stock market performance
Recently, there seems to have been a regular alternation in stock markets performance between positive and negative years. Last year, 2023, equity indices closed near record highs.

Among those elements most strongly impacting stock markets and beyond were a robustness of the global economy, which did not fall into the predicted recession; a modest impact from high interest rates on demand for financing because many companies had sufficient funds or preferred just to let their savings earn the higher interest rates; better corporate results, especially in the USA; and a wave of smaller bank failures in the USA causing negative sentiment to spill over into Europe's banking sector. Then, too, excitement over artificial intelligence influenced the markets positively. In Europe, meanwhile, the negative effects of high energy prices reverberated across the continent.

European equities, as measured by the STOXX Europe 600 index, closed out 2023 stronger by +12.7% year on year (at 479.0 points, 15.4% in CZK terms), just below the index's all-time high of 494.4 points from January 2022.

Arguably the world's most followed stock index, the S&P 500, rose by +24.2% last year (to 4,769.8 points, by 22.9% in CZK terms). Again, this is just below its all-time high of January 2022 (4,796.6 points). Similarly, the Dow Jones Industrial Average finished 2023 stronger by 13.7% (at 37,689.5 points, +12.5% in CZK terms), marking another record high. The technology-heavy NASDAQ index added 43.4% in 2023 (reaching 15,011.4 points, +41.9% in CZK terms).

The MSCI ACWI Global Index, which includes equities from 47 developed and emerging markets, rose by 20.1% in USD terms (to 727.0 points, +18.8% in CZK terms) in 2023.

The stock index of European banks (the STOXX Europe 600 Banks) gained 20.3% (by 169.0 points, +23.4% in CZK terms). Despite the sluggish economy, European bank shares were supported by resilient asset quality, higher interest rates in the euro zone, and solid capital generation. The STOXX Eastern European Bank 300 index rose by 50.7% (by 53.7 points, 54.5% in CZK terms), erasing the losses recorded in 2022 when international investors' risk aversion in relation to European emerging markets had brought the index down.

Prague stock exchanges development
The main index of the Prague Stock Exchange, the PX, rose by +17.7% (to 1,414.0 points) last year. Total performance, inclusive of dividends, was as high as +28.3% during the year. The index closed only a few points below the year's high of 1,421.4 points touched on 1 March 2023. It thus made up for 2022's decline of –15.7%, which had been due in part to Russia's launch of aggression towards Ukraine and the resulting sharp rise in energy prices and inflation. The Prague Stock Exchange fell in only four months last year, rising in all other months.

With two exceptions, all major stocks traded on the Prague Stock Exchange saw their share prices rise. The best performing stock of the year was Erste Group. With a strong finish to the year, it outperformed the previous leader, ČEZ, and for the year as a whole Erste rose by +25.8%. ČEZ had rocketed in the first four months of the year, boosted by visions of restructuring. This, of course, had a positive effect on the entire PX index. ČEZ gained +24.5% for the year. Moneta was also up by more than one-fifth, adding +23.2%, thanks in part to very good results and several increases in its full-year guidance. Just below the 20% level was the insurer VIG, which gained +19.7%. Kofola posted decent growth of +13.1% on strong results. It has been acquiring breweries and other traditional drinks brands and, like Moneta, it is likely to beat full-year guidance. Komerční banka shares gained 10.6% last year. At the very end of the year 2023, Gevorkyan moved from the Prague Stock Exchange's Start Market to the Prime Market. For the whole year, it provided investors +16.5% appreciation (+12.8% in December alone).

In 2023, only Philip Morris ČR (–6.6%) and Colt CZ (–3.8%) declined slightly.

The economy was a high interest rate environment during 2023. This may have caused investors to choose assets safer than stocks but still promising strong appreciation in such an environment. Moreover, financing for active stock trading is expensive in a high interest rate environment. These may be reasons why total trading volume on the Prague Stock Exchange fell by 25.7% year on year to CZK 123.5 billion. Liquidity decreased for all major securities. Trading in bank stocks fell by more than 30% (KB –32.7%, Erste –46.6%, Moneta –30.4%). Trading volume in insurance company VIG was also down (–33.4%), as was that in shares of Colt (–24.1%) Philip Morris CR (–15.8%), and Kofola (–13.7%). The smallest decline in traded volume was for ČEZ shares, which saw a decline of "only" –7.5%.

None of the companies trading on the PSE were delisted in 2023.

Performance of KB share

KB share price development
The KB shares closed out trading in 2023 at a price of CZK 724.5, up by 10.6% from the previous year's ending price. As of 31 December 2023, Komerční banka's market capitalisation stood at CZK 136.8 billion (EUR 5.5 billion), ranking KB third by capitalisation among those titles listed on the PSE's Prime Market.

KB's share price had opened 2023 at CZK 657.5 and was initially supported by growth momentum continuing from late 2022. The stock reached its first peak of 2023 on 8 March, whereupon uncertainty in the US banking sector cause by several bankruptcies spilled over into Europe and European banking shares also lost value. When the financial markets realised that the problem was limited to just some US banks, KB's share price quickly corrected back upward and then reached its 2023 high of CZK 762.5 on April 24. With the ex-dividend date (end of April), the share price moved back to its early-2023 levels (the 2023 low was reached on May 19 at CZK 652.5), where it remained through the autumn despite the general strengthening in the summer months. KB's share price began to strengthen again in early November and continued to do so during December, closing the year at CZK 724.5 overall. This was 10.6% higher year on year from the end of 2022.

Return for shareholders
Komerční banka's dividend policy aims to ensure appropriate remuneration of shareholders for their investments while also maintaining solid and safe capital adequacy and with a view to potential growth opportunities and currently applicable as well as anticipated regulatory requirements. This general principle of KB's dividend policy could not be followed fully during 2020–2021, however, due to restrictions on dividend payments and share buybacks that the regulator imposed as one of its measures responding to the uncertainty and crisis caused by the Covid-19 pandemic. Since these restrictions were generally lifted in 2022, KB has been able to return to its long-term strategic policy of paying out 60–70% of profit as dividends. The dividend is paid once a year after the regular shareholders meeting in spring.

Hence, the Annual General Meeting in April 2023 approved distribution of a dividend from 2022 net profit of CZK 11.5 billion, which was CZK 60.42 per share before taxation. This distribution brought the dividend payout ratio to 65%.

The corresponding total gross dividend yield based on 2022's closing share price was therefore 9.2%. The total return from holding KB shares in 2023 was thus 19.3%, assuming reinvestment of the net dividend on the payment day.

Business model and performance

Business model and client service organisation

Business model
Komerční banka is the parent company and main component of KB Group. Its subsidiaries contribute with their know-how and capacities in specific areas of the financial markets. The Group enhances its offer for the clients in co-operation with external services providers, either in commercial partnerships or by acquiring ownership participations.

Komerční banka Group is active on the financial market in Czechia. Through its branch as well as via activities of some subsidiaries, it also is present in Slovakia.

KB is a universal bank with a multi-channel distribution model. Its business model is founded upon building long-term relationships with customers and offering relevant solutions for situations occurring during clients' lives. The business strategy focuses on reinforcing or achieving market-leading customer satisfaction status in the target client segments. KB differentiates itself in the market by best-in-class advisory, a relevant and comprehensive product offer leveraging the global scale of the Komerční banka and Société Générale groups, and a highly effective model of servicing clients.

The services provided by subsidiaries include housing loans and building savings (Modrá pyramida), pension savings (Penzijní společnost KB), consumer financing (ESSOX), life and property insurance (Komerční pojišťovna), financing of equipment and technologies (SGEF), and factoring (Factoring KB). Another Komerční banka subsidiary, KB Smart Solutions, administers the Group's participations in several companies mainly from the fintech sector, such as upvest, Roger, Finbricks, ENVIROS, and MonkeyData.

KB is organised into arms, tribes, and separate independent departments. The managers of these units report directly to the Chairman or another member of the Board of Directors. In the cases of tribes, either they report to a member of top management or these units may be directly managed by a member of the Board of Directors. Allocation of responsibilities among the individual members of the Board of Directors is stipulated by a decision of the Board.

Those units focused on ensuring the operations of the Bank form its operational (Run) perimeter. Units established for the purpose of developing the Bank, its products and services constitute a change (Agile) perimeter.

Tribes are cross-functional teams working in accordance with the agile@KB methodology. They are dedicated to development of new client or internal solutions. The tribes are structured in such a way that they cover holistic, end-to-end views of specific customer journeys or segment needs rather than focusing on specific features of individual products. Following initial implementation of the agile@KB method, people responsible for business implementation and IT development work together within the tribes. In the next phase, KB is developing the BizDevOps concept, wherein employees in charge of operations for specific IT applications are also included into the tribes alongside their selling and IT development colleagues.

Principles of business activities and dealing with clients
Business activities of KB Group companies shall be carried out in a transparent, fair, and disciplined manner in compliance with best market practice and be performed within the global framework of Société Générale Group operating rules.

KB shall not participate in transactions which might lead to the breach of any legal regulation or international agreements. KB does not, however, rule out any transaction a priori for geographical or sector reasons if the related risks are duly assessed and managed.

Clients come first. Client relations management is conducted in accordance with the know-your-customer principle and takes into account all aspects of a relationship so that the client's needs will be met under optimal service and cost conditions and at an appropriate professional level in order to promote the client's loyalty and trust in the Bank while respecting the client's legitimate interests.

The level of a client's knowledge and experience with the products and risks associated with a provided product is taken into account in providing advice.

Client and operating segmentation
KB Group is developing a system for detailed segmentation of customer relationships. The clients of the Bank are served by the following arms:

- Retail Banking (the arm serves individual clients inclusive of high-net-worth individuals [in Private Banking], entrepreneurs, and small businesses with the indicative criterion being annual revenues up to CZK 60 million);
- Corporate and Municipal Banking (for clients with annual revenues approximately between CZK 60 million and CZK 1.5 billion and further clients according to the volume of their business with KB, as well as public institutions and municipalities of more than 4,000 inhabitants);
- Global Banking (covering clients with an annual turnover greater than CZK 1.5 billion and other clients according to the volume of their business with KB, as well as selected financial institutions).

A set of additional thresholds and sub-segments within these segments is elaborated. The Corporate and Municipal Banking and Global Banking arms are part of Corporate and Investment Banking.

Retail Banking is an operating segment of Komerční banka Group that includes the provision of such products and services to individuals, small businesses, and entrepreneurs as current and savings accounts, term deposits, building savings, pension insurance, overdrafts, credit card loans, personal loans and mortgages, as well as private banking services.

Besides the services to individual and small business clients of Komerční banka, the Retail Banking operating segment comprises Modrá pyramida, Penzijní společnost KB, ESSOX, and Komerční pojišťovna, as well as some activities of SGEF and Factoring KB.

Retail banking services are provided through direct banking channels, including contact centres; within a network of branches, including the remote branch; via distribution networks of other members of KB Group; or through partnerships with third-party independent sales agents.

Corporate and Investment Banking is an organisational part of Komerční banka that includes provision to corporate customers (with turnover exceeding CZK 60 million), various types of public institutions, the non-profit sector, and public institutions of such products and services as current and savings accounts, term deposits, operating or investment loans, other types of loans, specialised foreign trade or investment banking services, cash circulation services, as well as other specialised services provided by KB itself or in co-operation with other partners or Société Générale.

The Corporate Banking segment in KB Group includes most activities of SGEF and Factoring KB.

Corporate banking services are provided by teams of relationship managers and specialised experts in Corporate Centres, via distribution networks of other members of KB Group, or through direct banking channels.

Distribution and client service model

KB is developing a multi-channel distribution model. Subsidiaries sell their services through the distribution network of Komerční banka, and some also have their own networks. Digital banking is an integral part of the multi-channel distribution model, and the Bank aims to reinforce its leadership position on the Czech market in digital banking.

KB perceives its competitive advantage on the banking market as consisting in the value of partnerships with clients; the ability of its banking advisors to provide high-quality advisory; a wide range of relevant and advantageous financial products; proximity to clients via the branch network and advanced, secure direct banking; and its ability to provide services efficiently in accordance with clients' needs and preferences.

The service model in KB's retail banking is focused on assisting clients by providing them with professional advisory, preferably at appointments agreed with the client in advance. In creating their recommendations to clients, the relationship managers refer to an analysis of each client's needs based upon the Bank's data about that client. This enables the relationship managers to propose a solution most convenient for each client's circumstances. Rapid service spots have been created in branches for addressing basic service requests, and the relationship managers assist clients so that they are able to execute simple transactions and administer their services by themselves in their mobile banking application or internet banking.

The network of branches remains a pillar of KB's omnichannel strategy. Therefore, the Bank is progressively reconstructing its branches in a new design concept that is convenient for advisory and efficient servicing of clients' various financial needs. Experts in the areas of investments, financing, and debt resolution are available remotely to assist the relationship managers.

In KB Premium Centres, senior bankers provide individualised services to discerning clients based on KB's Top Offer.[1)] It includes a premium current account with prestigious payment cards, exclusive investment opportunities, and more favourable interest rates.

Private Banking[2)] consists in a specific service model within Retail Banking. Komerční banka offers comprehensive Private Banking services to clients with financial assets exceeding CZK 30 million at its branches in Prague, Brno, and Ostrava. Clients with assets up to CZK 30 million have access to selected Private Banking products in co-operation with KB Premium service. The services provided include mainly portfolio management under mandates, a wide range of investment instruments, complete banking services, real estate and lombard loans to finance the private projects as well as needs of clients, investments in funds for qualified investors (real estate funds and private equity), investments in corporate bonds, assistance in selling companies, trust fund services, and other instruments for intergenerational planning.

KB Poradenství is a new channel for servicing individual clients built upon the agent distribution network of Modrá pyramida. KB Group clients have thus gained access to more contact points and to mobile bankers capable of providing banking services in the New KB Era.

KB Business Centres are key elements in servicing small business clients. Their expertise and specialisation enable the Business Centres to provide quality advisory and individual solutions meeting clients' needs.

Servicing of corporate clients is specific, as it is based principally on in-person dealings with relationship managers and seeking individual solutions for client needs. The service model in corporate banking reflects clients' potential as well as their actual needs for financial services in order to create optimum value for the clients while allocating KB's resources effectively. The relationships with economically interconnected clients are usually managed by the Bank at the level of the whole group.

1) https://www.kb.cz/en/kb-premium/top-offer-account

2) https://www.kb.cz/en/private-banking

In addition to the full range of banking products and services, the Bank provides large corporate clients also with highly specialised services, especially in the areas of investment banking, as well as export, structured, and syndicated financing. At the same time, it brings solutions for transactions unique on the banking market, including the primary issue of bonds, M&A consulting, and real estate services. The offer is complemented by the services of subsidiaries and associated companies providing leasing or factoring services.

Membership in a truly global banking group is a significant competitive advantage for KB in this segment, especially in the areas of foreign trade financing, cross-border payments, international cash pooling structures, and investment banking, as the Bank is able to provide corporate clients access to the services of all major global financial centres through SG.

Komerční banka's sole foreign branch is in Slovakia. It operates on the basis of a single banking licence issued by the CNB. The branch is a trusted financial partner for top corporations in Slovakia, as well as for those corporate clients of the KB and SG groups operating there.

KB's own distribution network is further complemented by the subsidiaries' distribution capacities (especially those of Modrá pyramida) and, in the cases of selected products, also by business partners' networks. Services and products of other KB Group companies are available within their own distribution networks, in the KB branch network and digital channels, and potentially through the business partners.

Client satisfaction, consumer protection

Satisfaction of clients is a priority for all of KB Group's member companies. Clients' loyalty and trust are crucial prerequisites for long-term success and resilience of the Group. Feedback from customers enables the Group to develop and offer relevant and competitive products and services.

Development, helpfulness, and responsibility are the three values characterising the KB brand. Komerční banka aims to be perceived on the market as a bank which, by its helpfulness, responsibility, and commitment to sustainability and progress, contributes meaningfully to the personal and entrepreneurial development of its clients.

Protecting clients and especially consumers
KB Group companies rigorously abide by all rules established for protection of clients, including the regulations for consumer protection and prohibition of certain clauses in consumer contracts.

The procedures applied by KB Group companies to uphold applicable regulatory and internal rules are described mainly in the Risk management / Compliance risk chapter of this annual financial report.

The client comes first for the Group. In managing client relationships, the know-your-customer principle is applied and all aspects of the relationship are taken into account in order to satisfy clients' needs according to the optimal service and cost conditions and at a professional level. That way, clients' loyalty and trust in the Bank and Group are promoted and their legitimate interests respected.

When advising clients, the Group considers each client's knowledge and experience with the respective products, as well as with the associated risks.

The Group provides its financial services with professional care and refrains from engaging in unfair business practices.

In providing its services, the Group does not discriminate against consumers. Generally in this context, discrimination is understood to mean intentional or negligent differentiation, exclusion, limitation, or favouring of a client based on a discriminatory cause, unless it is objectively justified as pursuit of a legitimate goal and using reasonable and necessary means.

KB Group companies inform consumers about prices of the services provided or they appropriately disclose the information about the prices of services.

When negotiating remotely about contracts on provision of financial services, the Group follows applicable regulations, including the Civil Code. In particular, it provides the consumer with the stipulated set of information in due time ahead of closing the contract or before the consumer submits a binding bid. It also respects the right of the consumer to withdraw from the contract.

The Group companies abide by additional rules under special laws when providing specific financial services, such as the acts on payment systems, on consumer loans, on capital market undertakings, insurance, the circulation of bank notes and coins, and on pension savings.

Komerční banka, of course, develops measures protecting the clients that go far beyond the regulatory requirements.

Ascertaining clients' satisfaction
All staff members at KB Group strive to enhance satisfaction of clients. Client satisfaction is investigated, measured, and evaluated at KB by the Customer Experience team, connected via ambassadors throughout the head office, contact centre, and distribution networks.

Trends in the numbers of clients and sales volumes for individual products and services are a natural source of information about development in client satisfaction.

In order to learn in depth about clients' expectations and preferences, however, KB Group companies survey their clients on a regular basis, test user experience when developing new products in all client segments, monitor the individual phases of customer journeys, and adjust their offers accordingly.

The Group also measures clients' satisfaction following introduction of new products to the market. If a customer is not fully happy, a client support specialist will call the client back and explain the new product once again, perhaps adjust the products, or even suggest different, more advantageous ones. The feedback thus obtained is then shared with development teams so that they can fine-tune every detail. After purchase of a product, KB asks the clients whether they obtained what they should have and in due time, whether they understand the products, or if they will need assistance with a setup.

KB Group's most widely used method for measuring clients' loyalty is the Net Promoter Score (NPS). The NPS methodology compares the number of respondents who would recommend a specific service or a provider to their friends or family (termed "promoters") with the number of those who would not do so (so-called "detractors").[1] NPS thus achieves positive values if the number of promoters exceeds the number of detractors. The measurement provides a consistent time series describing the development in clients' perceptions towards a certain service, product, distribution channel or method of communication, brand, or company. Moreover, the surveys provide an immense volume of very valuable comments about what clients appreciate and what they would prefer be done differently.

In retail banking, standalone KB acquired in this manner more than 150,000 feedback responses during 2023. The results confirmed a generally improving trend of satisfaction in retail as well as corporate segments.

Customer care specialists of KB Group companies strive to find solutions to the clients' queries, explain reasons for particular situations, and propose measures to improve the client experience.

Development of advisory and products related to ESG and energy savings is one of the areas of improvement implemented in 2023 in accordance with feedback received from (business) clients.

Based on feedback from clients, SGEF has amended its claims resolution process, including to reflect the results within the company.

The results of measurement in 2023 confirmed how important for clients is the security and stability of their bank. Komerční banka ranks among the strongest banks in this regard. Once again, the Group's relationship managers were receiving high marks from the retail as well as corporate clients.

Many clients have been with the Group for a long time. They appreciate how their needs are recognised, an active offer of relevant solutions, and useful information. Many business clients report even stronger ties with the Bank and Group, as proper recommendations and market expertise had contributed to the development and growth of their enterprises.

KB very attentively monitored development following introduction of the new client proposition and KB+ internet and mobile banking applications in the New Era. Satisfaction is measured shortly after a client downloads the app and then again after 1 and 6 months. Clients mainly appreciated services controlled fully online, simple design of the apps, savings on envelopes, and the KB Key authorisation tool integrated into mobile banking. Clients who switched from the old systems also appreciated support from the contact centre and relationship managers, if needed. Their level of satisfaction then grew with the longer time they were using the new apps.

Clients' perceptions are influenced by the features of the services being evaluated but also by developments in the surrounding environment. In 2022, clients were responding in the context of the Russian agression towards Ukraine and high inflation. Russian agression towards Ukraine and later also conflict in the Middle East were among the main factors affecting consumer confidence in 2023, together with still-high inflation and a decline in real wages. The clients were also expressing concerns regarding the affordability of housing in the big cities, changes related to the government's budget consolidation package, including adjustments to the building savings and pension savings systems. Clients' expectations also were influenced by high market interest rates.

Corporate clients, moreover, felt stagnation of the economy and subdued consumer demand. Smaller businesses reported inability to pass on higher input costs through the prices of their own production. Although larger companies were better able to preserve their margins, they often needed to look for new markets to replace those lost due to geopolitical tensions. Their

[1] https://www.bain.com/consulting-services/customer-strategy-and-marketing/customer-loyalty/

business confidence was also influenced by gradual restoration of supply chains and doubts about the outlook for the automotive industry.

Results of client satisfaction measurement in 2023

Clients	NPS 2023
Individuals	40
Small businesses	30
Medium companies	48
Municipalities	73
Large firms	38
International companies	86
KB Slovakia	84
Modrá pyramida	27
ESSOX	48
Komerční pojišťovna	40
SGEF	83

Complaints management, ombudsman
Komerční banka has established a complaints resolution mechanism that is in accordance with regulatory requirements and industry standards. Complaints resolution is conducted pursuant to the Claim Settlement Rules of KB, which are available to clients both in branches and online via KB's web page.[1)]

There are three levels of complaints resolution in KB: at the branch, by the customer experience team, and via the Group Ombudsman.

An independent ombudsman resolves claims of KB Group's clients in Czechia and Slovakia. The ombudsman's activities are governed and defined by the Ombudsman's Charter. A client can contact the ombudsman in case of dissatisfaction with the resolution of a complaints or claim in the second instance (in the case of KB clients, this is in the Quality and Customer Experience Department). Although the ombudsman's decision is not legally binding on either party, within the conciliation procedure, the companies of Komerční banka Group undertake to respect it.

Since 5 January 2022, the post of KB Group's ombudsperson has been held by Prof. JUDr. Marie Karfíková, CSc. She is an expert in financial, tax, and insurance law, a long-time attorney, and a lecturer and head of the Department of Financial Law and Financial Science at the Faculty of Law of the Charles University in Prague.

Internal policy sets forth the obligation of the complaints resolution administrator to inform compliance, operational risk, or data protection officers in case of a complaint that is related to their respective areas. An annual report on complaints resolution is provided to the Board of Directors and the Supervisory Board.

All client complaints are regularly reported as part of the Group reporting system, as well as to the Compliance Committee. The Compliance Department evaluates at least once in three years whether the complaints resolution process is in accordance with the internal as well as regulatory rules.

[1)] https://www.kb.cz/en/faq-and-support/relationships-with-customers/complaints-and-claims

Business performance

Development of client numbers

Number of clients	31 December 2023	31 December 2022
KB Group's clients	2,199,000	2,240,000
Komerční banka	1,664,000	1,652,000
– individual clients	1,422,000	1,408,000
– clients of New Era of KB	121,000	n.a.
– internet banking clients	1,564,000	1,515,000
– mobile banking clients	1,283,000	1,145,000
Modrá pyramida	429,000	461,000
KB Penzijní společnost	474,000	505,000
ESSOX (incl. PSA FINANCE)	117,000	132,000

Komerční banka ranks among the three largest banks in the Czech Republic as measured by the volume of loans provided, total assets, and many other indicators.[1]

KB newly acquired nearly 84,000 clients in the segment of individual clients during 2023, less by 4% in comparison with the previous year when the growth was boosted by new clients who had come from Ukraine and also some former clients of Sberbank CZ. That brought the total number of individual clients to 1,422,000. The Bank also maintains a leading position in the segment for children and young people, with more than 293,000 child and student accounts plus additional young people with standard accounts.

KB onboarded more than 13,000 new small business clients in 2023, fewer by 9% year on year. The number of clients in this segment decreased by 1% to 229,000.

In 2023, KB maintained its leading position in the segment of medium-sized corporations, with approximately 43% of enterprises in this segment using its services.[2] Komerční banka remains one of the two largest banks in public sector financing, where an increasing trend can be seen. KB now serves 54% of clients in this sector.[3] The number of corporate and municipal banking clients rose by 4% year on year to 11,400, which was due also to growth among companies that previously had been served within the network for small businesses and entrepreneurs.

Komerční banka maintains a strong position in servicing large companies with turnover exceeding CZK 1.5 billion. The number of clients in the large corporate segment again increased slightly in 2023. KB's clients include about 50% of large companies in Czechia with turnover exceeding CZK 1.5 billion.[4]

A decrease in the number of clients of Modrá pyramida and KB Penzijní společnosti was in accordance with market trends, as it was influenced by clients' switching to savings and investment products that respond faster to higher in interest rates and by changes in regulation of building and pension savings systems.

[1] Source: Statements of individual Czech banks.

[2] Sources: The Business Register of the Czech Statistical Office, KB's client database.

[3] Sources: The Business Register of the Czech Statistical Office, KB's client database.

[4] Sources: The Business Register of the Czech Statistical Office, KB's client database.

Support for clients and access to financial services

Help to clients in financial distress

KB Group regularly offers assistance to its clients in difficulties, and it is always helping to find appropriate solutions for those clients who actively seek to resolve their situations.

The options for resolving issues with repayments are presented in dedicated sections of the web presentations of individual KB Group companies.[5] An online assistant is available 24/7 to direct clients to the most appropriate methods. The Bank alerts clients in arrears by text message and e-mail at no charge and well in advance of sending a reminder of a pending penalty or fee. Teams of debt resolution advisors are reachable by telephone or e-mail, and they also join meetings between relationship managers and clients either remotely or at the branches. Clients may ask for postponement or reduction of instalments even via KB's web.[6]

Komerční banka and Nadace Komerční Banky (KB foundation) are partners of Poradna při finanční tísní, o.p.s.,[7] a not-for-profit organisation providing effective advisory to people in financial distress, at risk of or in insolvency, or under distraint order. It also helps with filing debt relief applications. Furthermore, it aims to influence consumers positively so that they have deeper financial and legal knowledge regarding the taking on of debt, can borrow in a prudent manner, and take a responsible and active approach to resolving their potential insolvency.

Clients of failed Sberbank CZ

On behalf of the Deposit Insurance Fund of the Czech Republic, Komerční banka has been paying out compensation to clients of Sberbank CZ, a bank that failed in 2022 following the Russian invasion of Ukraine. As of 31 December 2023, KB had paid out CZK 25.5 billion to 88,590 of the failed bank's entitled depositors. This amount represented 98% of the total volume of compensations to be paid, according to the Financial Market Guarantee System. KB will continue paying compensation to the former clients of Sberbank CZ until 10 March 2025.

Support for entrepreneurs and businesses affected by the war in Ukraine

Since April 2023, Komerční banka has been involved in supporting entrepreneurs and small and medium-sized enterprises whose business has been limited as a result of the war in Ukraine. Under the EGAP Plus programme, exporters with over 100 employees could obtain a guarantee from the Export Guarantee and Insurance Corporation, Inc. Within this programme, Komerční banka supported seven exporters with loans totalling almost CZK 500 million.

Support of businesses, municipalities, and projects with positive social impact

Komerční banka Group has long been involved in programmes to support projects and enterprises making positive impacts on society and the environment.

[5] For KB, at www.kb.cz/splaceni, for Modrá pyramida, www.modrapyramida.cz/podpora/potize-se-splacenim, and for ESSOX, www.essox.cz/odklad-splatek/odklad.

[6] https://www.kb.cz/cs/obcane/pujcky/odlozeni-splatek

[7] https://www.financnitisen.cz/

In 2023, Komerční banka entered into guarantee agreements with the European Investment Fund (EIF) relating to the European Union's InvestEU programmes. Together with the EIF, Komerční banka provided soft loans to more than 1,600 entrepreneurs in 2023, totalling approximately CZK 1.4 billion.

The Microfinance programme, which supports micro-entrepreneurs with up to 10 employees, is the most widely used programme. It focuses on sustainable employment and social inclusion by supporting entrepreneurship and income-generating activities.

KB's other new advantageous programmes for corporate clients include:

- EuroGreen – a soft loan with an EIF guarantee for solar energy projects, storage, and manufacturing of renewable energy products, as well as for energy-saving commercial building renovations. Also eligible are investments related to the production of energy-saving products or the reduction of climate vulnerability in agriculture;

- EuroEdu – for the training of employees; and

- EuroSocial for social enterprises.

SGEF, too, was bringing to its clients benefits from the programmes of European and national institutions:

- EIF – The European Investment Fund provided SGEF with a guarantee for new lending in the amount of EUR 15 million for small and medium enterprises in Czechia and Slovakia. This co-operation within the Invest EU programme supports EU investment priorities for 2021–2027. The new guarantee is dedicated for innovations and digitalisation of SMEs with up to 500 employees. Around 130 businesses from both countries are expected to benefit from the option. The agreement was signed in July 2023.
- EIB – The European Investment Bank signed a loan contract with SGEF in June 2023 for EUR 200 million on financing of Czech and Slovak businesses with a discounted interest rate. A majority of the funds is dedicated for SMEs and mid-cap companies. At least one-fifth of the total amount will finance projects related to sustainability.
- National Development Bank (Národní rozvojová banka, or NRB) – With support from NRB through its Expansion and Energy savings programmes, SGEF grants advantageous loans to small and medium-sized enterprises. That means a client may finance a part of its project with an interest-free loan from NRB and with a possibility for deferred instalments.
- Support and Guarantee Agricultural and Forestry Fund (Podpůrný a garanční rolnický a lesnický fond, or PGRLF) – SGEF provides to its clients concessionary/subsidised financing of agricultural machinery. Moreover, clients have been benefitting already for 12 years from the Agrocredit Premium loan with subsidised interest.
- State Agricultural Intervention Fund (SZIF), Ministry of Industry and Trade, Ministry of Environment, and Ministry of Regional development – Clients can combine financing from SGEF with SZIF's Rural Development Programme and majority of programmes by Ministry of Industry and Trade and further with selected programmes by Ministry of the Environment and Ministry of Regional Development.

KB's Nastartujte se (Start up!) grant programme for recently launched businesses has been around for 11 years already. KB and others of the programme's partners have disbursed more than CZK 1 million in prizes to participants.[1)]

[1)] https://www.nastartujtese.cz/

Business network and payment tools

Distribution network	31 December 2023	31 December 2022
KB branches (CZ)	212	218
Modrá pyramida points of sale	199	198
SGEF branches	9	9
ESSOX group – points of sale[1]	1,924	1,987
ATMs	796	850
of which: deposit taking	510	521
contactless	688	645

[1] Number of partners with valid contracts.

Cards and wallets	31 December 2023	31 December 2022
KB Payment cards – active	1,715,000	1,667,000
– debit cards	1,499,000	1,473,000
– credit cards	215,000	194,000
ESSOX credit cards – active	33,000	51,000
Number of cards virtualised into payment apps	671,000	497,000
KB Key – number of clients with active authentication app	1,194,000	1,089,000

The importance of digital channels for sales of financial products and services further increased.

In the segment of individual clients, the share of products sold through digital channels reached 28% of total sales. Some 68% of clients were actively using digital channels. Approximately 14% of the new clients selected a fully digital way of onboarding to the Bank. KB also opened 28% of current accounts and granted 42% of consumer loans (by number) in a fully digital process. ESSOX granted 60% of its consumer loans (by number) fully digitally.

In the business segment, 96% of clients were using actively digital channels during 2023.

At the end of 2023, KB was operating 212 branches in the Czech Republic and had 1 branch for servicing corporate clients in Slovakia. The Bank continued to optimise its branch network during 2023 with a view to shifting the handling of clients' routine banking transactions to online tools. During 2023, the Bank moved 6 branches to new premises and closed 7 branches. At 95 branches, cash services are provided only through ATMs or by accepting deposits in sealed envelopes.

The KB2025 plan also includes reconstruction of bank branches in a new design that supports assisted customer service and remote consulting. The Bank had remodelled 17 branches by the end of 2023, including 10 during 2023.

In October 2023, an internal network of Komerční banka Group advisors was launched under the KB Poradenství brand. It was established on the basis of the Modrá pyramida distribution network. KB Group clients thus gained more contact points and new availability of mobile bankers capable of providing banking services in the New KB Era. As of 31 December 2023, the KB Poradenství network comprised 232 retail branches.

Since April, KB has introduced a new type of service for individual clients: KB remote banking. Clients are comprehensively serviced remotely, including through consultative video calls, by a team of professional bankers. By the end of the year, 29,000 clients were using this form of service.

Within the KB distribution network, there is a structure of service points adapted to the specific needs of individual types of clients.

Demanding individual clients are taken care of by specialised banking advisors at 20 KB Premium Centres. A specific model of servicing individual clients within retail banking is KB Private Banking for high net worth clients with financial assets of more than CZK 30 million. Private Banking has branches in Prague, Brno, Ostrava, Hradec Králové, and Pilsen. For clients with assets up to CZK 30 million, selected Private Banking products are available in co-operation with KB Premium.

A key service element in the segment of entrepreneurs and small businesses consists in Corporate Centres, which, thanks to the concentration there of expertise and specialisation, bring quality advice and individual solutions to meet clients' needs.

Clients in the Corporate and Municipal Banking segment are provided with integrated financial solutions by 17 sales teams across the Czech Republic, including 1 team specialising in public sector clients.

Large corporate clients and economically connected groups in the Global Banking segment are served by 3 sales teams, including 1 team dedicated to serving financial institutions and international companies. Komerční banka's Corporate and Investment Banking also includes a branch in Slovakia focused on large corporates and international companies.

Since June 2022, KB customers have been able to use MONETA Money Bank machines for their withdrawals under the same conditions as for the Bank's own ATMs. From February 2023, UniCredit Bank and Air Bank also joined this co-operation. This initiative has increased the availability of ATMs even in less frequented locations and at the same time reduced the environmental burden and costs associated with servicing and operating the ATM networks of all participating banks. The joint network comprised in total 1,947 ATMs as of 31 December 2023, making it the largest in the Czech Republic. KB has also agreed with the partner banks to share the deposit function of ATMs from 2024.

Loans, deposits and client assets under management

Loans to customers

Loans to clients – gross loans (CZK billion)[1]	31 December 2023	31 December 2022
KB Group	**827.7**	**784.9**
KB – total loan portfolio	708.4	672.4
– Loans to individuals	306.3	296.6
– Volume of KB's mortgages	276.4	268.7
– Volume of KB's consumer and other loans	29.9	27.9
– Loans to small businesses	40.2	40.1
– Loans to medium corporates and municipalities	126.4	125.9
– Loans to top corporates and other loans[2]	235.4	209.8
Modrá pyramida – total loan portfolio	92.5	85.3
ESSOX – total loan portfolio (including PSA FINANCE)	20.8	18.4
Factoring KB – total loan portfolio	10.0	10.1
SGEF – total loan portfolio	34.2	31.5
BASTION – total loan portfolio	1.9	2.0
Consolidation and other adjustments	(40.1)	(34.8)

[1] Excluding 'Other amounts due from customers' and repo operations, but including debt securities issued by KB corporate clients.
[2] Including loans provided by KB Slovakia.

Total **gross volume of lending to clients** rose by 5.5% year on year to CZK 827.7 billion[1].

In lending to individuals, the overall volume of housing loans grew by 4.2% from the year earlier. Within this total, the portfolio of mortgages to individuals expanded by 2.9% to CZK 276.4 billion. Modrá pyramida's loan portfolio developed even faster, by 8.5% to CZK 92.5 billion. At CZK 36.3 billion, sales of housing loans in 2023 were lower by (5.8%) in comparison with 2022. Nevertheless, these sales had been recovering since March. The volume of KB Group's consumer lending (provided by the Bank and ESSOX Group in the Czech Republic and Slovakia) was up by 6.9%, at CZK 37.2 billion.

The total volume of loans to businesses and other lending provided by KB Group was greater by 6.4% year on year, at CZK 421.6 billion. Lending to small businesses expanded by 1.6% to CZK 47.5 billion. The overall CZK volume of credit granted by KB to medium-sized, large corporate, and other clients in the Czech Republic and Slovakia climbed by 6.9% year on year to CZK 339.9 billion. At CZK 34.2 billion, the total credit and leasing amounts outstanding at SGEF were up by 8.7% year over year.

[1] Including debt securities issued by KB's corporate clients. There were no reverse repo operations with clients to report as of 31 December 2023 or 31 December 2022.

Deposits and client assets under management

Amounts due to customers and assets under management (CZK billion)	31 December 2023	31 December 2022
KB Group deposits[1]	**1,006.2**	**916.8**
KB deposits	954.9	862.6
– individuals	337.9	327.8
– small business	238.6	230.6
– MEM corporates	244.5	196.2
– top corporates and other deposits[2]	134.0	108.0
Modrá pyramida – building savings	52.3	56.0
ESSOX	0.1	0.1
Factoring KB	0.8	1.0
Consolidation and other adjustments	(2.0)	(2.8)
Non-bank assets under management	**251.3**	**216.6**
Assets under management in mutual funds[3]	131.4	98.3
Clients' assets managed by KB Penzijní společnost	74.1	73.0
KP life insurance technical reserves[4]	45.7	45.3

[1] Excluding repo operations with clients.
[2] Including deposits in KB Slovakia.
[3] Assets of KB Group clients managed by third party asset managers.
[4] Komerční pojišťovna is consolidated by the equity method.

The **volume of standard client deposits** within KB Group increased by 9.7% year on year to CZK 1,006.2 billion.[2] Year-on-year growth was faster in deposits from corporate clients. During 2023, clients were often investing their savings in mutual funds and they also were switching their deposits from current accounts to term and savings accounts.

Deposits at Komerční banka from individual clients improved by 3.1% from the year earlier to CZK 337.9 billion. The deposit book at Modrá pyramida diminished by (6.5%) to CZK 52.3 billion.

Total deposits from businesses and other corporations were up by 15.6% to CZK 608.4 billion.

The volumes in mutual funds held by KB Group clients grew by 33.7% to CZK 131.4 billion. Client assets managed by KB Penzijní společnost were 1.5% greater, at CZK 74.1 billion. Technical reserves in life insurance at Komerční pojišťovna were up by 1.0% year on year, at CZK 45.7 billion.

The Group's liquidity as measured by the ratio of net loans to deposits (excluding repo operations with clients but including debt securities held by KB and issued by the Bank's clients) stood at 82.8%. The Group's liquidity coverage ratio ended the year at 149%, well above the regulatory limit of 100%.

[2] Excluding volatile repo operations with clients. The total volume of 'Amounts due to customers' increased by 18.6% year on year to CZK 1,127.2 billion.

Investment banking

In 2023, KB Investment Banking achieved very strong financial results, increased the number of active clients, and expanded the range of client products.

Trading achieved a very solid result despite fewer opportunities due to CNB's limited activity in the market and market conditions that were less favourable for clients in the area of FX hedging.

Sales delivered its best result ever. In particular, interest rate hedging results and strong client activity in the money market exceeded expectations.

In the small and medium-sized enterprises segment, performance was driven again by clients' sizeable use of digital trading platforms for foreign exchange transactions and term deposits in combination with the Bank's focus on products with higher added value. The number of clients using the KB eTrading[1)] platform continued to grow also in 2023, but, due to more uncertainty in the economy, the per-client traded volumes were slightly below the extraordinary levels of 2022.

Activity in the large corporate clients segment reflected the more difficult economic environment in a lower number of capital market transactions during 2023 and less activity in currency hedging operations. On the other hand, the numbers of money market deals improved markedly. KB Investment Banking traded its first sustainability-related derivative in 2023.

Results in the financial institutions segment were supported by strong activity in money markets and interest rate activity, as well as in the market for bonds and repo operations.

[1)] https://www.kb.cz/en/other/our-applications/applications/kb-etrading

Payment operations

Komerční banka (Bank only)	2023	2022	Year-on-year change
Number of payment cards in circulation	**1,715,000**	**1,667,000**	**2.9%**
– debit cards	1,499,000	1,473,000	1.8%
– credit cards	215,000	194,000	10.8%
Volume of payments using KB cards (CZKm)	218,000	199,000	9.5%
Number of payments using KB cards	322,614,000	282,704,000	14.1%
Volume of cash withdrawals (CZKm)	**205,000**	**215,000**	**(4.7%)**
– via ATM	144,000	144,000	0.0%
– via non-ATM	61,000	71,000	(14.1%)
Volume of cash deposits (CZKm)	**223,000**	**233,000**	**(4.3%)**
– via ATM	109,000	106,000	2.8%
– via non-ATM	114,000	127,000	(10.2%)
Number of cash withdrawals	**20,941,000**	**21,276,000**	**(1.6%)**
– via ATM	20,469,000	20,720,000	(1.2%)
– via non-ATM	472,000	556,000	(15.1%)
Number of cash deposits	**4,951,000**	**4,809,000**	**3.0%**
– via ATM	3,902,000	3,601,000	8.4%
– via non-ATM	1,049,000	1,208,000	(13.2%)

Cash payment operations

The Bank continued to automate and modernise cash payments, not only in the area of ATMs but also as part of launching a new digital entity of Komerční banka's known as "New Era of Banking by KB", which introduced digital authorisation procedures for serving its clients in the branch network. The goals are not only to implement digital tools that are technologically modern and expected by clients, but also to reduce the environmental burden, especially from the consumption of paper, thus corresponding to KB's ambitions from the viewpoint of sustainable development.

From February 2023, two more banks – Air Bank and UniCredit Bank – joined the co-operation between KB and MONETA Money Bank in the area of sharing ATMs. Thanks to this, clients of these banks can withdraw cash from almost 2,000 ATMs under conditions set and guaranteed by their own banks, which usually means free of charge.

This co-operation made it possible to move duplicate ATMs (such as those standing next to one another at shopping centres) to places where heretofore there have been no ATMs. Since the start of this co-operation in June 2022, more than 80 ATMs have been relocated, mainly to smaller municipalities. At the same time, this has enabled Komerční banka to optimise the number of its ATMs throughout 2023 to the current 796, of which 510 are deposit ATMs. Intensive preparations are now underway for the four alliance banks to participate in deposit-sharing through their more than 900 ATMs. This will allow clients to deposit CZK banknotes into their accounts during 2024.

Last year, the average size of a deposit made through a KB ATM was around CZK 28,000. The number of deposit transactions rose year on year by roughly more than a quarter of a million to 3.9 million transactions. KB again saw a slight increase during 2023 compared to the previous year in cash operations made through ATMs to 59% in volume terms and 94% in the number of all KB client cash operations (withdrawals + deposits).

At the end of the year, KB was operating 212 branches in the Czech Republic, including 115 branches with cash and currency exchange services and 70 non-cash branches authorised to accept cash deposits in closed packages. KB continued successfully to provide exchange services.

Non-cash payment operations

The Bank recorded another significant year-on-year rise last year in the number of payments. Domestic payments grew by 4.8% (4.5% for outgoing payments, 5.1% for incoming payments). A significant period of growth in foreign payments (cross-border and SEPA) has come to an end. SEPA payments, which make up 87% of the total number of foreign payments, stagnated (declining by a slight 0.2%). Cross-border payments grew by an average of 2.0% year on year (outgoing payments by 1.1% and incoming payments by 3.0%.)

During the 2nd quarter of last year, KB gradually started processing domestic interbank payments in the form of instant payments, where all payments due on the date of entry are processed by default as instant payments. This significantly expanded and stabilised the share of instant payments in the total number of domestic outgoing interbank payments – via mobile banking (Mobilní banka) to 80% and via internet banking (MojeBanka) to 50%. Meanwhile, the share of incoming instant payments in the total of domestic incoming interbank payments grew by 4 percentage points to 27.6%.

In 2023, Komerční banka was actively providing PSD2 services through 43 licensed entities. These third-party providers consisted of 28 payment institutions (fintech companies) and 15 banks. KB handled more than 101.8 million requests sent via the PSD2 API interface from client payment accounts during 2023, and it processed payments with a total value exceeding CZK 581 million, representing year-on-year growth of almost 416%. In the business API area of batch payments initiation via API, Komerční banka processed payments valued at CZK 4.6 billion in 2023.

Komerční banka continued to transform payment systems and centralise payment processing into the Payment Hub application from Valantic. Communication with Czech Post during the processing of SIPO direct debit mandates was successfully redirected to the Payment Hub. Processes for managing direct debit mandates (including SIPO direct debit mandates) and processing of direct debit requests and collections (including SIPO payments) for the new digital bank were completed. The Payment Hub also processes SEPA and cross-border payments for the new digital bank. All types of payment orders are gradually being migrated through the Payment Hub as part of migrating clients to the new digital bank, and this migration will continue in the years ahead. In 2024, KB expects to upgrade the processing of SEPA payments according to the new SEPA Rulebook, and it will prepare to process incoming SEPA instant payments for its branch of a foreign bank in Slovakia in accordance with the requirements of European regulation.

In line with SWIFT's plan to change the payment format from MT to ISO20022, KB started during 2023 to send cross-border payments and interbank transfers in the new MX format. The new format makes it possible to transfer better structured data, in larger amounts, and with better options for automatic processing and compliance checks.

As part of the KB2025 transformation, the Bank launched the KB+ application in April 2023. KB+ is a new digital bank built upon the latest technologies and a fully digital client approach. In addition to the previously implemented basic payment products (domestic payment, standing order, SEPA payment, and cross-border payment), which Komerční banka had already tested in pilot operation with employees, KB has successfully launched such additional services as the management of direct debit mandates and processing of direct debit requests and collections and SIPO mandates. The Bank's innovative products introduced in 2023 include, for example, money exchange within a multi-currency account and a single smart form for entering as many as 5 types of payments. As the number of clients transferred to the new digital bank increases, so does the number of transactions. In 2023, KB processed 1 million outgoing and the same number of incoming payments for clients of the new digital bank.

In November 2023, Komerční banka launched a joint project of Czech banks and the Czech National Bank for a service known as "Payment per Contact". The service enables the clients of participating banks to send payments to a beneficiary's mobile phone number instead of having to know the beneficiary's account number directly. This significantly simplifies the submitting of payments. By the end of 2023, more than 60,000 of Komerční banka´s clients had registered for the "Payment per Contact" service.

Payment cards

Also in 2023, the trend of overall growth in the number and volume of card transactions continued. The number of transactions increased by 14% year on year, the volume by 9%. In the past year, KB recorded larger increases at brick-and-mortar establishments, by 19% in number and 11% in volume. The vast majority of these transactions were made contactlessly, thus confirming that the Czech Republic is among the top three countries in the world in terms of making contactless transactions with payment cards. The average amount of a card transaction again diminished slightly (by approximately 4%), but, on the other hand, this average grew by almost 18% for payments on the Internet.

The number continues to grow of clients using smartphones and watches to pay. The shares in the number and volume, respectively, of transactions carried out in this manner were 39% and 32%. Apple Pay still has the largest share of these payments, at 53%, while Google Pay's share is 43%.

In 2023, the Bank again ensured the smooth processing of all card transactions, as it had in previous years and after successful migration of the card system in 2022.

At the end of 2023, KB offered its clients another exclusive card design with an e-sport theme from the League of Legends game, thus building on the successful activities in this area from previous years. At the same time, the Bank also offered clients other unique card designs prepared together with partners of Komerční banka and reflecting current trends, including to involve artificial intelligence in the creation of selected designs.

Specifically for clients with visual impairments, Komerční banka was the first bank in the Czech Republic to offer a new card design standard. Known as the Touch Card, it features unique tactile notches so that clients can identify their cards by feel.

Under the KB SmartPay brand, KB continues to co-operate successfully in a business alliance with Worldline in the field of payment card acceptance. With a portfolio of more than 40,000 clients, we are the largest acceptance provider on the Czech market.

In the Czech Republic Pays by Card project, KB SmartPay continues to provide the longest free period on the market. The terminal, including the PayPhone mobile terminal or the Gopay payment gateway, is provided free of charge for 12 months. This helped KB during 2023 to expand its network of acquirers by more than 3,000 new business locations.

The numbers and volumes of transactions occurring within this alliance grew again in 2023, this time by approximately 5%.

Trade finance

The growth trend of the previous period continued during 2023 for bank guarantee sales. Both the number and volume of new guarantees recorded double-digit expansion. All segments showed growth, with the large corporate segment expanding the most.

The documentary payments segment remained stable year on year, mainly due to an increase in the number and volume of letters of credit issued. As for exports, the influence of the geopolitical situation persisted, with the Russian market gradually being replaced especially by markets of the Middle and Far East, Maghreb countries, and selected countries of sub-Saharan Africa.

The level of digitalisation in trade finance has been high for a long time. For import letters of credit, the share of electronically submitted applications is close to 100%, and for bank guarantees it is almost 80%. Further investments in improving the Trade & Finance OnLine application have contributed to client satisfaction. In line with feedback from Komerční banka's clients, a new fees module was made available to them in 2023. It provides users with more-detailed information and better communication with their accounting systems

Cash management

In cash management, persistently high interest rates continued to stimulate demand to earn returns on momentarily idle funds. Public sector clients, in particular, have intensively demanded structures that allow for the concentration of group cash flow and maximum possible interest earnings. Notional cash pooling involving subordinated organisations was the most sought-after product.

On the part of multinational corporations or their domestic subsidiaries, we saw increased demand for international payment systems linked to SWIFT and for host-to-host solutions with direct link to individual clients' enterprise resource planning systems.

Development of services and processes in 2023

New Era of Banking – New Digital Bank

KB Group continued in making substantial investments and changes in pursuing its strategic KB2025 plan. The most significant milestone, reached in April 2023, was introduction of the "New Era of Banking" client proposition, which was enabled by building the New Digital Bank and many related activities across the whole KB Group.

KB's New Digital Bank (NDB) is a programme for building a new banking infrastructure and complete overhaul of banking processes. It was started in 2020 as a part of the KB2025 transformation strategy.

The NDB encompasses the construction of a flexible, modular infrastructure including the core banking platform, card management system, payment hub, and customer management.

On this basis, KB will introduce new, simple digital products and customer relationship management around a single source of information across all channels and systems and supported by elements of artificial intelligence. The uniform sources of operational, business, and financial data will enable highly efficient reporting and analytics.

At the same time, KB is building a new omnichannel front-end system for clients and relationship managers, employing a mobile-first approach. Personal contact with clients and the branch network remain pillars of the service model focused on providing professional advisory to customers.

The New Digital Bank allows for continuous 24/7 real-time processing of transactions, analytics, and lead generation. The innovation cycle has been shortened considerably by a capability for daily releases of software updates.

The New Era of Banking will serve more effectively the needs of the clients as well as of the Bank, inclusive of its regulatory obligations, reporting, and customer relationship management.

With launch of the NDB, Komerční banka aims to increase client satisfaction as measured by the Net Promotor Score together with customer numbers and average revenues per user. The share of sales via digital channels should exceed 50%. Communication with clients will be completely paperless and productivity of relationship managers will improve.

Once individual components of the NDB reach sufficient maturity, KB will begin decommissioning certain parts of the original banking infrastructure. This will lead to significant savings in operating expenses.

At the beginning of 2021, Komerční banka had selected Temenos Transacta as its future core banking platform. Syncordis will deliver and implement the system. In accordance with the agile development method, the NDB is being built in pre-defined increments.

The client proposition developed within the NDB programme was launched into the market under the name "New Era of Banking" in April 2023. It also includes the new KB+ online banking, which initially included – in line with the agile development methodology – only basic products and functions. Functional services included new client introduction to the Bank, current account, savings account, investments, overdrafts, direct debit, SEPA payments, and standing orders.

From April, KB started onboarding new individual retail banking customers into the new KB+ app environment built on the new digital banking infrastructure, as well as gradually migrating customers from the existing offering. At the end of 2023, 121,000 customers were being served in the New Era. Almost half of new clients used the fully digital route to enter the New Era.

In this New Era of Banking, KB has, for the time being, redesigned its offer for the retail segment, launching a range of exciting options for its customers.

Four tariffs are available to the clients. The tariffs make it easy for clients to choose the combination of banking services they need and pay only for what they use frequently. KB offers the Start tariff including transactions free of charge. Clients can have multiple accounts including multi-currency or even multiple payment cards in a single tariff.

As of the end of 2023, the New Era offer included the following parameters:

- Multi-currency account, meaning one account number but up to 15 currencies. Multi-currency accounts are included in the Standard, Comfort, and Exclusive tariffs.
- Account creation and cancellation simply online in the KB+ app.
- Clients can choose their own account number when setting up an account, name the account, and even use emoticons.
- Payments have a default payment setting of "as soon as possible", i.e. they are processed immediately (on the conditions that payment is to an account at a bank accepting immediate payments and the payment amount does not exceed CZK 400,000). The money is credited within seconds and without any fee.
- KB is among the first banks in its market allowing clients to make payments to a contact instead of an account number. Only the recipient's phone number is needed to enter the payment. This Payment per Contact works between participating banks, so the payer and payee need not be clients of the same bank.
- For savings, KB offers up to 10 savings envelopes that clients can name or mark with emoticons according to their savings goals.
- Money can be moved between accounts, and even savings envelopes, using a drag and drop function. Clients simply click and drag.
- Clients may create a special envelope, termed the "Iron Reserve", for unexpected expenses. The KB+ app will advise clients on the basis of their incomes and expenses how much should be in the reserve envelope or they can decide that themselves.
- Using a QR code, clients can pay quickly and easily, avoiding retyping and potential errors.

- Thanks to the Free2Spend function, the client can see how much money is currently available after deducting planned and future payments.
- By categorising income and expenses by individual areas, the client gets an overview of, for example, food, housing, or holiday expenses or of expenses that are tax deductible.
- Client payments are monitored and in the event of a suspicious or unusual transaction on the account or card, KB immediately calls the client and resolves the situation.
- KB monitors clients for the due date of standing orders and direct debits and sends notifications if it registers insufficient funds in the account to carry them out.
- KB monitors on behalf of the client duplicate payments and incorrectly entered payment symbols and confirms with the client whether he or she wishes to make such payment.
- A virtual card for Google Pay, Apple Pay, Garmin Pay, and Fitbit Pay is available in a matter of moments.
- The PIN for the card can be displayed in the KB+ app or in online banking on the detail page for the specific card and the client can start using the card immediately.
- The client can unlock a card at any time when needing to pay, then lock it again when not using it. Both can do done in a few seconds in the KB+ app or online banking.
- In addition to the standard payment card design, it is also possible to choose from a range of other designs with various themes, including partner themes such as Hockey, Zoo, Rock for People, Gaming, and others.
- KB provides "Touch Cards" for the blind with unique tactile notches cut into them, making it easier for visually impaired clients to use the cards.
- KB's payment card help line is available 24 hours a day, 365 days a year, with "live" bankers, ensuring personal communication and immediate assistance in the event of card loss or theft while the card is blocked against misuse.
- KB provides clients with assistance in selecting an appropriate investment simply by answering a few questions online in the KB+ app or online banking or in person at a branch.
- Using the upvest platform, clients can invest, starting from CZK 5,000, into promising real estate development projects with attractive returns.
- KB offers investment funds that take sustainability into account and enable investments into disruptive technologies, hydrogen as a source of clean energy, water resources, and other areas.
- With MojePojištění property insurance, the client is assured that one's property is never underinsured. MojePojištění insurance reimburses the value of new products and even finances the cost of temporary replacement housing.
- MojePojištění insurance also includes liability insurance that covers damages caused by clients, family members, and pets.
- MojeJistota risk life insurance includes the possibility of free telephone consultation with a doctor and, in case of long-term illness, pays a benefit for the entire period of illness already retroactively from day 1.
- Thanks to the "Shared ATMs" initiative, clients of Komerční banka, MONETA Money Bank, Air Bank, and UniCredit Bank can withdraw cash from shared ATM networks under the same conditions as from their own banks' ATMs.
- KB has the widest network of deposit ATMs in Czechia.
- KB is the only bank in the market with drive-up ATMs that allow one to deposit or withdraw money directly through the car window.
- Using the "Favourite Withdrawal" function will speed up cash withdrawals from an ATM. The function can be preset in the ATM menu or save the last transaction. After that, a quick withdrawal can be made with just a few touches.
- In the "New Era", the Bank communicates paperlessly with clients, who will find all their contracts and documents in the KB+ banking app.
- As a protection against vishing, a client can easily make sure one is on the phone with a KB banker. During the call, the client can ask the banker to send a push notification to the KB+ app.
- KB's bank identity serves as a digital ID card and a source of personal data that can be used to prove one's identity in the digital environment. In addition to its use with the Bank, it can be used for logging in to commercial services or public administration portals.
- Komerční banka payment cards are made of 100% recycled material.
- In KB+ internet and mobile banking, clients can easily support selected Nadace KB projects.

Among the important milestones reached during 2023 in developing the "New Era" were, for example, the arranging of building savings, supplementary pension savings, consumer loans, or overdrafts right in the KB+ app, as well as new card designs.

In 2024, the Bank will enrich the retail offering for the KB+ app with, for example, child and student propositions and tailored product solutions such as Extra Services, e-brokerage, and others.

Completely new in 2024 will be the "New Era for Entrepreneurs" offer.

KB is gradually shifting development capabilities during 2024 to the corporate part of NDB. The optimal solution paths in individual product areas (the so-called winning propositions) are defined on the basis of client needs research and subsequent testing.

One Mortgage Factory

Modrá pyramida continued to fulfil its ambition to become a one-stop shop for housing finance within the Komerční banka Group. All of the Group's housing-related products, including mortgages, will be managed by Modrá pyramida for Komerční banka Group from one place in order to simplify processes while increasing efficiency and speed. As part of this initiative, 260 employees of Komerční banka's mortgage centres and other support units were transferred to Modrá pyramida on 1 June 2023.

As part of the transformation of Modrá pyramida and KB Group, a technological change involves a new end-to-end process for the origination and administration of KB Group's housing loans. The New Era of mortgages simultaneously unifies the environment for users from Modrá pyramida, Komerční banka, and co-operating third parties, bringing a whole new level of convenience and increasing the efficiency and speed of transaction processing.

The New Era in mortgages was launched on 19 October 2023. Its first phase was mainly a technical deployment of Starbuild and NOBY systems and all related applications. This was followed by pilot testing of the entire mortgage origination process from the very beginning (i.e. verifying the client's creditworthiness, property valuation, and deal approval) through to drawing down the mortgage, making the monthly payment, and simulating the mortgage situation after maturity. Before the year's end Modrá pyramida had implemented several actual deals in the new process.

OneGroup

A part of the Operational Efficiency pillar of the KB2025 programme is the OneGroup initiative, which aims to leverage resources and skills, create synergies, and fully exploit the strengths of individual companies across the Group.

The ways of increasing efficiency in the OneGroup activity will mainly include one marketing communication under the KB brand, harmonisation of the IT environment, simplification of the product portfolio, offering unified solutions, expansion and sharing of the distribution network, unified co-operation with third parties, and deepening of expertise.

In practice, this may involve the concentration of certain Group activities into one location. In the first phase of this process, the outsourced activities are performed by the original employees of the subsidiaries who have been transferred to KB.

All this improves the clarity of the offer for clients and the customer experience.

As part of the OneGroup activity in 2023, the Group has:

- Integrated since April the activities of KB Factoring into KB so that factoring services become part of the offering for all Group clients,
- Created a single hub to co-ordinate collaboration with external partners across the KB Group, and
- Opened a network of KB Poradenství points from former MPSS branches. The rebranding to KB colours will run until mid-2024. This has expanded the retail network where customers will be served in the "New Era" mode.

From February 2024, Modrá pyramida's finance functions are outsourced to KB's Strategy and Finance division. In 2024, the Group will also outsource certain activities of KB Penzijní společnost to the Bank.

Fintec ecosystem and other complementary services

In order to attract new sources of revenue, KB is building an ecosystem of complementary financial services through a combination of internal development, co-operation with start-ups and established providers, as well as by acquiring stakes in fintech companies through its wholly owned KB SmartSolutions platform.

As of 31 December 2023, KB SmartSolutions held full ownership in KB Advisory, s.r.o., ENVIROS, s.r.o., Finbrics, s.r.o., as well as My Smart Living, s.r.o. in liquidation. It held a 96% stake in upvest s.r.o. It had minority stakes in the companies Platební instituce Roger a.s. and MonkeyData s.r.o.

The companies upvest and ENVIROS were undergoing extensive organisational changes during 2023 in connection with the acquisition of KB's majority stakes in these companies in 2022.

KB SmartSolutions increased its stake in MonkeyData s.r.o, operator of the Lemonero digital platform for B2B e-commerce financing based on advanced data analytics and artificial intelligence. It did so in two steps, first in June to 28.256% from an initial 24.989% and then in September to 33.171%.

Development of services for clients at subsidiaries and affiliates

Subsidiaries implemented changes to enhance synergies within the Group, share expertise, simplify, and improve customer access to services. They have developed a number of new products and services in-house that are typically available to all KB Group clients.

Modrá pyramida has newly offered the Loan for Sustainable Housing, which complements the building society's loan offer to support Modrá pyramida's new mission in relation to financing energy savings for Czech households.

Together with KB, Modrá pyramida has also prepared and offers a Mortgage for Sustainable Housing. Clients who provide proof of an A or B energy label will receive a 0.1% discount on the interest rate and will not be charged a fee for the mortgage loan and risk assessment of the collateral.

ESSOX has innovated its online payment product Staggered Payment with an increased maximum financial volume. In addition to e-shops, the payment gateway Comgate has also started to offer Staggered Payment.

Penzijní společnost KB made it possible to arrange a pension savings contract in the KB+ app, including to broaden the possibility to arrange new contracts also for non-KB customers. It also unveiled its new website with a "New Era" design that includes useful calculators for clients.

Komerční pojišťovna launched its new MojeCestování short-term travel insurance ahead of the summer season. It is available in three variants – Mini, Komplet and Excelent – with higher coverage limits (for medical expenses up to CZK 250 million, for liability up to CZK 20 million), a greater range of insured risks, and extended assistance services. A unique feature is insurance covering risky sports, whereby each of those insured can choose whether they want to insure for these sports and for which day. This fully online product has been developed in-house on a new digital innovation platform (JAVA), in an agile manner, and entirely on API services.

In May 2023, Komerční pojišťovna took over Mutumutu's life insurance business. Mutumutu insurance had been launched in 2018 as an exclusive product for Mutumutu Ltd, a tied agent. Now Komerční pojišťovna is fully responsible for its distribution, administration, client care, and marketing communication.

The year 2023 was also dedicated to the adaptation of procedures for the "New Era" at KB pojišťovna, so that clients and bankers enjoy complete convenience in taking out and managing insurance. After intensive preparation during 2023, the company launched a new product, “Extra služba Bezpečí” (Extra Safety Service), in January 2024. It provides clients with assistance in the event of misuse of cards or internet banking, as well as loss or theft of personal belongings. It also assists with payment of fees.

SGEF has prepared a financing offer with an undefined residual value. For clients, this means an option for a simple lease with no obligation to buy the financed item. It has also modified the leasing products from a VAT perspective to respect the EU interpretation and prepared an instalment sale under the supply of goods regime in view of the VAT adjustment.

SGEF also has offered preferential refinancing terms for investments meeting ESG criteria. In addition, it integrated digital signatures based on bank identity and introduced a new Client Portal.

New products and services

February 2023	Loan for Sustainable Housing – Modrá pyramida – advantageous financing of energy savings by Czech households.
March2023	Digital signature – SGEF – unique solution for digital signatures in a B2B2B environment, which uses the bank identity Bank iD bank and allows combining different documents for different signatories from multiple entities.
April 2023	‘New Era of Banking written by KB’ – KB Group – tha Bank introduced an offer for individual customers, founded on the new digital banking infrastructure and new online and mobile banking applications.
August 2023	Mortgage for Sustainable Housing – Modrá pyramida and Komerční banka – a mortgage loan with a discounted interest rate tailored for financing energy-efficient real estate.
	Interactive Calculator – KB Penzijní společnost – enables calculation of total savings on pension savings in the design of New Era of Banking by setting individual savings parameters, such as the length of savings, the amount of own contribution, the employer's contribution, setting an investment strategy and modeling the development on financial markets.
October 2023	Touch Card – Komerční banka – new card design standard for visually impaired clients with unique cut-outs.
November 2023	Deferred Payment and Installment Sale – ESSOX – launched through payment gateway Comgate.
	Payment per Contact – KB in cooperation with other Czech banks – allows to send payment to a contact on the mobile phone without remembering the recipient's account number.
December 2023	MojeCestování – KB Pojišťovna – short-term travel insurance with higher payment limits, assistance services and extended risk coverage, including risky sports.

Change in the building savings regulation

The first half of 2023 was marked by high uncertainty as to whether building savings would remain among the state-supported housing products. Modification of the building savings scheme was one of the components in the government’s proposed public finance consolidation package.

Signing of a Memorandum of Co-operation on the Energy Transformation of Czech Households between the Association of Czech Building Savings Banks and the Ministry of Finance and Ministry of the Environment in June was of crucial importance for the sector’s future. This gave a new dimension to building savings, where, in one place, the client will receive, in addition to advantageous financing from building savings banks, also advice and assistance with the processing of subsidies from selected subsidy programmes.

As part of the building savings sector, Modrá pyramida remains a reliable partner for its clients in the area of housing and with an expanded scope of activity focused on reducing the energy consumption of Czech households.

The agreement with the state was reflected into the approved amendment to the Building Savings Act. The main changes that regulate and expand the possibilities of building societies are as follow:

- Building societies can carry out activities other than those licensed (subsidy consultancy).
- The interpretation of special purpose is expanded, meaning that building savings banks are newly allowed to finance the implementation of sustainable housing measures that are not strictly linked to real estate.
- Building societies can also receive funding sources from the state and EU and issue bonds with maturity out to 20 years.
- State support for building savings is reduced to CZK 1,000 per client per year.

Financial services and products focused on sustainability

KB Group’s ambition is to be a leader in sustainability in the Czech financial market, as well as to be perceived as a sustainability leader in the Czech Republic.

Detailed information on the development of products and services that meet the above objectives is provided in the Sustainability Report,[1] which the Group publishes together with this Annual Financial Report.

As detailed in the Sustainability Report, the Group strives for sustainability in all its activities: in its own operations and relations with employees, in advisory and financial services provided to clients, and in its relations with the communities in which KB Group companies operate through the likes of sponsorship, volunteering, charity, and tax payments. In doing

[1] https://www.kb.cz/en/about-bank/we-do-business-sustainably/sustainability-report-archive

so, the Group follows and implements its ESG strategy that takes into account results of the materiality analysis.[1)]

Thus, KB Group takes sustainability into account in the development and offering of all its products. At the same time, it creates financial products and services having to promote sustainability as one of the main reasons for their existence.

Brand support by sponsorship

The KB logo graced the players of the Czech national team engaged in the struggle for bronze medals at the World Junior Ice Hockey Championship in Gothenburg, Sweden. KB naturally supports sports and is visible there, most notably as the main partner of the Czech ice hockey Extraliga and the Czech national ice hockey team from 2021. For fans, KB even has payment card designs with ice hockey themes.

Nor has the Bank avoided the growing e-sport phenomenon. Following the success of its first edition of cards for players and fans, it together with Mastercard introduced in 2023 a limited edition of cards with official designs from the popular online video game League of Legends. In addition to the original visuals, players also received with the card a valuable award of 6,250 RP points, which is a virtual currency that can be used to buy various in-game accessories as well as popular skins for their champions.

KB of course supports and partners with a number of important institutions and projects, including the National Gallery in Prague, zoos in Prague and Ostrava, PKF – Prague Philharmonia, the Rock for People music festival, and the French Film Festival. In addition to presenting its brand together with these institutions, KB also offers unique payment card designs based upon these partnerships.

Financial performance

Financial results and development of financial position

KB Group reported consolidated and audited net profit attributable to the Group's equity holders for 2023 reached CZK 15,612 million, which was down by (11.4%) in comparison with the prior year. The decline in reported net profit was due to the decrease in revenues along with the growth of operating costs. Cost of risk remained at a very low level.

Income statement

Komerční banka Group's **revenues (net operating income)** reached CZK 36,199 million, down by (6.3%) compared to the full year 2022. Net interest income declined due to higher costs of deposits, lower average spreads on lending products, and cancelled remuneration of mandatory reserve deposits with the CNB from October 2023, which effects were not offset by expanding volumes. Net fee and commission income was up slightly on a broad-based positive trend, driven particularly by clients' larger investments in mutual funds and greater contribution from life insurance, private banking, and guarantees. Net profit on financial operations was up modestly, reaching an excellent result despite the context of a sluggish economy that is affecting hedging and trading activity of corporate clients.

Net interest income was down by (10.6%), at CZK 25,595 million. The volume of loans expanded, but the average lending spreads narrowed. 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. KB also had to bear additional costs of loans it must take to meet the new regulatory requirement for a minimum level of eligible liabilities (MREL). The decision of the Czech National Bank to stop remuneration of banks' mandatory deposits with the central bank has weighed on interest income since the fourth quarter. The contribution to net interest income from investment banking was stable year on year. Net interest margin for 2023, computed as the ratio of net interest income to interest-earning assets reported on the balance sheet, reached 1.9%. That compares to 2.4% a year earlier.

Net fee and commission income grew by 4.8% to CZK 6,414 million. Fees from cross-selling contributed the largest part of this growth, with better income from mutual funds and insurance products. Transaction fees improved moderately, 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 the previous year had been influenced by a humanitarian allowance for war refugees from Ukraine. Income from loan services was higher, mainly due to expanded consumer lending. There was an improvement also in net fee income from services in private banking, loan syndications, and guarantees.

Net profit on financial operations increased by 4.5% year on year to CZK 3,832 million. This excellent result was driven by client activity in currency and interest rate hedging and trading. 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 transaction activity of clients and their cost optimisation, as well as spreads adjustments. The result also included gain of CZK 294 million from sales of bonds reported on the banking book.

Dividend and other income was up by 68.1% to CZK 358 million. This line item primarily comprises other income from banking products, ancillary services, and property rental.

Operating expenses rose by 8.2% to CZK 17,321 million. Reflecting a combined rise in average salaries and 0.7% increase in the average number of employees to 7,551, personnel expenses grew by 7.8% to CZK 8,335 million[1] General and administrative expenses (not including contributions to the regulatory funds) were up by 8.4%, at CZK 4,301 million. Growth in this category was driven by marketing, IT support and real estate, as well as costs related to the transformation and overall inflation. The full-year charge to the regulatory funds (Deposit Insurance Fund, Resolution Fund) was stable year on year, at CZK 1,292 million, because the CNB reduced the Czech banks' aggregate contribution to the Resolution Fund in 2023 but the levy for the Deposit Insurance Fund was increased following the previous year's failure of Sberbank CZ. Depreciation, amortisation, and impairment of operating assets grew by 12.2% to CZK 3,393 million, driven by higher charges reflecting investments in pursuit of KB's digitalisation strategy.

The sum of profit before allowances for loan losses, provisions for other risk, profit on subsidiaries, and income tax **(operating profit)** was down by (16.5%), at CZK 18,878 million.

Cost of risk (impairment losses, provisions for loans, and net result from loans transferred and written off) reached CZK 14 million compared to CZK 1,181 million a year earlier. The level of new defaults remained relatively low across all client segments. The Group achieved successful recoveries relating to several exposures in the corporate client segment, but this contribution was offset by creation of provisions for individual exposures with weakened credit profile in the corporate segment. Net provisioning in retail segments remained low, although the Group observed a moderate increase in default intensity for the consumer and small business portfolios. The cost of risk in relative terms and as measured against the average volume of the

[1] Recalculated to a full-time equivalent number.

lending portfolio during the full year 2023 came to 0 basis points. That compares with 15 basis points for 2022.

Income from shares in associated undertakings (i.e. Komerční pojišťovna) was up by 52.8% year on year, at CZK 330 million, influenced by interest rate developments, creation and utilisation of the insurance reserves, and implementation of the IFRS 17 accounting standard[1] at Komerční pojišťovna.

Net profit on subsidiaries and associates was CZK 0, compared to CZK 73 million a year earlier, when it had included a gain from revaluation of a stake in a subsidiary.

Net profits (losses) on other assets reached a negative CZK (87) million. In the previous year, net profit on other assets had been CZK 111 million. This line comprises mainly result from sales of buildings, disposals and impairment of intangible assets (software), and related costs.

Income tax was lower by (17.8%), at CZK 3,288 million.

Current tax per country (2023)

(CZK million)	Czechia	Slovakia	Belgium
		(branch of KB and SGEF*, ESSOX FINANCE)	(BASTION)
Net operating income	35,465	726	8
Profit before income tax	18,611	488	7
Current tax	3,298	155	2
State support	0	0	0

* SGEF activities in Slovakia.

KB Group's consolidated **net profit** for the year 2023 reached CZK 15,819 million, which was down by (11.3%) in comparison with the year earlier. Of this total, CZK 207 million was profit attributable to the non-controlling owners of minority stakes in KB's subsidiaries (down by (4.6%) year on year.

Reported **net profit attributable to the Group's equity holders** totalled CZK 15,612 million, which is (11.4%) less year on year.

Other comprehensive income reached CZK (638) million. This derived mainly from revaluation of some cash flow hedging positions and debt securities. **Consolidated comprehensive income** for the full year 2023 totalled CZK 15,181 million, of which CZK 210 million was attributable to owners of non-controlling stakes.

Statement of financial position

Assets

As of 31 December 2023, KB Group's total assets had grown by 16.2% year to date to CZK 1,516.3 billion.

Cash and current balances with central banks were down by (9.6%), at CZK 12.8 billion. Financial assets held for trading at fair value through profit or loss (trading securities and derivatives) decreased by (15.4%) to CZK 48.5 billion. The fair value of hedging financial derivatives declined by (60.2%) to CZK 8.6 billion.

Year to date, there was a (44.4%) drop in financial assets at fair value through other comprehensive income totalling CZK 16.8 billion. This item consisted mainly of debt securities issued by government institutions. In 2023, the Group decided to divest part of its Hold to Collect and Sale portfolio in order to improve stability and predictability of the capital adequacy ratio over time.

Financial assets at amortised cost grew by 21.1% to CZK 1,397.4 billion. The largest portion of this consisted of (net) loans and advances to customers, which increased year to date by 6.7% to CZK 833.5 billion. A 98.1% share in the gross amount of client loans was classified in Stage 1 or Stage 2 (performing loans) while 1.9% 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 12.1 billion. Loans and advances to banks climbed by 76.4% to CZK 411.6 billion. The majority of this item consists in reverse repos with the central bank. The value held in debt securities was up by 9.3% and reached CZK 152.2 billion at the end of December 2023.

Revaluation differences on portfolio hedge items totalled CZK (0.8) billion, lower by (68.0%). Current and deferred tax assets stood at CZK 0.9 billion. Prepayments, accrued income, and other assets, which include receivables from securities trading and settlement balances, increased overall by 8.3% to CZK 6.3 billion.

Assets held for sale climbed by 798.0% to CZK 0.8 billion. In September 2023, the Group reclassified assets in subsidiary VN 42, s.r.o., valued at CZK 929 million, as *'Assets held for sale*' due to expected sale of this company.

Influenced by Komerční pojišťovna's net profit in 2023, investments in associates rose by 14.9%, to CZK 3.0 billion, compared to the 2022 year-end restated value of CZK 2.7 billion (restatement was due to Komerční pojišťovna's transition to the IFRS 17 Accounting Standards).

The net book value of tangible assets decreased by (8.3%) to CZK 8.0 billion. Intangible assets grew by 12.9% to reach CZK 10.2 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 17.6% higher in comparison to the end of 2022 and stood at CZK 1,388.0 billion.

Financial liabilities held for trading at fair value through profit or loss decreased by (10.1%) to CZK 60.2 billion. As of 31 December 2023 and 2022, this portfolio only included liabilities arising from short sales of securities and negative fair values of financial derivative instruments held for trading

Negative fair value of hedging financial derivatives decreased by (44.9%) to CZK 31.2 billion.

[1] IFRS Accounting standards as adopted by the European Union (hereafter only "IFRS")

Financial liabilities at amortised cost went up by 18.8% to CZK 1,247.8 billion. Amounts due to customers comprise the largest proportion of this sum, and these climbed by 18.6% to CZK 1,127.2 billion. This total included CZK 121.0 billion of liabilities from repo operations with clients and CZK 7.1 billion of other payables to customers. Amounts due to banks increased through 2023 by 24.1% to CZK 105.7 billion.

Revaluation differences on portfolios hedge items were CZK (34.9) billion. Current and deferred tax liabilities ended at CZK 1.0 billion, down by (61.4%). Accruals and other liabilities, which include payables from securities trading and settlement balances, grew by 2.9% to CZK 17.3 billion.

The provisions balance was (25.8%) 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 64.6 billion, was up by 66.8% year to date, as KB continued to subscribe new loans during 2023 to meet regulatory minimum requirements for own funds and eligible liabilities (MREL).

Equity

Total equity rose year to date by 2.9% to CZK 128.3 billion, whereas the positive contribution from the net profit generated during the year was offset by the volume of the annual dividend paid in May. 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 Accounting Standards. The value of non-controlling interests reached CZK 3.2 billion. As of 31 December 2023, KB held in treasury 1,193,360 of its own shares constituting 0.63% of the registered capital.

Fulfilment of targets for 2023 and outlook for 2024

Fulfilment of business and financial targets set for 2023

Developments within Czechia's economic environment during 2023 were marked by high levels of inflation and economic uncertainty. A major drop in real wages has eroded purchasing power of households. This has further compounded by an increase in aggregate savings among cautious consumers. Low confidence among businesses put a brake on their investment activity, and they were even able to finance their capital outlays from the gross operating surplus generated from resilient profit margins and improved yields on savings. The economy grew more slowly than initially expected and competition on the banking market intensified further, particularly for deposits.

KB Group achieved solid business results
Growth in KB Group's overall loan portfolio reached the level assumed in the published outlook. Outstanding volume of housing loans grew by more than 4%. Sales of housing loans in the full year were still below the level recorded in 2022, but they had been recovering visibly since March 2023. Consumer lending expanded relatively faster, in line with guidance from the beginning of the year. Also, lending to corporate clients matched the mid-single-digit growth ambition set for 2023. Growth in the overall volume of clients' assets under management was strong, mainly thanks to dynamic growth of investments in mutual funds.

Financial performance slightly lower than planned
Instead of the planned flattish development, the consolidated revenues for 2023 declined by 6% year on year. The main negative difference came from net interest income and net profit from financial operations, while net fees and commissions increased at the expected mid-single-digit rate. Net interest income was affected by a more substantial increase in overall interest paid on deposits, as well as the decision of the CNB to stop paying interest on banks' mandatory reserve deposits. The level of net profit achieved from financial operations, although still excellent, was lower than assumed, mainly due to a smaller interest rate differential between the Czech crown and euro and weaker investment lending and related hedging.

The Group reported total operating expenditures in line with the initial guidance (upper mid-single-digit growth), as it was able to offset the impact of still double-digit inflation and investments into digital transformation by further optimisation of its operations.

Cost of risk finished below the budgeted level, as the Group was able to release some provisions upon successful recovery of several exposures in the corporate segment and it recorded only limited inflows of loans to the defaulted category, albeit with slightly increasing defaults in consumer lending and small business exposures. KB also created a larger volume of provisions for an exposure to a non-defaulted corporate client with weakened credit profile. The overlay reserve for risks related to the high inflation remained almost unchanged.

KB achieved in 2023 a healthy level of profitability. The Group also maintained its robust capital adequacy – even when adjusting for the proposed dividend payment – and strong liquidity.

Expected development in 2024 and main risks to that development

Note: This outlook was first presented on 8 February 2024 as part of the presentation of the results of Komerční banka for 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.

After contracting slightly during 2023, according to the Czech Statistical Office,[1)] the Czech economy is expected to grow marginally in 2024.

Weak domestic demand was the main reason for the Czech economy's feeble performance in the past year. Households had seen their purchasing power eroded by high inflation and have cut back on spending as a result.

Nevertheless, the labour market remains tight and corporate profitability resilient. Higher nominal wage growth should therefore continue in 2024 and contribute to a resumption of real wage growth in the context of a rapid decline in inflation. On the other hand, tight monetary policy, fiscal consolidation efforts of the Czech government, and sluggish performance of some trading partners, Germany in particular, are likely to weigh on the domestic economy in 2024.

Inflation is expected to decline rapidly, and its average rate during the year should already fit into the Czech National Bank's 1–3% tolerance band. In December 2023, the central bank commenced its policy rate cutting cycle with a decrease in the two-week repo rate by 25 basis points to 6.75%. Reflecting a sharp weakening in inflation dynamics across the CEE region, the CNB's repo rate will probably be cut sharply through 2024, reaching around 4% at the year's end.

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1) https://www.czso.cz/csu/czso/gdp_national_accounts_ekon

The Czech Parliament adopted in 2023 a set of measures aimed at reducing the state budget deficit in 2024 and thereafter. Those elements of the fiscal consolidation package having significant impact on the Group include an increase in the corporate income taxation rate to 21% from 19% and lowering of limits for tax-exempt employee benefits and meal vouchers. Moreover, the package decreases the limit for application of the upper 23% personal income tax rate and increases mandatory sickness insurance paid by employees by 0.6% (of the gross salary). Additional measures include changes in the rates of value-added tax, increases in excise taxes and real estate property taxes, cancellation of certain tax exemptions, and higher minimum taxes for entrepreneurs.

As part of the fiscal consolidation package, state support of building savings was reduced to 5% of the amount saved by a client in a year. Building societies are, on the other hand, becoming platforms for financing, advisory, as well as administration and drawing of subsidies in the area of energy savings in housing, based on a memorandum[1] signed in June 2023 by the ministries of finance and environment and the Association of Czech Buildings Savings Banks.

The Slovak Parliament approved in December 2023 a new levy to be imposed on banks in Slovakia, with a rate for 2024 at 30% of accounting pre-tax profit.

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 2024, if any, should be limited.

According to the joint decision of the College of Supervisors of the Société Générale Group (where the Czech National Bank participates as a local regulator), effective from 1 January 2024, Komerční banka is required to maintain a capital ratio on a sub-consolidated basis at the minimum level of 10.6% (Total SREP Capital Ratio), representing a decrease by 30 basis points in comparison with the ratio required previously.

Moreover, credit institutions in the Czech Republic are simultaneously subject to the combined capital requirements, which are additive to the TSCR requirement set in the aforementioned joint decision. As of 1 January 2024, KB is required to maintain a combined capital buffer comprising the capital conservation buffer at 2.5%, the O-SII capital buffer at 2.0%, and the countercyclical buffer determined by competent authorities for exposures in a particular country (at 2.0% in the Czech Republic as from 1 October 2023).

Thus, Komerční banka’s overall capital requirement as of 1 January 2024 stands at approximately 17.1% in relation to the volume of risk-weighted assets. The minimum Common Equity Tier 1 capital ratio is at approximately 12.46% and the minimum Tier 1 capital ratio at about 14.45% in relation to the volume of risk-weighted assets. Komerční banka will continue to apply prudent assumptions about the future development of regulatory capital requirements in its capital planning.

As of 1 January 2024, KB has also met the regulatory requirements for own funds and eligible liabilities (MREL) from the EU’s banks recovery and resolution directive, at 21.2% of the consolidated total risk exposure and 5.91% of the consolidated total exposure. The MREL requirement is defined as the 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.

Pursuing the so-called “single point of entry” resolution strategy, KB may continue in 2024 to fulfil its MREL requirements by taking on senior non-preferred loans from Société Générale S.A., if such a need ensues from the developing volumes of risk exposures and regulatory requirements.

The banking market for loans in 2024 is expected to expand at a mid-single-digit pace, thus accelerating marginally in comparison with the previous year. Both corporate and retail lending should grow similarly. Credit activity in the economy should be driven by easing of domestic and foreign monetary policy and strengthening domestic economic growth. On the contrary, a high level of households’ and firms’ own funds is likely to limit financing needs.

The outstanding volume of housing loans should grow also at a mid-single-digit pace and slightly faster than in 2023. That growth should be supported by relative improvement in affordability of housing, lower interest costs, reduced value-added tax on construction works, as well as relaxed prudential limits imposed by the CNB. Offer of longer fixed-term mortgages could be limited due to refinancing concerns not fully alleviated by an amendment to the Consumer Credit Act.

Consumer lending should reach a high-single-digit pace. The expected recovery in household consumption will be mainly supported by households’ solid savings and continued high aggregate savings, but it is not likely to be accompanied by a large surge in borrowing.

The corporate loan book should grow at a mid-single-digit pace, as the willingness of businesses to invest will be underpinned by the gradual easing of monetary conditions and increase in aggregate demand. Nevertheless, large liquidity buffers will allow them to finance less capital-intensive investments from their own funds. Euro-denominated loans are likely to maintain their relative interest rate advantage this year, albeit to a lesser extent, given the expected earlier and faster rate cutting by the CNB compared to that of the ECB. The outlook for growth in corporate lending is also pushed down by the low GDP growth estimate as well as the unfavourable outlook for industry, which accounts for a large share of domestic credit demand.

[1] https://www.stavebnisporitelny.cz/l/memorandum-o-spolupraci-mf-mzp-acss/

Growth in the volume of deposits on the market may slow to mid-single digits in total. A slowing in household deposits growth would be consistent with expected recovery in consumer spending and, as interest rates fall, the outflow to non-bank solutions in search of higher returns could intensify. The slowdown in business deposits could reflect stronger investment activity by corporations.

Komerční banka will continue implementing the changes in accordance with its KB 2025 programme that had been announced in November 2020. A cornerstone of the transformation programme consists in building a new digital 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.

In 2023, KB commenced onboarding of new clients to the new platform and a gradual migration of clients from the legacy system. The migration that has begun in the Individuals segment will be followed in 2024 by that for entrepreneurs and later also by the corporate clients segment. The advancements in building the new digital bank for clients in retail segments will enable KB during 2024 to progressively refocus its development capacities on services and systems in the new digital bank for corporate clients.

In this context, KB management expects that the Group's loan portfolio will record a mid-single-digit growth rate for 2024. The volume of housing loans outstanding should accelerate its growth to upper mid-single-digit pace, supported by recovery on the market and improved efficiency of the sales and internal process from deploying the Group's single mortgage production centre. Consumer lending will expand at a high-single-digit pace thanks to improvements in the offer and the sales process, along with the expected rebound in households' consumption. The corporate loan book should grow at a mid-single-digit pace.

Total deposit balances are expected to expand at a mid-single-digit pace, similar to that of total lending. Deposits of clients in retail segments should grow somewhat faster than do volumes from corporate clients.

The volume of clients' assets in mutual funds should expand at double-digit pace, while assets in pensions funds will expand by low-single digits and volume of technical reserves in life insurance will probably decline.

Following a correction in 2023, KB Group's total net operating income (revenues) for 2024 should return to growth by a low- to mid-single-digit figure. Net interest income will probably improve slightly, combining a modest volume growth with modestly smaller average interest margins. Net fees and commissions should improve by low-single digits, driven mainly again by growth of the volumes in mutual funds. The net profit on financial operations will likely grow somewhat faster, fuelled by foreign currency transactions, hedging of financial risks for clients, and expansion of services for smaller corporations.

As ever, operating expenses remain under tight control. The figure for the full year 2024 will rise at a low-single-digit pace, thus more slowly than will revenues. The Group will continue its transformation, which consists in developing the new digital infrastructure, overall simplification, and optimisation as to the composition and numbers of employees and premises in use.

Personnel expenses will be higher by a mid-single-digit percentage rate. The management has agreed with the trade unions on raising wages by an average 4.5% from April 2024 on a constant staff basis, and a further 0.3% increase is dedicated towards eliminating the equal-pay gap.

Depreciation and amortisation charges will be growing at a low-double-digit pace, reflecting investments in the digital transformation. Regulatory levies for the Resolution and Deposit insurance funds will be decided by the CNB later in the year, but, according to an announcement of the regulator from the autumn of 2023,[1)] the contribution to the Resolution Fund for 2024 should decrease significantly year over year due to a slower modelled growth of deposits in the banking system and the expected rate of return on the assets of the Fund. Other administrative costs will reach the same or even lower amount compared to 2023, thanks to the ongoing optimisation of operations.

Cost of risk will be influenced by several factors. On the one hand, there will be continuing low unemployment and decreasing interest rates. On the other, the economy will still be growing below its potential and there remains considerable uncertainty regarding the external environment and impacts from geopolitical tensions and the necessary global energy transition. In such context, cost of risk is expected to increase in comparison with the low levels recorded in 2023. Nevertheless, reflecting the resilient credit profile of KB's asset portfolio, the cost of risk in 2024 is not expected to exceed the estimated normalised level of 20–30 bps across the full business cycle.

The key risks to the expectations described above comprise further escalation of the geopolitical conflicts, in particular the war in Ukraine, and its economic repercussions, including disruptions to trade, fuel supplies, and transport connections. 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 2024 to cover the Group's capital needs ensuing from its growing volume of assets as well as to pay out dividends. Considering the current state of affairs, KB's management intends for 2024 to propose distributing as dividends 100% of attributable consolidated net profit earned in the year.

1) https://www.cnb.cz/en/resolution/contributions-to-resolution-financing-arrangement/determination-of-annual-contributions/

Komerční banka Group

As of 31 December 2023, Komerční banka had 12 subsidiaries, where KB had majority shareholdings, and 1 associate where it held minority interest, Komerční pojišťovna (49% share). In addition to these ownership interests, KB held strategic interests of 20% or less in the following companies: (i) Czech Banking Credit Bureau, a.s. (20%), (ii) Worldline Czech Republic, s.r.o. (1%), and (iii) Bankovní identita, a.s. (17%).

Again in 2023, the Group continued in deepening co-operation among individual companies in both business and operational areas. As part of increasing operational efficiency, selected activities of subsidiaries were transferred to the Bank during the year. A significant modification of the Group's operating model is the centralisation of mortgage processing from the entire Group into Modrá pyramida stavební spořitelna, a.s.

In June 2023, KB Poradenstvi, s.r.o., a new fully owned subsidiary of Komerční banka a.s., was founded. In September 2023, the equity participation in the company VN42 s.r.o. was reclassified to the category held for sale. In December 2023, the Bank increased equity capital in Modrá pyramida stavební spořitelna, a.s. by CZK 1.1 billion as a financial contribution to other capital funds.

The Bank further strengthened business co-operation with start-up and fintech companies through KB SmartSolutions and its subsidiaries.

In June 2023, KB SmartSolutions, s.r.o. increased its stake from 24.989% to 33.171% in MonkeyData s.r.o. (which fully owns start-up Lemonero s.r.o.). In November 2023, the company My Smart Living, s.r.o. entered into liquidation.

Information on values and changes in equity investments is provided in the Separate Financial Statements according to IFRS, Note 24 *'Investments in subsidiaries and associates'*.

Summary of the results of major companies in Komerční banka Group

CZK million, IFRS	Group Holding (%)*	Total assets		Shareholders' equity		Net profit		Consolidation method
		2023	2022	2023	2022	2023	2022	
Domestic participations								
Modrá pyramida stavební spořitelna, a.s.	100.00	107,983	101,687	8,032	6,641	290	458	Full
Komerční pojišťovna, a.s.	49.00	51,982	49,879	5,040	1,786	668	302	Equity
KB Penzijní společnost, a.s.	100.00	2,386	2,344	1,796	1,766	341	317	Full
SG Equipment Finance Czech Republic s.r.o.	50.10	35,760	33,825	3,300	3,242	381	323	Full
ESSOX s.r.o.	50.93	18,826	17,432	3,206	3,288	30	114	Full
Factoring KB, a.s.	100.00	10,894	11,051	1,983	1,777	191	117	Full
Protos, uzavřený investiční fond, a.s.	100.00	6,476	6,391	6,475	6,390	77	74	Full
KB Real Estate, s.r.o.	100.00	816	839	532	524	22	13	Full
VN 42, s.r.o.	100.00	1,576	1,548	1,474	1,455	19	(29)	Full
STD2, s.r.o.	100.00	518	525	250	233	17	14	Full
KB SmartSolutions, s.r.o.	100.00	535	483	527	478	18	(12)	Full
KB Poradenství, s.r.o.	100.00	1	-	1	-	0	-	Full
Foreign participations								
BASTION EUROPEAN INVESTMENT S.A.	99.98	2,436	2,553	505	522	6	1	Full
ESSOX FINANCE, s.r.o. (100% subsidiary of ESSOX s.r.o.)	50.93	2,748	1,865	273	261	5	1	Full

* KB direct and indirect holding.

KB Group companies conduct their business in the Czech Republic, except for ESSOX FINANCE, which operates in the Slovak Republic; and SGEF which operates in both of these countries; BASTION, which is financing an EU project in Belgium; and ENVIROS, which operates in the UK, Slovakia, and Serbia. Komerční banka is also active in Slovakia through a branch. Detailed information on the activities of KB Group companies is provided in the following text of this chapter.

Basic information on Komerční banka Group's major companies

Komerční banka, a.s., pobočka zahraničnej banky

In Slovakia, Komerční banka serves corporate clients through its branch, Komerční banka, a.s., pobočka zahraničnej banky (KB SK). KB's branch in the Slovak Republic serves large and medium-sized enterprises with turnover of EUR 40 million or more. The position of KB SK in its market niche is a strong one, underpinned by know-how of the parent KB and utilising the synergies of the KB and SG groups to provide its clients with comprehensive financial solutions. KB SK offers standard banking services, including cash management, direct banking, payment cards, financing, and investment banking products, as well as trade finance solutions.

Financial summary[1)]

(IFRS, CZK thousand)	31 Dec 2023	31 Dec 2022
Total assets	32,658,144	31,550,457
Shareholder's equity	102,967	70,558
Loans to clients (gross)	23,702,706	23,721,310
Volume of deposits	5,073,574	2,996,811
Net operating income	551,405	519,465
Tax	(117,338)	(86,091)
Net profit	301,571	387,078
Average number of FTEs	43	42
Number of points of sale	1	1
State support	0	0

Contact:
Komerční banka, a.s., pobočka zahraničnej banky,
Hodžovo námestie 1A
P. O. BOX 137
811 06 Bratislava
ID: 47231564
Phone: +421 259 277 328, 329
Fax: +421 252 961 959
E-mail: kb@kb.sk

1) The Branch has euro as functional currency. Since the Branch is included in separate financial statements of the Bank, the table above is in CZK.

Modrá pyramida stavební spořitelna, a.s.

Modrá pyramida is a fully owned subsidiary of KB. This second-largest building savings bank in Czechia as measured by loan volume has a 26% market share.[2)] Main products offered include state-subsidised savings accounts, bridging loans, and building savings loans. With its 500 advisors and 199 points of sale, Modrá pyramida's distribution network provides products of KB Group. In 2023, the Bank centralised processing of mortgages from the entire Group into Modrá pyramida. As part of this centralisation, among other things, the Bank's employees were also transferred to Modrá pyramida

Financial summary

(IFRS*, CZK thousand)	31 Dec 2023	31 Dec 2022
Total assets	107,982,577	101,686,518
Shareholder's equity	8,031,732	6,640,964
Loans to clients (gross)	94,094,116	86,844,053
Volume of deposits	52,295,919	55,923,987
Net operating income	1,365,669	1,185,208
Tax	(75,306)	(72,279)
Net profit	289,993	433,502
Average number of FTEs	495	340
Number of points of sale	199	198
State support	0	0

* Not audited.

Contact:
Modrá pyramida stavební spořitelna, a.s.
Bělehradská 128, č. p. 222
120 21 Prague 2
ID: 60192852
Phone: +420 210 220 230
E-mail: info@modrapyramida.cz
Internet: www.modrapyramida.cz

2) Source: comparison of internal data with reporting of other building societies and CNB ARAD statistics at http://www.cnb.cz/arad/#/en/display_link/single__SUCM100172XXX101101_

KB Penzijní společnost, a.s.

A fully owned subsidiary of Komerční banka, KB Penzijní společnost's core business is to collect contributions and manage them in pension funds pursuant to the Supplementary Pension Savings Act and as supplementary pension insurance in the Transformed Fund.

By number of participants, this pension company has a 12% share in the supplementary pension savings market (3rd pillar) and an 11% share in the pension insurance market (Transformed Fund).[3)]

Financial summary

(CAS*, CZK thousand)	31 Dec 2023	31 Dec 2022
Assets under management**	75,956,935	74,427,656
of which	0	0
in Transformed Fund	53,673,745	58,923,164
Shareholder's equity	1,517,774	1,487,429
Net operating income	576,735	527,934
Tax	(82,583)	(73,758)
Net profit	340,510	310,296
Average number of FTEs	52	49
State support	0	0

* CAS: Czech Accounting Standards, not audited.
** Total volume on client accounts.

Contact:
KB Penzijní společnost, a.s.
náměstí Junkových 2772/1
155 00 Prague 5 - Stodůlky
ID: 61860018
Phone: +420 955 525 999
E-mail: kbps@kbps.cz
Internet: www.kbps.cz

3) Source: Association of Pension Funds of the Czech Republic, data as of 31 December 2023, https://www.apscr.cz/ctvrtletni-vysledky-2023/

SG Equipment Finance Czech Republic s.r.o.

SGEF is owned by Komerční banka (50.1%) and SGEF SA (49.9%). Through KB and its own network of seven branches in the Czech Republic and two in Slovakia, this company provides financing of equipment, agricultural and forestry technology, vehicles for transportation of goods and passengers, high-technology, real estate, and special projects by leasing and lending.

SGEF has an 11% market share in the non-bank financing market in the Czech Republic as measured by the financed amount (excluding consumer loans).[1)]

Financial summary

(CAS*, CZK thousand)	31 Dec 2023	31 Dec 2022
Total assets	37,712,264	36,019,027
Shareholders' equity	3,328,714	3,639,979
Volume of new financing	16,109,967	14,693,252
Net operating income	285,375	328,641
Tax	(31,978)	(111,618)
Net profit	16,165	399,834
Average number of FTEs	141	142
State support	0	0

* CAS: Czech Accounting Standards, not audited.

Contact:
SG Equipment Finance Czech Republic s.r.o.
náměstí Junkových 2772/1,
155 00 Prague 5 - Stodůlky
ID: 61061344
Phone: +420 955 526 700
E-mail: info@sgef.cz
Internet: https://equipmentfinance.societegenerale.cz/

1) The numerator is the amount of financing provided: CZK 29.8 bil. and the source for the marekt data in denominator is Czech Leasing and Finance Association, data as of 31 December 2023, https://www.clfa.cz/data/dokumenty/1805-rok2023produktykomodity.xlsx

ESSOX s.r.o.

Owned by Komerční banka (50.93%) and SG FINANCIAL SERVICES HOLDING (49.07%), ESSOX is a non-bank provider of consumer loans and financial leasing for consumers and performs activities of payment institutions within the scope of payment services under a licence from CNB.

ESSOX provides its services through the Peugeot, Citroën, DS, Hyundai and Kia brands. ESSOX has an 18% market share in consumer lending provided to households by companies associated in the Czech Leasing and Finance Association.[2)] Main products include financing of consumer goods and automobiles, general purpose loans, and revolving credit (credit cards).

Financial summary

(CAS*, CZK thousand)	31 Dec 2023	31 Dec 2022
Total assets	18,659,266	17,267,023
Shareholders' equity	3,065,219	3,147,497
Amounts due from clients (gross)	18,052,329	16,509,738
Net operating income	657,827	705,571
Tax	(50,533)	(23,379)
Net profit	30,332	113,756
Average number of FTEs	312	337
State support	0	0

* CAS: Czech Accounting Standards, not audited.

Contact:
ESSOX s.r.o.
F. A. Gerstnera 52
370 01 České Budějovice
ID: 26764652
Phone: +420 389 010 422
E-mail: essox@essox.cz
Internet: www.essox.cz

2) The numerator is loans to consumers in Czechia: CZK 6.6 bil. and the source for the marekt data in denominator is Czech Leasing and Finance Association, data as of 31 December 2023, https://www.clfa.cz/data/dokumenty/1805-rok2023produktykomodity.xlsx

ESSOX FINANCE s.r.o.

ESSOX FINANCE (formerly PSA FINANCE SLOVAKIA, s.r.o.), a fully owned subsidiary of ESSOX, provides its services through the Peugeot and Citroën brands. Financial and insurance services include financial leasing, consumer credit, accident insurance for motor vehicles, liability insurance for motor vehicles, loss insurance, and operational leasing (the last of which is outsourced). The company also provides inventory financing to authorised dealers selling new Peugeot and Citroën cars.

Financial summary

(SAS*, EUR thousand)	31 Dec 2023	31 Dec 2022
Total assets	111,416	77,476
Shareholder's equity	10,885	10,574
Amounts due from clients (gross)	106,649	75,620
Net operating income	3,884	3,489
Tax	(105)	(134)
Net profit	311	117
Average number of FTEs	36	35
State support	0	0

* SAS: Slovak Accounting Standards, not audited.

Contact:
ESSOX FINANCE, s.r.o.
Karadžičova 16
821 08 Bratislava, Slovakia
ID: 35846968
Phone: +421 249 229 650
Internet: http://www.essoxfin.sk

KB Factoring

Factoring KB, a.s.

Factoring KB is a fully owned subsidiary of Komerční banka and is the second-largest factoring company in the Czech Republic. It has a 25% share on the Czech factoring market according to the volume of receivables transferred.[1)]

Through its own and KB's networks, the company provides the following products: domestic factoring, export factoring, import factoring, modified factoring, and receivables management.

In integrating selected subsidiaries into the Bank's internal structures, all employees of Factoring KB were moved as from 1 April 2023 to KB. Since that date, Factoring KB's activities are fully outsourced from Komerční banka, a.s.

Financial summary

(CAS*, CZK thousand)	31 Dec 2023	31 Dec 2022
Total assets	19,527,057	19,586,304
Shareholder's equity	1,983,217	1,777,662
Factoring turnover	72,461,497	76,131,576
Amounts due from clients (gross)	18,662,325	18,692,241
Net operating income	302,036	237,050
Tax	(33,065)	(26,261)
Net profit	191,650	116,940
Average number of FTEs	11	41
State support	0	0

* CAS: Czech Accounting Standards, not audited.

Contact:
Factoring KB, a.s.
náměstí Junkových 2772/1
155 00 Prague 5 - Stodůlky
ID: 25148290
Phone: +420 955 526 904
E-mail: info@factoringkb.cz
Internet: www.factoringkb.cz

1) Source: Czech Leasing and Finance Association, data as of 31 December 2023, https://www.clfa.cz/data/dokumenty/1814-statistika-afs-cr-1-12-2023-1form.xlsx

KB Pojišťovna

Komerční pojišťovna a.s.

The shareholders of Komerční pojišťovna are SOGECAP (51%) and Komerční banka (49%). This insurance company has a 3% share in the life insurance market (according to the methodology of the Czech Insurers Association, measured by premiums written).[2)]

Main products include: savings life insurance, risk life insurance, capital life insurance, investment life insurance, accident insurance, payment card insurance, travel insurance, travel insurance for payment cards, risk life insurance for credit cards, risk life insurance for consumer loans, and non-life insurance for residential real estate and households.

Financial summary

(CAS*, CZK thousand)	31 Dec 2023	31 Dec 2022
Total assets	50,278,806	47,770,348
Shareholders' equity	3,637,924	1,788,174
Technical reserves (gross)	46,825,112	46,274,677
Gross premium written	6,161,854	6,924,930
Tax	(20,080)	(85,236)
Net profit	472,599	358,617
Average number of FTEs	265	248
State support	0	0

* CAS: Czech Accounting Standards, not audited.

Contact:
Komerční pojišťovna a.s.
náměstí Junkových 2772/1, Stodůlky,
155 00 Prague 5 - Stodůlky
ID: 63998017
Phone: +420 800 106 610
E-mail: servis@komercpoj.cz
Internet: www.kb-pojistovna.cz/

2) Source: Czech Insurance Association, data as of 31 December 2023, https://www.cap.cz/en/statistics/insurance-market-development

BASTION EUROPEAN INVESTMENTS S.A.

The ownership share of Komerční banka a.s. in BASTION was 99.98% as of 31 December 2023. BASTION is a special purpose vehicle, based in Belgium, intended for financing a long-term transaction of the European Union. Given the long-term profile of this transaction, BASTION was financed by both a long-term loan and KB's own capital. This transaction helps to diversify the KB portfolio by adding a financial asset with a very low-risk profile.

Financial summary

(IFRS*, EUR thousand)	31 Dec 2023	31 Dec 2022
Total assets	98,523	105,914
Shareholders' equity	20,190	21,587
Loans to clients (gross)	78,098	84,272
Volume of deposits	0	0
Net operating income	343	90
Tax	(78)	(17)
Net profit	233	52
Average number of FTEs	0	0
State support	0	0

* Not audited.

Contact:
BASTION EUROPEAN INVESTMENTS S.A.
Rue des Colonies 11
1000 Brussels
Belgium
ID: BE 0877.881.474
E-mail: operations@bastion-ei.be

VN 42 s.r.o.

VN 42 s.r.o. was fully owned by Komerční banka as of 31 December 2023.

VN 42 s.r.o. was established in 2013 to provide administration and maintenance for real property and real estate services. In 2013, KB placed into this company its headquarters at Wenceslas Square 42, which VN 42 s.r.o. subsequently leased to Komerční banka.

In September 2023, VN42 s.r.o. reclassified its owned real estate into the category held for sale.

Financial summary

(CAS*, CZK thousand)	31 Dec 2023	31 Dec 2022
Total assets	1,535,535	1,532,358
Shareholder's equity	1,440,751	1,455,133
Net operating income	155,786	140,503
Tax	(16,885)	(9,732)
Net profit	(14,381)	(29,108)
Average number of FTEs	0	0
State support	0	0

* CAS: Czech Accounting Standards, not audited.

Contact:
VN 42 s.r.o.
Václavské náměstí 796/42,
Prague 1, 110 00 Nové Město
ID: 02022818

KB Real Estate s.r.o.

KB Real Estate s.r.o was fully owned by Komerční banka as of 31 December 2023.

KB Real Estate s.r.o. was established in 2011 to provide administration and maintenance of real property and real estate services. In 2012, KB Real Estate acquired the office building in Stodůlky, which was subsequently leased to KB.

Financial summary

(CAS*, CZK thousand)	31 Dec 2023	31 Dec 2022
Total assets	815,646	838,149
Shareholder's equity	532,371	523,791
Net operating income	69,548	68,358
Tax	(2,130)	(3,072)
Net profit	21,677	13,097
Average number of FTEs	0	0
State support	0	0

* CAS: Czech Accounting Standards, not audited.

Contact:
KB Real Estate s.r.o.
Václavské náměstí 796/42,
Prague 1, 110 00 Nové Město
ID: 24794015

STD2 s.r.o.

STD2 s.r.o. was fully owned by Komerční banka as of 31 December 2023.

The company STD2 s.r.o. (originally named Office Center Stodůlky a.s.) was purchased in 2017 and owns the office building in Stodůlky, whose construction was completed in 2018. The company STD2 s.r.o. rents office space to KB.

Financial summary

(CAS*, CZK thousand)	31 Dec 2023	31 Dec 2022
Total assets	519,956	526,933
Shareholder's equity	250,249	233,110
Net operating income	42,754	40,714
Tax	(3,599)	(3,342)
Net profit	17,139	14,240
Average number of FTEs	0	0
State support	0	0

* CAS: Czech Accounting Standards, not audited.

Contact:
STD2 s.r.o.
Václavské náměstí 796/42,
Prague 1, 110 00 Nové Město
ID: 27629317

Protos, uzavřený investiční fond a.s.

Komerční banka's ownership share in Protos as of 31 December 2023 was 83.65% and that of Factoring KB was 16.35%.

Protos, uzavřený investiční fond a.s. (a closed-end investment fund) was established in 2007 as a fund for qualified investors. The company invests predominantly in primary issues of government bonds and other receivables issued or guaranteed by governments of European Union member states. The company's long-term intention is to provide a regular and consistent dividend that accords with the accrued revenues and costs in the company's accounts. For this reason, the company prefers to minimise purchases and sales into and from the asset portfolio in such a way that trading gains and losses do not create additional dividend volatility.

Financial summary

(CAS*, CZK thousand)	31 Dec 2023	31 Dec 2022
Total assets	6,479,896	6,394,683
Shareholders' equity	6,475,243	6,390,185
Net operating income	82,657	79,594
Tax	(4,074)	(3,920)
Net profit	77,413	74,494
Average number of FTEs	0	0
State support	0	0

* CAS: Czech Accounting Standards, not audited.

Contact:
Protos, uzavřený investiční fond a.s.
Rohanské nábřeží 693/10,
Prague 8, 186 00 Karlín
ID: 27919871

KB SmartSolutions, s.r.o.

As of 31 December 2023, Komerční banka fully owned KB SmartSolutions, s.r.o. (KBSS).

On 7 January 2019, KB SmartSolutions, s.r.o. was established to facilitate the preparation of some new KB Group services. The company focuses on supporting the financing and development of external start-up companies, but it also provides support to and for internal innovative solutions.

Financial summary

(CAS*, CZK thousand)	31 Dec 2023	31 Dec 2022
Total assets	543,059	490,502
Shareholder's equity	534,293	485,357
Net operating income	45,156	12,171
Tax	(4,373)	0
Net profit	18,286	(7,020)
Average number of FTEs	6	6
State support	0	0

* CAS: Czech Accounting Standards, not audited.

Contact:
KB SmartSolutions, s.r.o.
Václavské náměstí 796/42,
Prague 1, 110 00 Nové Město
ID: 02021161
Phone: +420 605 204 618
Internet: https://www.kbsmart.cz/

My Smart Living, s.r.o. v likvidaci

KB SmartSolutions fully owned My Smart Living, s.r.o. v likvidaci as of 31 December 2023.

In 2020, it had been decided to discontinue further financing of the Cincink real estate portal, which is operated by My Smart Living, s.r.o. The Bank will use the experience which it has gained within its Housing tribe.

On 1 November 2023, the company entered liquidation.

Contact:
My Smart Living, s.r.o. v likvidaci
Václavské náměstí 796/42,
Prague 1, 110 00 Nové Město
ID: 07763166

KB Advisory, s. r. o.

KB SmartSolutions fully owned the company KB Advisory as of 31 December 2023.

KB Advisory, s. r. o. was established on 16 September 2019 as a consultancy for small and medium-sized enterprises and municipalities.

Contact:
KB Advisory, s. r. o.
Václavské náměstí 796/42,
Prague 1, 110 00 Nové Město
ID: 08510032

upvest s.r.o.

KB SmartSolutions owned a 96.0% share in upvest s.r.o. as of 31 December 2023.

KB SmartSolutions first invested in upvest, s.r.o. in July 2020. Upvest s.r.o. is a fintech company that provides real estate crowdfunding investments in the form of participation in debt financing of development projects. Upvest s.r.o. is a 100% owner of two subsidiaries: upvest equity II s.r.o., Upvest JV Equity s.r.o. At the end of December 2023, the assets of the companies upvest equity s.r.o., upvest equity I s.r.o., upvest equity III s.r.o. and upvest equity IV s.r.o. were transferred by merger to the successor company upvest s.r.o.

Contact:
upvest s.r.o.
Jindřišská 937/16, Nové Město,
110 00 Prague 1
ID: 05835526
Phone: +420 773 633 925
E-mail: info@upvest.cz
Internet: www.upvest.cz

MonkeyData s.r.o.

KB SmartSolutions owned a 33.171% share in MonkeyData s.r.o. as of 31 December 2023.

KB SmartSolutions invested in MonkeyData s.r.o. in October 2020. MonkeyData fully owns a subsidiary, Lemonero, s.r.o., which provides financing to e-shops utilising an AI-powered scoring model.

Contact:
MonkeyData s.r.o.
Náměstí Junkových 2772/1, Stodůlky
155 00 Praha 5
ID: 02731452
E-mail: support@monkeydata.com
Internet: www.monkeydata.com

Contact:
Lemonero s.r.o.
Náměstí Junkových 2772/1, Stodůlky
155 00 Praha 5
ID: 08795860
Phone: +420 732 560 130
E-mail: info@lemonero.cz
Internet: www.lemonero.cz

Platební instituce Roger a.s.

KB SmartSolutions, s.r.o. owned a 24.83% share in Platební instituce Roger a.s. as of 31 December 2023.

KB SmartSolutions invested in Platební instituce Roger a.s. in December 2020. Platební instituce Roger fully owns two subsidiaries: (i) Invoice Financing s.r.o., and (ii) Roger Finance s.r.o. Platební instituce Roger connects investors with companies which seek fast financing of their long due date receivables. It also provides a supply chain financing platform for large customers.

Contact:
Platební instituce Roger a.s.
Merhautova 327/1
613 00 Brno – Černá Pole
ID: 01729462
Phone: +420 545 217 434
E-mail: info@roger.cz
Internet: www.roger.cz

ENVIROS s.r.o.

KB SmartSolutions invested in ENVIROS s.r.o. in July 2022 and acquired 100% of its shares. In addition to ENVIROS, s.r.o. (CZ), the ENVIROS Group also includes ENVIROS, s.r.o. (SK), ENVIROS d.o.o. in Beograd, and ENVIROS GLOBAL LIMITED. ENVIROS is a leading energy, environmental, and management consultancy. It operates mainly in the Czech Republic, but also in Slovakia and provides its services internationally.

Contact:
ENVIROS, s.r.o.,
Dykova 53/10
101 00 Prague 10 – Vinohrady
ID: 61503240
Phone: +420 284 007 498
E-mail: enviros@enviros.cz
Internet: www.enviros.cz

KB Poradenství, s.r.o.

Komerční banka established fully owned subsidiary KB Poradenství, s.r.o., which was incorporated on 27 June 2023 by registration in the Commercial Register.

KB Poradenství, s.r.o. was established in connection with the intended development of the KB Group's distribution model. The company's registered business is provision of consumer credits, insurance and reinsurance, supplementary pension savings and investment intermediary activities.

KB Poradenství, s.r.o. has a share capital of CZK 100,000 and has become part of the regulatory consolidation unit of Komerční banka (i.e. KB Group).

Contact:
KB Poradenství, s.r.o.
náměstí Junkových 2772/1
155 00 Praha 5 – Stodůlky
IČO: 19438702

Bankovní identita, a.s.

Komerční banka owned a 17% share in Bankovní identita, a.s. as of 31 December 2023.

Established on 15 September 2020, the goal of Bankovní identita, a.s. was to make the use of client banking identification available to other online service providers in the Czech Republic. The company was established by the three largest Czech banks, namely Česká spořitelna, ČSOB, and Komerční banka.

Contact:
Bankovní identita, a.s.
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180 00 Prague 8 – Libeň
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Corporate governance statement

The Bank, as an issuer of shares admitted to trading on a European regulated market, is obliged, pursuant to Act No. 256/2004 Coll., on Capital Market Undertakings, as amended, to prepare an annual financial report including also a corporate governance statement pursuant to Section 118 (4) and (5) of this Act, which contains information on the corporate governance.

Information on governance codes and on corporate governance

Komerční banka acceded to and upholds all the principal standards of the Corporate Governance Code of the Czech Republic (2018) issued by the Czech Institute of Directors on the basis of international standards of corporate governance (in particular, G20 / OECD Principles of Corporate Governance from 2015). Its full text in Czech is available at https://www.mfcr.cz/cs/o-ministerstvu/odborne-studie-a-vyzkumy/2019/kodex-spravy-a-rizeni-spolecnosti-cr-201-34812 (hereinafter referred to as the "Code").

Komerční banka's Board of Directors applies and develops the aforementioned principles of corporate governance in a spirit of transparency, accountability, and long-term prospects, and it translates these best practices into its internal procedures and regulations.

Compliance with the Code is maintained through the Bank's open approach to disclosing information on material matters of the Bank, in particular concerning its financial position, dividend policy, performance, ownership, sustainable business operations and corporate policy in the areas of climate change and corporate governance. The financial reports provide a true and fair view of the Bank's accounting and financial position. Shareholders are informed of the date, location, and agenda of the General Meeting, the proposals of the individual resolutions and their rationale, including information on the proposal for paying out the share in profit and the method of this payment at least 30 days before the General Meeting. Shareholders are informed of their rights relating to their participation in the General Meeting, including a description of how to participate in the General Meeting, whether in person or on the basis of a power of attorney, and have at their disposal in advance materials concerning the agenda of the General Meeting. The notice of the General Meeting also explains the rules and voting procedures governing the General Meeting. Shareholders are able to vote on motions for resolutions before the General Meeting is held via an electronic platform for remote communication and to take "per rollam" decisions in lieu of the General Meeting. All this information is available on the Bank's website and in the press, and press releases are issued regularly.

Furthermore, the Code is fulfilled by the chosen management system. The Bank has a two-tier management system that entails a separation of the executive and control functions.

The Board of Directors performs all key functions of the Bank's management. Operational management is divided among the individual members of the Board, and each member of the Board has competence over a certain area of the Bank's activities (functional division). The Board of Directors nevertheless decides collectively at its meetings, which are held regularly at two-week intervals. Under the Bank's Articles of Association, members of the Board are subject to rules and regulations over conflicts of interest even stricter than as defined by Act No. 90/2012 Coll., the Companies and Co-operatives Act, as amended. They are obliged to inform the Board of Directors and Supervisory Board of any existing or even potential conflicts of interest relating to functions they perform in any other legal entity and are obliged to abstain from voting on all matters concerning the Bank's relationship to any such legal entity. The Bank's governance and management system provides members of the Board of Directors and Supervisory Board with timely and relevant information important for the performance of their functions. The Board of Directors and Supervisory Board apply proper and effective procedures relating to their conduct while keeping and retaining records of the decisions taken.

The Supervisory Board is a control body supervising the activities of the Board of Directors and of the entire Bank. Three of the Supervisory Board's nine members are independent (Petr Dvořák, Petra Wendelová, and Marie Doucet) and three are employee representatives. All independent members of the Supervisory Board meet the independence criteria according to the General Guidelines for Assessment of Suitability EBA/GL/2021/06. The Supervisory Board is to establish Audit, Risk, Nominations, and Remuneration committees. Members of the Audit Committee are elected by the General Meeting. The majority of members of the Audit Committee, including the Chairperson, are independent and professionally qualified. The Audit Committee plays an important role in supervising the Bank's proper management, the independence and objectivity of the external auditor, the auditor's conduct of the mandatory audit, effectiveness of the risk management systems (together with the Risk Committee), and mechanisms of internal management and control. The Risk Committee monitors the Bank's approach to risk, its strategy in the risk area, accepted levels of risk, and risk management. The Nominations Committee considers the suitability of the members of the Bank's bodies, the composition of these bodies, and compliance with ethical principles and rules within the Bank. The Remuneration Committee prepares proposals for remuneration decisions for the Supervisory Board, including those affecting risk and risk management.

The Board of Directors and Supervisory Board co-ordinate with one another the main strategies and changes in the management direction of the Bank. The Board of Directors shall periodically provide the Supervisory Board with information on the state of implementing these changes and all relevant facts concerning the Bank and the companies under its control. Members of the Supervisory Board and members of the Board of Directors may not hold more than the number of positions permitted by the Banking Act. These requirements were satisfied also in 2023.

There were no fundamental changes during 2023 that would adversely influence the aforementioned standards for the Bank's corporate governance. Komerční banka will continue to respect the principles of corporate governance, inasmuch as these best correspond to the Bank's business model as well as to the interests of the Bank and its shareholders and employees.

Internal control and approach to risks in the process of accounting and preparing financial statements
The Bank uses a number of tools in several areas to ensure true and accurate presentation of facts in the accounting and proper compilation of financial statements. These begin with tools for proper recording of individual transactions, include various controls, and finally involve preparing the statements and their control.

The tools used for proper recording of transactions, events, trades, and the like in the accounting include, in particular, the selection of appropriate systems (applications) for their recording and processing, thorough testing during their implementation, maximum automation of all repetitive processes, and managing of access rights to individual systems. Setting up systems, processes, and controls is always formally governed by the Bank's internal regulations.

Compliance of those accounting methods employed with IFRS Accounting Standards in particular is ensured by an independent department that regularly monitors developments in these standards and other regulatory rules, analyses effects ensuing therefrom, and implements the standards in co-operation with relevant departments. For more information on the rules used, see Notes to the Consolidated Financial Statements, Note 3 – "Principal accounting policies" and Note 43 – "Risk management and financial instruments".

The Bank utilises a system of defining responsibilities for individual ledger accounts (the "ownership system") under which a particular employee authorised to transact with the account and an employee responsible for account analysis are assigned to each account of the general ledger. The control over account analysis includes, in particular, the duty to specify at any time the account balance and to monitor its balance and movements, as well as responsibility for documentary stock taking of accounts. The control over account analysis also involves the reconciliation of data in supporting systems relating to the data in the general ledger at specified regular intervals.

The area of control tools may be divided into two parts: control as to the accuracy of input data and follow-up control over the consistency and integrity of the functioning and accounting of the individual systems. Control over the accuracy of input data is performed especially in the Retail Banking, Corporate and Municipal Banking, and Transaction and Payment Services arms within the First Level Control system, which constitutes the basis of the Bank's internal control system. The First Level Control system establishes the control activities of the management employees so that there occurs oversight over operational risks arising from the activities of the relevant departments; monitoring of the quality, effectiveness, and reliability of the established work procedures; verification of the employees' compliance with the applicable regulations and procedures; and determination of corrective measures in cases when deficiencies are identified.

Follow-up control is carried out in particular by the Accounting and Reporting Department, which especially checks the data in the accounting by means of analytical procedures. The main analytical procedures include checking data consistency as of the current date with the development in the past, consistency between financial and non-financial data (numbers of transactions, trades, etc.), and consistency between the changes in the balance sheet and income statement. The changes in the development of individual items of the financial statements or directly in the general ledger accounts are regularly analysed, and these changes are subsequently reconciled to the changes in trades, prices for services provided, and market data, or to changes attributable to one-off items.

An automated system is used to process most financial statements. In most cases, detailed data from source systems is used for their creation and this data are reconciled with the general ledger while at the same time the accuracy of the data in the general ledger is checked.

The effectiveness of internal controls is evaluated by an independent Second Level Control system that examines design and operating effectiveness of both First Level Controls and operational controls. Key risk indicators (such as the number of manually processed transactions or the number and volume of various reconciliation gaps) are also regularly followed up and evaluated. Their values within the Bank have long been held to levels indicating a very low risk. The internal control system in the financial reporting area is also regularly evaluated by Internal Audit.

Diversity policy
The Bank applies a policy of diversity. As a signatory to the Diversity Charter, it is committed to the principles of diversity, flexibility, and inclusion. The Supervisory Board endeavours within the scope of its competence to ensure that the Board of Directors and Supervisory Board consist of persons meeting appropriate professional, time-related, and other requirements for the performance of their duties, that both bodies are balanced in terms of professional competence and experience, and that the composition of the Board of Directors and the Supervisory Board as a whole is diverse by taking into account the requirements of the Bank for the specifics of its business. For this purpose, the Nominations Committee of the Supervisory Board of Komerční banka has adopted the Principles of Suitability for the Supervisory Board and the Board of Directors. These principles reflect the tenets of corporate governance, EBA guidelines for assessing suitability of senior management and key management personnel, requirements of the Companies and Co-operatives Act, the Banking Act, CNB Decree No. 163/2014 Coll., and Stock Exchange Standards.

The Bank has also implemented tools to assess the collective and individual suitability of the members of both bodies. In nominating candidates for open positions on the Supervisory Board and Board of Directors, the Nominations Committee follows the stated principles and instructions and assesses first the balance of professional competence and experience and the diversity of the Supervisory Board's and Board of Directors' composition as a whole.

Diversity is assessed in terms of experience, education, qualifications, profession, social position, gender, nationality, and age and is an integral part of the Bank's strategy. We consider this diversity one of the Bank's decisive achievements in the market, and it helps in building relationships with clients and partners. Furthermore, the assessment covers the profile of the current members of the Supervisory Board and Board of Directors and their specific knowledge, the candidate's professional competence, experience, professional achievements, understanding of the Bank's activities and its main risks on the candidate's side and, last but not least, his or her moral profile and integrity. The age of a candidate for membership of the Supervisory Board should not exceed 70 years and a member of the Supervisory Board should not be a member of the supervisory board of the same company for more than 12 years. These limits are taken into account in nominating those candidates submitted to the General Meeting. The Nominations Committee also considers the target representation of the less-represented gender according to the accepted principles and the candidate's time availability considering the time requirements of the obligations connected with performing the membership function. In nominating candidates, if candidate profiles are equal, the less-represented sex will be preferred. The Bank takes diversity into account when selecting new members in accordance with EBA/GL/2021/06. According to the accepted principles of suitability, the composition of the Supervisory Board should take into account experience, education, nationality, cultural environment and age. The Supervisory Board has complied with the stated requirement for the inclusion of 40% of the under-represented gender and currently four of the nine Supervisory Board members are women, thus providing 44.4% representation by the under-represented gender. When nominating candidates, preference will be given to the under-represented gender in a case of candidates having equal profiles. Candidates undergo assessment and evaluation as to their fulfilling the trustworthiness, knowledge, experience, management, and independence requirements and respond to questions prepared for evaluating their suitability for the Bank's bodies. They submit a professional CV, an extract from the criminal record, and references. Once a year, the Nominations Committee evaluates the trustworthiness, professional competence, and experience of the individual members of the Supervisory Board and the Board of Directors and of the two bodies as a whole and submits reports on this evaluation to the Supervisory Board. These evaluations form the basis for seeking candidates for open positions and for ensuring that the two Boards as a whole as well as their members individually are suitably professional, have sufficient time, and meet other requirements for performing their activities. In terms of diversity, the members of the two bodies differ with regard to, for example, their age, gender, geographical origin, education, and professional experience, thus allowing for various views within the Bank's bodies and meeting the requirements of the EBA Guidelines.

Based upon the Companies and Co-operatives Act, one-third of the Supervisory Board's members consist of employees' representatives, thus ensuring the proper and effective exercise of the Bank's employees' rights to elect one-third of the Supervisory Board members and the possibility to be elected as a Supervisory Board member. Following the election of employee representatives the following employee representatives were elected for a new term of office with effect from 15 January 2023: Miroslav Hájek, Ondřej Kudrna, and Sylva Kynychová. Three members of the Supervisory Board, Petr Dvořák, Petra Wendelová and, since 21 April 2023, Marie Doucet, are independent. These members are independent experts in the financial sector and meet the requirements set by the U.S. Securities and Exchange Commission (SEC) and thus may be considered independent financial experts. Independent members of the Audit Committee sign an affidavit confirming their independence. The Bank's assessment of independence is based on the profile of independent members of the Supervisory Board set out in Commission Recommendation 2005/162/EC of 15 February 2005, in particular in Annex II. EBA's requirements for independence of the members of the Supervisory Board are implemented in the Bank. The Nominations Committee ensures that all members of the Supervisory Board are able to make their own objective and independent judgements and decisions when selecting and regularly evaluating candidates.

Shares, Shareholders, and the General Meeting

Komerční banka's registered capital totals CZK 19,004,926,000 and is divided into 190,049,260 ordinary bearer shares, each with a nominal value of CZK 100, issued as an uncertificated security, and admitted to trading on the European regulated market.

All the Bank's shares carry the same rights, have no special rights attached to them, and constitute 100% of the registered capital. Transferability of the shares is unlimited.

The shares of Komerční banka, a. s., do not have restricted voting rights. The exercise of voting rights may be restricted only for reasons specified by law. Komerční banka, a. s., does not exercise the voting rights attached to its own shares held in treasury.

Komerční banka, a. s., is not aware of any agreements between shareholders that would result in hindering the transferability of shares or voting rights. Further information on the rights vested in the shares and their transferability is provided in the section *Securities and debt instruments issued* or in Note 35 to the Consolidated Financial Statements according to IFRS Accounting Standards.

Information on the structure of the Bank's equity is also presented in the Statement of Financial Position and in Note 35 to the Consolidated Financial Statements according to IFRS Accounting Standards.

Information on direct and indirect voting rights

Major shareholders of Komerční banka owning more than 1% of the registered capital as of 31 December 2023
(per the extract from the issuers register taken from the Central Securities Depository)

Shareholder	Proportion of registered capital
Société Générale S.A.	60.353%
Chase Nominees Limited	2.616%
CLEARSTREAM BANKING, s.a.	1.567%
NORTRUST NOMINEES LIMITED	1.425%
Other shareholders	34.039%

Société Générale S.A. provides information on its shareholders' structure in its Universal Registration Document as well as in its web presentation[1].

[1] Data as of 31 December 2022 are available at https://investors.societegenerale.com/en/financial-and-extra-financial-information/share/shareholder-structure

Shareholder structure of Komerční banka as of 31 December 2023
(per the extract from the issuers register taken from the Central Securities Depository)

		Number of sharehold-ers	Proportion in number of shareholders	Proportion of registered capital
Number of shareholders		**73,478**	**100%**	**100%**
of which:	legal entities	849	1.16%	82.81%
	private individuals	72,629	98.84%	17.19%
Legal entities		**849**	**1.16%**	**82.81%**
of which:	from the Czech Republic	400	0.55%	2.96%
	from other countries	449	0.61%	79.85%
Private individuals		**72,629**	**98.84%**	**17.19%**
of which:	from the Czech Republic	67,449	91.79%	14.87%
	from other countries	5,180	7.05%	2.32%

The Bank has no requirements for ownership of the Bank's shares by members of the Board of Directors.

The General Meeting is the supreme body of the Bank. The Annual General Meeting is held at least once per year, and in no case later than 4 months from the last day of each accounting period. A quorum of the General Meeting shall be constituted if the attending shareholders hold shares the total nominal value of which exceeds 30% of the Bank's registered capital and are entitled to vote. The quorum is confirmed at the time of opening the General Meeting and always before each vote. The General Meeting shall approve resolutions by a majority of votes of the attending shareholders unless legal regulations or the Articles of Association require a qualified majority of votes. The General Meeting's order of business is governed by the agenda stated in the notice of the General Meeting, which contains proposed resolutions and their justification and further information about the conditions of shareholders' participation and exercise of shareholder rights. At least 30 days prior to the General Meeting, the General Meeting shall be convened by means of a public notice calling the General Meeting, which shall be posted on the Bank's website www.kb.cz and published in the Mladá Fronta DNES daily newspaper. All documents relating to corporate governance are published on the Bank's website. Issues not included in the proposed agenda for the General Meeting are decided upon only with the attendance and consent of all the Bank's shareholders. The General Meeting shall be opened by a member of the Board of Directors authorised for this purpose by the Board of Directors or a person designated by the Board of Directors. He or she shall also conduct the General Meeting until a Chairperson of the General Meeting is elected.

Unless otherwise stipulated by law or the Articles of Association, all persons registered in the list of attending shareholders and present at the General Meeting at the time of calling a vote are entitled to vote. The sequence of voting corresponds to the order on the General Meeting's agenda. The casting of votes shall be carried out using an electronic voting system. Each CZK 100 of nominal share value represents one vote. Any proposal presented by the Board of Directors shall be voted upon first. Should such proposal of the Board of Directors be accepted by the required majority, other proposals or counter-proposals to this point shall not be voted upon. Other proposals or counter-proposals shall be voted upon in the sequence in which they have been presented. Should such a proposal or counter-proposal be approved in a vote by the General Meeting, other proposals or counter-proposals shall not be voted upon.

The Articles of Association allow the possibility of electronic correspondent voting before the general meeting if the Bank's Board of Directors so decides and while thus voting under the conditions specified in the notice of the General Meeting and the possibility of taking a resolution in lieu of holding a General Meeting.

The General Meeting has within its powers to:

a) decide upon changes to the Articles of Association, with the exception of a change in consequence of an increase in the registered capital by the authorised Board of Directors or a change made on the basis of other legal circumstances;
b) decide upon a change in the amount of the registered capital, except that, unless it is reduced to cover a loss, the registered capital may be reduced only upon prior approval of the Czech National Bank;
c) elect and remove two-thirds of members of the Supervisory Board; elect and remove members of the Audit Committee;
d) decide upon the possibility of setting off a monetary claim towards the Bank against a claim to be used for payment of the issue price, including the draft of the relevant contract for set-off;
e) decide upon a conversion of par value shares into no-par value shares or the conversion of no-par value shares into par value shares, or on the splitting of shares into multiple shares or merging multiple shares into one share;
f) decide to issue convertible or priority bonds of the Bank;
g) decide to modify the rights attached to individual classes of the shares;
h) approve the annual financial statements, extraordinary financial statements, consolidated financial statements, and, as established by law, interim financial statements;
i) decide upon distribution of profit or other funds of the Bank or coverage of a loss;
j) approve the service contracts with the members of the Supervisory Board and of the Audit Committee;
k) decide on transformation of the Bank, unless the act regulating transformations of companies and co-operatives establishes otherwise, provided that prior consent of the Czech National Bank has been given where so required by law;
l) decide to wind up the Bank with the prior consent of the Czech National Bank;
m) approve the final report on progress of liquidation and proposal for use of the liquidation balance of the Bank's assets;
n) decide to file for admitting the participation securities of the Bank to trading in the European regulated market or for excluding these securities from trading in the European regulated market;
o) approve the transfer or pledging of a business or such part of assets and liabilities entailing a substantial change to the real business activities of the Bank;
p) charge the Board of Directors to decide upon an increase in the registered capital under the conditions specified by law;
q) decide to acquire the Bank's shares into treasury in accordance with the applicable provisions of the Companies and Co-operatives Act;
r) decide upon elimination or restriction of the pre-emptive right to acquire convertible or priority bonds, elimination or restriction of the pre-emptive right to subscribe for new shares in accordance with the Companies and Co-operatives Act;
s) approve the acquisition or disposal of assets, when the law so requires;
t) decide upon appointment of the auditor to make the statutory audit or to verify other documents if such appointment is required by legal regulations;
u) convey principles and instructions to the Board of Directors of the Bank (with the exception of instructions regarding the business management of the Bank unless provided to the Board of Directors upon its request); and approve principles and convey instructions to the Supervisory Board (with the exception of instructions regarding the statutory duty to check the competence of the Board of Directors);
v) provide its consent regarding a contract for settlement of a loss caused by a breach of the duty of due care on the part of a member of a body of the Bank;
w) decide upon suspending the performance of the duties of a member of the Bank's elected body in the event of a conflict of interests pursuant to the Companies and Co-operatives Act, or prohibit a member of the Bank's elected body from entering into a contract not in the interest of the Bank or with a person or entity who is influential or controlling and/or with a person or entity who is controlled by the same controlling person or entity that is not in the interest of the Bank. This does not apply if the relevant person or entity with whom the Bank should conclude a contract is a person managing the Bank or another person or entity forming a group with the Bank;
x) decide that the amount of variable remuneration for persons whose work activities have a material impact on the risk profile of the Bank may be higher than the fixed remuneration component but not more than twice the fixed component of the remuneration;
y) approve the remuneration policy and report on remuneration of the members of the Board of Directors and the Supervisory Board;
z) approve material transactions with related parties in cases where required by Act No. 256/2004 Coll. on Capital Market Undertakings, as amended; and
za) decide on other issues which according to the generally binding legal regulation or the Articles of Association are entrusted to the competence of the General Meeting.

The results and information from the General Meeting are available on Komerční banka's website www.kb.cz.

Principle resolutions of Komerční banka's General Meeting held in 2023

The General Meeting convened on 20 March 2023 took place on 20 April 2023 and approved the annual financial statements and consolidated financial statements of Komerční banka for the year 2022.

The General Meeting approved distribution of the profit of Komerční banka, a.s., for the year 2022 in the amount of CZK 17,571,697,925.55 as follows:

Share in the profit to be distributed among shareholders
(dividends) CZK 11,482,776,289.20
Retained earnings CZK 6,088,921,636.35

The amount of the dividend per share is CZK 60.42 before taxation.

Furthermore, the General Meeting approved the Remuneration Report, and appointed the company Deloitte Audit s.r.o., having its registered office at Italská 2581/67, Vinohrady, 120 00 Prague 2, Company ID No. 49620592, as the external auditor of Komerční banka for 2023 and the company Deloitte Audit s.r.o. having its registered office at Digital Park II, Einsteinova 23, Bratislava 851 01, Company ID No. 31343414, as the auditor of KB's foreign registered branch in Slovakia.

The Bank has entered into no significant contracts which take effect, are altered, or terminate if the person or entity in control of the issuer changes as a consequence of a takeover bid. The Bank has entered into no contract with a member of its Board of Directors or any employee stipulating an obligation for the Bank to perform in the event that such person would cease to serve as a member of the Board of Directors or cease to be employed in connection with a takeover bid. The Bank has not established any programmes enabling the members of the Board of Directors and employees of the Bank to acquire the Bank's securities, options on these securities, or other rights thereto.

Information about special rules on the revision of the Bank's Articles of Association

According to the Bank's Articles of Association, decisions on amendments to the Articles of Association are within the powers of the General Meeting. Proposed resolutions for amendments to the Articles of Association and their justification are either provided in the notice of the General Meeting or the notice contains a brief and concise description and justification. The complete draft amendment to the Articles of Association is published together with the notice on the Bank's website. Proposed changes in the Articles of Association are available for shareholders' inspection at no charge at the Bank's headquarters for the period established for convening of the General Meeting. The Bank shall notify its shareholders of these rights in the notice of the General Meeting.

If a shareholder wishes to raise counter-proposals to the proposed changes to the Articles of Association at the General Meeting, the shareholder is obliged to deliver the written wording of such proposal or counter-proposal to the Bank no later than five business days prior to the day of the General Meeting. The Board of Directors shall notify its shareholders of the wording of the counter-proposal along with its viewpoint with regard to it in the manner specified for the convening of the General Meeting.

Decisions on changes in the Articles of Association are made by the General Meeting and carried by two-thirds of the votes of the attending shareholders upon a proposal of the Board of Directors, of the Supervisory Board, or of one or more shareholders in accordance with the Companies and Co-operatives Act and the Articles of Association. Decisions on changes in the Articles of Association must be recorded by notarial deed containing the approved text of the wording of changes in the Articles of Association. Komerční banka is obliged to report to the Czech National Bank its intention to make changes in the Articles of Association relating to those particulars which must be stated in the Articles of Association based on a requirement set forth by law.

Board of Directors

The Board of Directors is the governing body managing the Bank's activities. It is charged with business management, including to ensure the proper keeping of the Bank's accounting records, integrity of the accounting and financial reporting system, reliability of financial and operating control, as well as smooth conduct of activities and the Bank's operations on the financial market in compliance with the object and plan of its activities. The Board ensures consistent and effective implementation of the risk management, compliance, and internal audit functions. It further ensures the creation of a comprehensive and adequate management and control system, its compliance with legal regulations, and is responsible for its continuous functioning and effectiveness. During the year, the Board of Directors completes various educational programmes and trainings, for example in the areas of risk management, sustainability, anti-money laundering and preventing the financing of terrorism, international sanctions and ethics, and creating an inclusive working environment, including compliance with the Code of Conduct. The Board of Directors is also using these means to continuously expand its own expertise.

The Board of Directors ensures establishment and maintenance of the management and control system so as to ensure the adequacy of information and communication in conducting the Bank's operations.

The Board of Directors shall decide upon all matters concerning the Bank unless assigned to the competence of the General Meeting, the Supervisory Board, or the Audit Committee by law or by the Articles of Association. The Board of Directors consists of six members, natural persons, who satisfy the conditions established in legal regulations for serving as a member of the Bank's Board of Directors and who are elected for 4-year terms by an absolute majority of all Supervisory Board members at the recommendation of the Nominations Committee. The Nominations Committee ensures the trustworthiness, adequate professional qualifications, and experience of the members of the Board of Directors, and that the expertise of the members of the Board encompasses the requirements demanded of the Board of Directors as a whole for managing the Bank's activities. The professional qualifications, trustworthiness, and experience of the members of the Bank's Board of Directors are assessed by the Czech National Bank. The six-member Board of Directors currently consists of experts with many years of experience in various areas of the financial sector both in the Czech Republic and abroad. The Board of Directors is gender diverse and includes citizens of three countries.

In accordance with the requirement of the Czech National Bank, Komerční banka declares that the below members of the Board of Directors of Komerční banka have not in the past 5 years been convicted of any criminal offence and that no charges, accusations, or other sanctions have been brought against them by any regulatory body. No bankruptcy, receivership, or liquidation has been declared in relation to the stated persons during the past 5 years.

In relation to his or her work in the Bank, no person with executive power has any conflict of interests between the duties of a person with executive power in the Bank and that person's private interests or other duties. Didier Colin has concluded an employment contract with Société Générale S.A., and he was delegated to serve as a director of the Bank.

Method of acting in legal matters on the Bank's behalf

The Board of Directors, shall act on behalf of the Bank in all matters, either by all members of the Board of Directors jointly or by any two members jointly.

Composition of the Board of Directors in 2023

Jan Juchelka
Chairman of the Board of Directors
(since 3 August 2017 previously a member of the Board of Directors since 1 July 2006,
re-elected on 2 July 2010, membership terminated as of 31 July 2012, re-elected on 4 August 2021)

Didier Colin
Member of the Board of Directors
(since 1 October 2017 previously a member of the Board of Directors since 9 October 2004, re-elected on 10 October 2008, membership terminated as of 31 December 2010, re-elected on 2 October 2021)

David Formánek
Member of the Board of Directors
(since 1 August 2018, re-elected on 2 August 2022)

Jitka Haubová
Member of the Board of Directors
(since 4 June 2020)

Miroslav Hiršl
Member of the Board of Directors
(since 1 August 2018, re-elected on 2 August 2022)

Margus Simson
Member of the Board of Directors
(since 14 January 2019, re-elected with effect from 15 January 2023)

Jan Juchelka
A graduate of the Silesian University in Opava, he worked in the National Property Fund of the Czech Republic from 1995, and during 2002 to 2005 he was Chairman of its Executive Committee. From 1999 to 2006, he was a member of the Supervisory Board of Komerční banka. He joined Komerční banka in 2006, first as head of Prague's Corporate Banking Business Division and later that year he became a member of the Board of Directors responsible for managing Top Corporations and Investment Banking. From 2012, he worked in the Société Générale headquarters in Corporate and Investment Banking as Managing Director, Head of Coverage with responsibility for corporate clients in the Central and Eastern European Region, Middle East, and Africa. He also worked as Senior Banker for the Central and Eastern European Region. KB's Board of Directors elected Mr Juchelka as Chairman of the Board of Directors and Chief Executive Officer of Komerční banka with effect from 3 August 2017. Jan Juchelka is President of the Czech Banking Association, a member of CCEF (Conseiller du Commerce Exterieur de la France), Chairman of the Supervisory Board of Modrá pyramida, and, since January 2022, also Chairman of

the Management Board of the Nadace KB foundation. In 2020, he was also a member of the National Economic Council of the Government (NERV).

Didier Colin
A graduate in finance from Dauphine University in Paris and also City University of New York (MBA), he has many years' experience within Société Générale Group, where he started working during the early 1990s in the Inspection arm. In 2000, he was promoted to Deputy Country Manager and subsequently to Country Manager for Canada. From this position, he moved into Komerční banka in 2004 as Member of the Board of Directors responsible for Risk Management. In 2011, he became Director for the European Region; as part of this function, he supervised Société Générale's activities in the Central and Eastern European Region. From 2013, he was deputy to the CEO of BRD Romania responsible for managing the bank's risk management. With effect from 1 October 2017, he was elected by the Supervisory Board as a member of the Board of Directors of Komerční banka in charge of Risk Management. He also holds the position of Chief Compliance Officer.

David Formánek
A graduate of the University of Economics in Prague in the field of foreign trade economics. From 1993 to 2001, he worked within the branch of Deutsche Bank AG in Prague. Between 2001 and 2014, he worked at Komerční banka, first as Deputy Director and subsequently as Director of the Prague Business Division, then as Deputy Director for Human Resources and Executive Director for Human Resources. Between 2014 and 2018, he worked as CEO and Chairman of the Board of Directors of Modrá pyramida. Since August 2018, he has been a member of the Board of Directors of Komerční banka, responsible for corporate and investment banking.

Jitka Haubová
She graduated from the University of Economics in Prague, majoring in finance, studied at Galilee College in Israel, obtained a Certificate of Structural Funds Specialist from the European Commission, and is a certified international auditor for quality processes as well as a certified Python programmer. At the beginning of her career, she joined the government agency CzechTrade, where she also held the position of CEO. For several years she co-owned a family cafe. Jitka Haubová joined KB in 2006 in the Trade Finance Department. Since 2012, she has held various managerial roles in Corporate and Municipal Banking, which she managed for 4 years. Since 2020, she has been a member of the Board of Directors, responsible for the Bank's operations and innovation, i.e. for the management of client accounts and authorisations, the legal department, transaction processing, payments and support services. She is also responsible for the sustainability agenda and its co-ordination within KB. She chairs the Supervisory Board of KB's charity Nadace KB. She is regularly ranked among the best managers in the Czech Republic by the Economia publishing house and among the most influential women in FinTech by Forbes and Vogue. She has also been a finalist in the Manager of the Year competition for public service organised by the Czech Management Association and has been listed among the Faces of Sustainability by Cover Story. Since January 1, 2023, she has been President of the International Chamber of Commerce in the Czech Republic.

Miroslav Hiršl
A graduate from the University of Economics in Prague with a focus on foreign trade and banking and postgraduate studies at the Graduate School of Banking in Boulder, Colorado, United States of America. From 1996 to 2006, he worked in various positions within Komerční banka, first at a branch and a regional branch in Hradec Králové, then at a regional branch and at headquarters in Prague. From 2006 to 2014, he worked for Modrá pyramida, first as a director for business synergy, then as a member of the Board of Directors, Deputy Chief Executive Officer, Executive Director of Sales and Marketing, and finally as Deputy Chairman of the Board of Directors, First Deputy CEO, and Executive Director of Sales and Marketing. Between 2014 and 2018, he served as CEO and member of the Board of Directors of Société Générale Montenegro Bank, a.d. in Montenegro. Since August 2018, he has been a member of the Board of Directors of Komerční banka, responsible for retail banking.

Margus Simson
An economics graduate of Tallinn University of Technology Estonia. From 2000 to 2006, he worked as a director of the Web Environment Department at SEB. From 2006 to 2009, he was Director of Electronic Channels at Swedbank. From 2009 to 2013, he held various IT positions within Eesti Energia, the largest energy producer and supplier in Estonia. In 2014, he was Deputy Director of the Estonian Information Systems Authority Riigi infosüsteem Amet. From 2009 to 2017, he worked as a digital strategy expert and CEO at Ziraff, the largest digital services company in Estonia. From 2017 to 2019, he held the position of CDO and Digitalisation Director at Luminor Bank. Effective from 14 January 2019, he was elected a member of the Board of Directors of Komerční banka by the Supervisory Board with responsibility for information technology.

Concurrent membership of Board of Directors members in the bodies of other legal entities

Members	Position	Company
Jan JUCHELKA	Chairman of the Supervisory Board	Modrá pyramida stavební spořitelna
	Chairman of the Management Board	Nadace Komerční banky
	President	Česká bankovní asociace (Czech Banking Association)
	President [1]	Aliance pro bezemisní budoucnost (Alliance for an Emission-Free Future)
	Member	CCEF (Conseiller du Commerce Exterieur de la France)
David FORMÁNEK	Member of the Supervisory Board	ALD Automotive
	Member of the Supervisory Board	SG Equipment Finance Czech Republic
	Member of the Supervisory Board	ALD Automotive Slovakia
Jitka HAUBOVÁ	Member of the Supervisory Board	Modrá pyramida stavební spořitelna
	Chairwoman of the Supervisory Board	Nadace Komerční banky
	Chairwoman	International Chamber of Commerce in the Czech Republic (ICC Czech Republic)
Miroslav HIRŠL	Chairman of the Supervisory Board	KB Penzijní společnost
	Chairman of the Supervisory Board	ESSOX
	Member of the Supervisory Board	KB SmartSolutions
	Member of the Supervisory Board	Komerční pojišťovna
	Chairman of the Supervisory Board	ESSOX FINANCE, Slovakia
Margus SIMSON	Member of the Supervisory Board	Bankovní identita
	Chairman of the Supervisory Board	Teeme Ära Sihtasutus, Estonia

[1] Since 9 November 2023.

Activity report of the Board of Directors

The Board of Directors meets at its regular, periodic meetings, usually once every two weeks. Meetings are convened and presided over by the Chairman of the Board of Directors or, in his or her absence, by a member of the Board of Directors authorised to do so by the Board of Directors. Should it not be possible to hold a Board of Directors' meeting, a decision may be adopted by voting remotely in accordance with the Articles of Association.

In 2023, the Board of Directors met at 21 regular meetings and 2 extraordinary meetings. In lieu of holding a physical meeting, the Board of Directors voted remotely 8 times in accordance with the Bank's Articles of Association. The average attendance at Board meetings was 95.65% and the average participation in remote voting was 91.67%. Meetings lasted an average of 1 hour 10 minutes. The Board of Directors is able to pass a resolution if an absolute majority of the members of the Board of Directors attend the meeting. Resolutions of the Board of Directors shall be adopted by an absolute majority of those members of the Board of Directors present, with the exception that election of the Chairman of the Board of Directors must be by an absolute majority of all members of the Board of Directors.

Members	Position	Attendance*
Jan JUCHELKA	Chairman of the Board of Directors, Chief Executive Officer	97%
Didier COLIN	Member of the Board of Directors, Senior Executive Director, CRO & CCO	90%
David FORMÁNEK	Member of the Board of Directors, Senior Executive Director, Corporate and Investment Banking	94%
Jitka HAUBOVÁ	Member of the Board of Directors, Senior Executive Director and Chief Operations Officer	94%
Miroslav HIRŠL	Member of the Board of Directors, Senior Executive Director, Retail Banking	94%
Margus SIMSON	Member of the Board of Directors, Senior Executive Director and Chief Digital Officer	100%
Secretary: Petra LONGINOVÁ		
Average attendance at all meetings and remote voting combined:		95%
Average meeting length 1 hour 10 minutes		

* Average attendance at all meetings and remote voting combined.

In 2023, the Board of Directors examined KB Group's annual financial results for 2022, the consolidated and unconsolidated financial statements of the Bank as of 31 December 2022, and the notes thereon prepared in accordance with IFRS. These statements were submitted to the Supervisory Board for review and then to the General Meeting for approval. The Board of Directors discussed and subsequently submitted to the Audit Committee and the Supervisory Board its proposal for distribution of the 2022 profit, which had been discussed with the CNB. The General Meeting approved that proposal, as well.

The Board of Directors also discussed other proposals to be dealt with by the General Meeting, in particular the report on relations among related entities, the proposal for the appointment of an external auditor, and other matters falling within the competence of the General Meeting. It also approved the Bank's annual financial report for 2022 and the Bank's semi-annual report for 2023. It was also presented a contract with the external auditor and documents relating to the provision of non-audit services.

The Board of Directors regularly discussed the quarterly results of KB Group. It continuously dealt with assessing the Bank's capital adequacy and also approved the Internal Capital Adequacy Assessment Process (ICAAP), which is submitted to the Czech National Bank on the basis of CNB Decree No. 163/2014 Coll., on the performance of activities of banks, credit unions and investment firms, as amended. In this context, it also approved the ICAAP 2023 Semi-Annual Report, which was also submitted to the CNB. The Board of Directors approved the dividend policy for 2023 and submitted the proposal for distribution of the 2022 profit to the Audit Committee, the Supervisory Board, the CNB, and the General Meeting.

In addition, reports on the market situation, the development of structural risks for each quarter of the year, and KB Group's budget for 2023 were discussed. As part of its activity, the Board of Directors also regularly reviewed the risks in the area of risk management, it discussed reports on the development of market or capital risks and on the development of lending in the capital markets. It also approved lending powers and discussed and approved selected transactions within the scope of its powers. In the IT area, the Board approved the Cyber Security Strategy for 2023 to 2025 and, last but not least, it received a report on client complaints received and also dealt with reports on significant litigations.

During 2023, the Board of Directors optimised the functioning of its committees, with three new committees being launched and two existing committees being transferred to the perimeter of the Chief Risk Officer. Certain responsibilities of the Board of Directors were subsequently delegated to the newly established committees, particularly in the areas of risk management, compliance, and human resources.

Part of the compliance risk agenda was delegated to a Board-level Compliance Committee. The Board discussed the conclusions of this Committee, including its assessment of conflicts of interest, the annual MiFID report, as well as its reports on the system against money laundering and financing of terrorism and on implementing the Code of Conduct. Furthermore, the Board of Directors discussed new regulations that impact the Bank and must be applied, including their expected evolution in the next period. The Board of Directors also updated the list of employees identified as having work activities with material impact on the Bank's risk profile. In 2023, the Board of Directors also addressed the issue of recovery procedures in accordance with Directive 2014/59/EU, in its current wording, and Act 374/2015 Coll., as subsequently amended, and in this context, to meet regulatory requirements, it agreed to increase the Bank's Tier 2 capital through a subordinated loan from Société Générale.

In the area of internal audit, the Board of Directors discussed a number of documents. It discussed reports on the status of corrective actions in each period of 2023 and was regularly informed of all internal audit actions and of the management of corrective actions. These actions' proper implementation was given the utmost attention. The Board also considered the results of the risk mapping exercise, which served as the basis for preparing the Annual Internal Audit Plan for 2024 and the Strategic Plan for 2025–2028 and for their approval by the Board of Directors. This plan was then submitted to the Audit Committee and the Supervisory Board. Discussed, too, were the measures (and the status of their implementation) taken on the basis of findings contained in the Constructive Service Letter, which was prepared and submitted to the Board of Directors by the external auditor Deloitte Audit s.r.o. The Board of Directors assessed the overall functionality and effectiveness of the Bank's management and control system, concluding that the system is functional and effective, albeit with some areas for improvement. The Board of Directors also continued to consider the strategic direction of the Bank in the period ahead and took further steps as part of the ongoing KB 2025 strategy.

The Board of Directors discussed all matters falling within its scope of powers as the sole shareholder in exercising the powers of the General Meeting in KB Group's subsidiaries, such as approval of the financial statements, election and remuneration of members of their bodies, and appointment of the auditor. It also actively participated in decision-making activities within legal entities where the Bank does not hold 100% of the voting rights. The Board of Directors discussed increasing the Bank's stakes in some companies, agreed to increase the equity of Modrá pyramida stavební spořitelna, a.s., and further agreed to deepen co-operation with other banks in a shared ATM network.

As part of the search for a more efficient operating model for KB Group, the Board of Directors discussed with certain subsidiaries the possibility of taking over selected activities and discussed more efficient use of synergies within the KB Group. In several areas, agendas and staff were transferred. Similarly, the Board of Directors decided on several organisational changes to ensure that the structure of the various units corresponds to the needs of the Bank. At the same time, it was kept informed of the status of collective bargaining and entered into two amendments to the collective agreement with the trade union.

Last but not least, the Board of Directors closely monitored and discussed impacts of the still ongoing Russian aggression in Ukraine and the impacts of the energy crisis on the economy, and it was informed of repayments to the clients of Sberbank CZ, a.s. (under liquidation). At the same time, it was informed about issues discussed within the Czech Banking Association and current developments in the field of regulation and legal standards.

Committees established by the Board of Directors

The Board of Directors establishes specialised committees to which it delegates authority for making decisions in the various activity areas assigned to them. It authorises them to co-ordinate selected activities and to exchange information and opinions. The Board of Directors approves the charters of these committees, while their members are appointed by the CEO. These committees include the following:

Strategy and Executive Committee of the Board of Directors (SEC)
The Committee defines, decides, and monitors the Bank's business strategy and business activities, including pricing within business segments, except for Investment Banking. The Committee also decides on the Bank's transformation and future direction; expresses its opinions on the content of changes, their compliance with the Bank's strategy, and their interdependencies; and approves the amounts of financial and non-financial resources required for their implementation, including subsequent regular monitoring. Decisions are taken by the chairperson in accordance with the consensus of all participants.

Members	Position	Attendance*
Jan JUCHELKA	Chairman of the Board of Directors, Chief Executive Officer	100%
Didier COLIN	Member of the Board of Directors, Senior Executive Director, CRO & CCO	90%
David FORMÁNEK	Member of the Board of Directors, Senior Executive Director, Corporate and Investment Banking	100%
Jitka HAUBOVÁ	Member of the Board of Directors, Senior Executive Director and Chief Operations Officer	95%
Miroslav HIRŠL	Member of the Board of Directors, Senior Executive Director, Retail Banking	100%
Margus SIMSON	Member of the Board, Senior Executive Director and Chief Digital Officer	100%
Hana KOVÁŘOVÁ	Executive Director, Brand Strategy and Communication	86%
Ctirad LOLEK	Executive Director, Human Resources	90%
Jiří ŠPERL	Executive Director, Strategy and Finance	90%
Michal VYTISKA	Strategic Business Development Manager	90%
Secretary of the Committee: Petra LONGINOVÁ		
Average attendance at all meetings:		94%
Average meeting length 3 hours		

* Average attendance at meetings.

Assets and Liabilities Committee (ALCO)

The Assets and Liabilities Committee makes and proposes decisions regarding asset and liability management in the Bank. Each member of the Committee has one vote. If a consensus is not reached, the Committee acts based upon a simple majority of those members present.

Members	Position	Attendance*
Jiří ŠPERL	Executive Director, Strategy and Finance	100%
Marek DOTLAČIL	ALM Manager	100%
Tomáš FUCHS	Manager of Treasury	100%
Tomáš HOCHMEISTER	Executive Director, Investment Banking	80%
Tomáš KROUTIL	Manager of Market and Structural Risks	73%
Dalimil VYŠKOVSKÝ	Head of Trading	90%
Milan ŽIARAN	COO Risk Management	60%
Secretary of the Committee: Marek DOTLAČIL		
Average attendance at all meetings:		86%
Average meeting length 2 hours		

* Average attendance at meetings.

Credit Risk Management Committee (CRMC)

As of 1 July 2023, this is no longer a committee of the Board of Directors but a committee under the Chief Risk Officer.

Investment Banking New Product Committee (IB NPC)

The Investment Banking New Product Committee makes and proposes decisions on new investment banking products, depository services, custody, and investment products for private banking in accordance with its charter. Its activities include assessing the risks related to new or significantly altered products, establishing the conditions for launching products, and monitoring that these conditions are fulfilled. A consensus of all members is sought. If a consensus is not reached, the decision is made by the CEO.

Members	Position	Attendance*
Didier COLIN	Member of the Board of Directors, Senior Executive Director, CRO & CCO	100%
David FORMÁNEK	Member of the Board of Directors, Senior Executive Director, Corporate and Investment Banking	100%
Alan Johan COQ	Chief Operating Officer – Investment Banking / Chapter Lead of Product Owners – Markets Technology Tribe	100%
Ida BALUSKOVÁ	Manager of Accounting and Reporting	100%
Jiří ČABRADA	Manager of Credit Risk Assessment	100%
Tomáš DOLEŽAL	Manager of Compliance	100%
Jakub DOSTÁLEK	Manager of Tax	100%
Marek DOTLAČIL	Manager of ALM	100%
Tomáš FUCHS	Manager of Treasury	100%
Tomáš HORA	Head of Legal – Investment Products	100%
Roch POLETTI	Management Accounting Manager	100%
Tomáš KROUTIL	Manager of Market and Structural Risks	100%
Dušan PAMĚTICKÝ	Operational Risk Manager	100%
Ivana OPOVÁ	Head of Steering and Quality	100%
Secretary of the Committee: Hana KUČEROVÁ		
Average attendance at all meetings:		100%
Average meeting length 1 hour		

* Average attendance at meetings.

Corporate and Retail Banking New Product Committee (CRB NPC)

The Corporate and Retail Banking New Product Committee makes and proposes decisions on new products other than investment banking products in accordance with its charter. Its activities include assessing the risks related to new or significantly altered products, establishing the conditions for launching products, and monitoring that these conditions are met. A consensus of all members is sought. If a consensus is not reached, the decision is made by the Chief Executive Officer.

Members	Position	Attendance*
Didier COLIN	Member of the Board of Directors, Senior Executive Director, CRO & CCO	100%
Jitka HAUBOVÁ	Member of the Board of Directors, Senior Executive Director and Chief Operations Officer	100%
Martin BERDYCH	Legal Services Manager	100%
Lukáš FRIDRICH	Retail Segment Tribe leader	100%
Tomáš CHOUTKA	Head of Regulatory Compliance	100%
Thomas JARSAILLON to 07/2023	Management Accounting Manager	100%
Jiří OBRUČA	Enterprise Architect	100%
Ivana OPOVÁ	Head of Steering and Quality	100%
Dušan PAMĚTICKÝ	Operational Risk Manager	100%
Pavel POLÁK	Head of Security Center of Expertise, CISO	100%
Roch POLETTI from 08/2023	Management Accounting Manager	100%
Jan SEIFERT	Fraud Prevention and Detection Manager	100%
Blanka SVOBODOVÁ	Corporate Segment Tribe leader	100%
Petr ŠNAJDR	Data Engineer	100%
Petr TROJEK	Supervision and Measurement Manager	100%
Marek VOSÁTKA	Executive Director, Retail Banking	100%
Secretary of the Committee: Marcela KRÁLOVÁ		
Average attendance at all meetings:		100%
Average meeting length 1 hour		

* Average attendance at meetings.

Operational Risk Committee (ORC)

As of 1 July 2023, this is no longer a committee of the Board of Directors but a committee under the Chief Risk Officer.

Compliance Committee (ComCo)

The Compliance Committee reviews normative procedures related to compliance risks, as well as proposals and recommendations falling within the compliance risk area. The Committee discusses current compliance risks, legal and regulatory changes (inclusive of future legislation), including with respect to their operational and business implications, as well as material failures in internal processes, non-compliance with regulations, and the results of supervisory findings. Decisions are taken by the Committee's chair based upon the consensus of all participants. The Committee became a standing committee of the Board of Directors on 4 September 2023.

Members	Position	Attendance*
Jan JUCHELKA	Chairman of the Board of Directors, Chief Executive Officer	100%
Didier COLIN	Member of the Board of Directors, Senior Executive Director, CRO & CCO	100%
David FORMÁNEK	Member of the Board of Directors, Senior Executive Director, Corporate and Investment Banking	100%
Jitka HAUBOVÁ	Member of the Board of Directors, Senior Executive Director and Chief Operations Officer	100%
Miroslav HIRŠL	Member of the Board of Directors, Senior Executive Director, Retail Banking	100%
Margus SIMSON	Member of the Board, Senior Executive Director and Chief Digital Officer	100%
Alexandra MAZIERES	SG CPL representative	100%
Vincent SOULIGNAC	SG CPL representative	100%
Secretary of the Committee: Tomáš DOLEŽAL		
Average attendance at all meetings:		100%
Average meeting length 0.5 hours		

* Average attendance at meetings.

Enterprise Risk Committee (ERC)

The Enterprise Risk Committee ensures the management and reporting of key transversal processes for the management of financial and non-financial risks within KB Group. The Committee considers, amongst other things, the business risk strategy and the Bank's risk appetite documents – the Risk Appetite Statement and the Risk Appetite Framework. Decisions are taken by the Committee's chair based upon the consensus of all participants. The Committee was established as of 31 March 2023.

Members	Position	Attendance*
Jan JUCHELKA	Chairman of the Board of Directors, Chief Executive Officer	100%
Didier COLIN	Member of the Board of Directors, Senior Executive Director, CRO & CCO	100%
David FORMÁNEK	Member of the Board of Directors, Senior Executive Director, Corporate and Investment Banking	100%
Jitka HAUBOVÁ	Member of the Board of Directors, Senior Executive Director and Chief Operations Officer	100%
Miroslav HIRŠL	Member of the Board of Directors, Senior Executive Director, Retail Banking	100%
Margus SIMSON	Member of the Board, Senior Executive Director and Chief Digital Officer	100%
Philippe BRUN	SG RISQ representative	25%
Secretary of the Committee: Milan ŽIARAN		
Average attendance at all meetings:		89%
Average meeting length 0.5 hours		

* Average attendance at meetings.

Human Resources Committee of KB Group (HRCO)
The Human Resources Committee of KB Group ensures the management and reporting of key transversal processes for the area of human resources within KB Group. Decisions are taken by the Committee's chair based upon consensus of all participants. The Committee was established as of 19 June 2023.

Members	Position	Attendance*
Jan JUCHELKA	Chairman of the Board of Directors, Chief Executive Officer	100%
Didier COLIN	Member of the Board of Directors, Senior Executive Director, CRO & CCO	100%
David FORMÁNEK	Member of the Board of Directors, Senior Executive Director, Corporate and Investment Banking	100%
Jitka HAUBOVÁ	Member of the Board of Directors, Senior Executive Director and Chief Operations Officer	100%
Miroslav HIRŠL	Member of the Board of Directors, Senior Executive Director, Retail Banking	100%
Margus SIMSON	Member of the Board of Directors, Senior Executive Director and Chief Digital Officer	100%
Hana KOVÁŘOVÁ	Executive Director, Brand Strategy and Communication	100%
Ctirad LOLEK	Executive Director, Human Resources	100%
Jiří ŠPERL	Executive Director, Strategy and Finance	100%
Michal VYTISKA	Strategic Business Development Manager	100%
Secretary of the Committee: Veronika BENDOVÁ		
Average attendance at all meetings:		100%
Average meeting length 1.25 hour		

* Average attendance at meetings.

Information about special rules for the election and removal of members of the Board of Directors

Members of Komerční banka's Board of Directors are elected by the Supervisory Board upon nomination by its Nominations Committee. A nominee must receive an absolute majority of votes of all Supervisory Board members. Members of the Board of Directors are elected to terms of 4 years. Only persons fulfilling the conditions for serving as a member of a Board of Directors as specified by the Civil Code, Companies and Co-operatives Act, and Banking Act may become members of the Board of Directors. The Nominations Committee ensures the trustworthiness, adequate professional qualifications, and experience of the members of the Board of Directors. The Nominations Committee also assesses the balance of competences and experience as well as diversity in the Board's overall composition. The professional qualifications, trustworthiness, and experience of the members of the Board of Directors are assessed by the Czech National Bank.

A member of the Board of Directors may be removed at any time during the 4-year term without giving a reason. The Supervisory Board can decide at any time to remove a member of the Board of Directors. Such decision is carried if approved by an absolute majority of all of its members. The Supervisory Board's decision is based on a proposal from the Nominations Committee.

Information about special competences of he Board of Directors

The Board of Directors of Komerční banka is the governing body that decides upon all matters concerning the Bank with the exception of those matters falling within the powers of the General Meeting or of the Supervisory Board.

It is within the Board of Directors' exclusive competences to:

a) convene the General Meeting and implement its resolutions;
b) submit to the General Meeting for its approval the annual, extraordinary, and consolidated financial statements or the interim financial statements if the law requires its approval by the supreme body, as well as a proposal for the distribution of profit (which must be available to the shareholders for inspection at least 30 days prior to the date of the General Meeting) and other own resources, including a proposal for coverage of a loss;
c) submit to the General Meeting proposals for amendments to and changes of the Articles of Association as well as proposals for increasing or decreasing the Bank's registered capital;
d) submit to the General Meeting the annual report;
e) decide upon granting and revoking special business power of attorney;
f) decide upon the appointment, removal, and remuneration of selected managers of the Bank;
g) approve acts in connection with the realisation of security instruments for the Bank's claims whose price exceeded CZK 100,000,000 as of the date of a claim's origin if the presumed realisation price thereof is lower than 50% of the security instrument's price ascertained upon entering into the loan agreement;
h) submit to the Supervisory Board for its information quarterly and half-yearly financial statements;

i) decide upon acts which are beyond the scope of the Bank's usual business relationships;
j) define and periodically evaluate the Bank's overall strategy, including the setting of the principles and targets for its fulfilment and ensuring the continued and effective operation of the internal control system;
k) approve the Bank's annual plans and budgets;
l) enter into a contract with an auditor for performing the statutory audit or, as the case may be, for the provision of additional services;
m) inform the Supervisory Board of the General Meeting date no later than within the period specified by the Companies and Co-operatives Act for the General Meeting to be convened;
n) decide upon the issue of bonds of the Bank with the exception of decisions on the issue of bonds for which the decision of the General Meeting is required by law;
o) decide upon an increase in the registered capital if so authorised by the General Meeting;
p) enter into collective agreements;
q) decide upon providing loans or securing debts to persons or entities having a special relationship to the Bank pursuant to the Banking Act;
r) approve the charter and subject of the risk management functions, compliance functions, and internal audit functions, as well as the strategic and periodic plan of internal audit;
s) decide about paying out a share in profit and other own resources based upon fulfilment of conditions established by generally binding legal regulations;
t) approve and regularly evaluate the security principles of the Bank, including the security principles for information systems;
u) decide upon establishing other funds and the rules governing the creation and usage thereof;
v) prepare the report on relations among related entities pursuant to the Companies and Co-operatives Act;
w) approve and regularly evaluate the Bank's organisational structure so that it is functional and efficient, including segregation of duties and preventing potential conflicts of interest;
x) approve the principles of the personnel and remuneration policy;
y) evaluate the overall functioning and effectiveness of the management and control system at least once annually;
z) approve and regularly evaluate the risk management strategy, the strategy relating to the capital and to capital ratios, the strategy for the information and communication system's development, and the strategy for human resources management;
za) approve and regularly evaluate the principles of the internal control system, including principles aiming to prevent the occurrence of any possible conflict of interest and principles related to compliance and internal audit and security policies;
zb) discuss the audit report with the auditor;
zc) after discussing with the trade unions operating in the Bank, to approve the Bank's voting rules governing the manner and rules for the election and dismissal of members of the Supervisory Board elected by employees of the Bank; and
zd) declare and organise elections and dismissal of members of the Supervisory Board elected by employees of the Bank and inform the Supervisory Board of the results of these elections.

In addition to the aforementioned, the Board of Directors shall in particular:

a) manage the activities of the Bank and conduct its business affairs;
b) ensure proper conduct of the Bank's accounting, including the proper administrative and accounting processes;
c) exercise employer's rights;
d) exercise rights in respect to the Bank's property interests flowing from the Bank's ownership holdings;
e) approve the acquisition or disposal of the Bank's fixed assets exceeding CZK 30,000,000 in value as a single case or as a total of related cases; and
f) approve the business continuity plan.

The Board of Directors was not instructed to make a decision on increasing the registered capital. Based on the consent of the General Meeting held on 20 April 2022, Komerční banka was authorised to acquire its ordinary shares into treasury.

Organisational chart of Komerční banka
(as of 31 December 2023)

- **Chairman of the Board and Chief Executive Officer** – Jan Juchelka
  - **Human Resources**
  - **Internal Audit**
  - **Strategy and Finance**
    - **Finance Services Tribe**
  - **Brand Strategy and Communication**
  - **Strategic Business Development**
  - **Board Member and Senior Executive Director, Chief Digital Officer (CDO)** – Margus Simson
    - Software Delivery Lifecycle Center of Expertise
    - Operations Center of Expertise
    - Security Center of Expertise
    - Enterprise & Solution Architecture Center of Expertise
    - Infrastructure Services Tribe
    - Enterprise Services Tribe
    - Platform Services Tribe
    - Data Platforms Tribe
    - Current Channels Tribe
    - Simplification Center of Expertise
    - Agile Center of Expertise
    - Data Center of Expertise
  - **Board Member and Senior Executive Director, Chief Operations Officer (COO)** – Jitka Haubová
    - Transaction and Payment Services
    - Payment Methods Tribe
    - Customer Tribe
    - Support Services & Facility Management
    - Legal
  - **Board Member and Senior Executive Director, Retail Banking** – Miroslav Hiršl
    - Retail Banking
    - Retail Segment Tribe
    - Omnichannel Sales Tribe
    - Consumer Financing Tribe
    - Housing Tribe
    - Securing Life Projects Tribe
    - Credit Portfolio Management
  - **Board Member and Senior Executive Director, Corporate and Investment Banking (CIB)** – David Formánek
    - Investment Banking
    - Global Banking
    - Corporate and Municipal Banking
    - Corporate Strategy and Financing Tribe
    - Markets Technology Tribe
    - Branch of Foreign Bank
    - Global Transaction Banking
  - **Board Member, Senior Executive Director, CRO & CCO** – Didier Colin
    - Risk Management
    - Risk Services Tribe
    - Compliance
    - Fraud Detection and Prevention

Selected departments on the third management level.

Supervisory Board

The Supervisory Board is the supervisory authority of the Bank. It oversees exercise of the Board of Directors' powers, the Bank's activities, and the effectiveness and efficiency of the Bank's management and control system as a whole. The Supervisory Board consists of nine members, who are individuals meeting the statutory requirements for becoming a member of the Bank's Supervisory Board. Two-thirds of the Supervisory Board members are elected and removed by the General Meeting, one-third of the Supervisory Board members are elected and removed by the Bank's employees. A member of the Supervisory Board's term of office is 4 years. A member of the Supervisory Board elected by the General Meeting may be removed by the General Meeting at any time during the 4-year term of office. A proposal for the election or removal of individual Supervisory Board members is submitted to the General Meeting by the Nominations Committee, which assesses the qualifications based on the required profile of requirements for a Supervisory Board member. The Supervisory Board must be composed of members who have in-depth expertise in the areas of banking, financial services, and financial markets, including the domestic market and key global markets; knowledge of the Bank's relevant clients and market expectations, risk management (financial and non-financial risk management and control, capital and liquidity management, risk management strategy), accounting and auditing of financial statements; knowledge of environmental, social and governance (ESG) aspects, as well as corporate and social responsibility (CSR), including reporting, tax, internal audit, anti-money laundering and prevention of terrorist financing, strategic planning, digitalisation, IT systems and IT security; as well as knowledge of the regulatory framework and legal regulations, in particular those relevant to the Bank.

In accordance with Czech National Bank requirements, Komerční banka declares that the members of its Supervisory Board stated below have not in the past 5 years been convicted of any criminal offence and that no charges, accusations, or other sanctions have been filed against them by any regulatory authority. No bankruptcy, receivership, or liquidation was declared in relation to these individuals in the past 5 years.

Composition of the Supervisory Board

Delphine Garcin-Meunier (from 2024)
Chairwoman of the Supervisory Board since 1 February 2024
(appointed as a substitute member from 1 February 2024)

Petra Wendelová
Vice-Chair of the Supervisory Board since 3 May 2021
Independent member of the Supervisory Board
(elected from 25 April 2019 and re-elected from 26 April 2023)

Cécile Camilli
Member of the Supervisory Board (member until 21 April 2023; appointed as a substitute member from 15 January 2019; elected from 25 April 2019)

Marie Doucet
Independent member of the Supervisory Board
(elected from 21 April 2023)

Petr Dvořák
Independent member of the Supervisory Board
(elected from 2 June 2017, re-elected from 3 June 2021)

Alvaro Huete Gomez
Member of the Supervisory Board
(elected from 3 May 2021)

Miroslav Hájek
Member of the Supervisory Board, employee representative
(elected from 15 January 2023)

Ondřej Kudrna
Member of the Supervisory Board, employee representative
(elected from 14 January 2019, re-elected from 15 January 2023)

Sylva Kynychová
Member of the Supervisory Board, employee representative
(elected from 14 January 2019, re-elected from 15 January 2023)

Vojtěch Šmajer
Member of the Supervisory Board, employee representative
(member until 14 January 2023)

Jarmila Špůrová
Member of the Supervisory Board
(elected from 21 April 2021)

Giovanni Luca Soma
Chairman of the Supervisory Board since 3 May 2021 (Chairman and member until 30 January 2024
(elected from 1 May 2013 and re-elected from 2 May 2017 and from 3 May 2021)

Delphine Garcin-Meunier
Delphine Garcin-Meunier holds a Master's degree in International Finance from HEC and a DEA in Econometrics from the University of Paris 1 Panthéon-Sorbonne. She began her career in 2000 at ABN Amro Rothschild in the Equity Capital Markets teams. In 2001, she joined the Equity Capital Markets department of Société Générale Corporate and Investment Banking (SG CIB) where for 13 years she was in charge of the origination and execution of primary issues on the equity and equity-linked markets for a portfolio of large companies. In 2014, she joined the Strategy Department within the Finance and Development division, with a particular focus on French Retail Banking, Transaction Banking activities, the relationship model of the corporate & investment banking business, securities services and asset management. In 2017, she became Head of Financial Communication and Investor Relations for the SG Group and notably prepared the presentation of the "Transform to Grow" strategic plan to the financial markets. She was previously Head of Group Strategy from November 2020, and is Head of Mobility and International Retail Banking & Financial Services and a member of the Group Executive Committee, having been appointed in 24 May 2023.

Petra Wendelová
She graduated from the University of Economics in Prague, where she earned the title Ing. in economic statistics and a CSc. in economic sciences. From 1984 to 1990, she worked as an internal candidate and assistant professor at the Department of Statistics of the University of Economics in Prague. From 1990

to 1992, she was a member of the Board of Directors and Vice President of HC&C (privatisation fund administration). From 1992 to 1994, she worked as a member of the Board of Directors and President of HBS, a. s. (securities dealer, member of the Prague Stock Exchange). From 1995 to 2000, she served as Vice President of the multinational investment bank Credit Suisse First Boston, where she also dealt with the area of risk management. From 1996 to 2001, she was a member of the Prague Stock Exchange Chamber. From 2001 to 2005, she was a member of the Supervisory Board of the Prague Stock Exchange. From 2002 to 2005, she worked as a member of the Supervisory Board of UNIVYC (Central Securities Depository). Between 2000 and 2014, she was a partner at Ernst & Young (Ernst & Young s.r.o., EY Valuations s.r.o., expert institute), as well as managing director of the expert institute and a leading partner in the area of mergers and acquisitions. She is currently a member of the Supervisory Board of the multinational company LINET Group SE.

Cécile Camilli
A graduate of Paris IX-Dauphine, where she earned a bachelor's degree in business management, and City University of New York, where she earned an MA in business administration in finance. From 1998 to 1999, she worked for the Bondholder Communication Group in New York. Since 1999, she has held various positions within Société Générale (Global Banking & Investor Solutions). Between 1999 and 2001, she worked as an associate banker for a group of European and Asian companies in New York. Between 2002 and 2004, she served as Vice President of Loan Sales in Paris. From 2005 to 2007, she worked as Head of the Credit Syndicate for Central and Eastern Europe, the Middle East and Africa (CEEMEA) in Paris. From 2007 to 2010, she was Head of Loan Sales for Corporate and Structured Finance in London. Between 2010 and 2013, she was Director of Debt Capital Markets for CEEMEA in London. From 2013 to 2019, she was Managing Director and Head of Debt Capital Markets for CEEMEA in London / Paris.

Marie Doucet
A graduate in accounting, between 1980 and 1990, she occupied a succession of positions in audit and accounting firms (notably auditor at Ernst & Young and director of the auditing department of Groupe Alpha). In 1991, she started her career at Société Générale Group in the Financial Markets department in Paris. She has held various positions within the Group: From 1993 to 1999, she worked as Back Office manager, moving on to deputy director within the securities division of the Société Générale Group, Nantes-Paris. In 2000, she became Chief Financial Officer of Hubsys, London. During 2001 and 2002, she worked at the Finance Department of Komerční banka, Prague. Between 2002 and 2004, she served as Deputy Chief Financial Officer for the International Retail Banking division of Société Générale Group. From 2005 to 2008, she served as Chief Financial Officer of the ECS Group – at the time, a subsidiary of Société Générale Group. Between 2008 and 2013, she served as Director of Accounting Affairs, Société Générale Group (Paris). Her last position, between 2013 and 2017, was Director of Human Resources and Head of Nantes regional office, which hosts Société Générale Securities Services. In 2019, she retired, and since 2021 she has been an Independent Director of Société Générale Luxembourg.

Petr Dvořák
A graduate of the University of Economics in Prague (VŠE), where he completed his PhD in 2003 and was named associate professor of finance in 2005. He has been active at VŠE throughout his entire professional career, in 1984–1990 within the Finance and Credit Department, and from 1990 to the present within the Banking and Insurance Department, which he headed during 1994–1998. During 2006–2014, he was also Dean of the Faculty of Finance and Accounting, and, since 2014, he was Vice Rector for Academic Affairs. On 8 November 2021, the Academic Senate elected Mr Dvořák Rector of VŠE with effect from 1 April 2022. He is a member of several scientific and editorial boards and an author of numerous publications.

Miroslav Hájek
A graduate of the University of Western Bohemia in Pilsen with a major in law and legal science. His university studies were preceded by studies at the Business Academy in Mariánské Lázně, where he specialised in economics and accounting, and a 5-year employment with British American Tobacco. After completing his master's degree in 2009, he spent 4 years as a trainee enforcement agent at the Prague–East Enforcement Agent's Office, where he gained practical legal and managerial experience. Since 2013, he has been working at Komerční banka as a lawyer; his work includes representing the Bank in various types of court proceedings (such as trial, insolvency, criminal, and probate proceedings), providing legal support to the Bank's employees and, last but not least, managing an entrusted portfolio of defaulting clients.

Alvaro Huete Gomez
A graduate from Colegio Universitario de Estudios Financieros (CUNEF) with a bachelor's degree in economics and from Instituto de Estudios Superiores de la Empresa (IESE) with a master's degree in business administration. From 1987 to 1994, he worked for Banco de Progreso – Banco Urquijo. From 1994 to 1996, he held the position of Director of Investment Banking for Iberia at Nomura España. Subsequently, in 1996 and 1997, he served as Director of the Corporate Finance Group at Nomura in London. In 1997, he joined Société Générale. From 1997 to 2006, he worked for Société Générale Corporate and Investment Banking in Madrid, first as Director of Structured Finance, then as Head of Corporate Banking for Iberia and Co-Head of Debt Capital Markets and Structured Finance. From 2007 to 2019, he worked for Société Générale Corporate and Investment Banking in London, first as Deputy Global Head for Debt Syndicates, then as Co-Head of Global Syndicate, and finally as Global Head of Debt Syndicates. In 2015, he was appointed Deputy Global Head of Global Financing and in 2019 he moved to Paris after being appointed Deputy Global Head of Global Banking and Advisory. He has been a member of SG's Group Management Committee since 2016.

Ondřej Kudrna
A graduate of the SOVA Lobkovice Business Academy, branch of economics and accounting. After graduating from secondary school and completing military service, he joined Komerční banka in 2000 as a processing specialist, then a trader, and bank advisor for Small Business. In these positions, he learned all

activities and skills in the area of communication with customers and products of Komerční banka. In May 2006, he accepted the offer to be manager of the Roztoky branch, where he was responsible for the training and development of new colleagues, including the promotion of a new business location. In May 2007, he accepted another challenge and became manager of the Neratovice branch, where he is responsible for development of subordinates, business and financial results of the entrusted team, and compliance with the procedures of the cash and sales department. He currently holds the position in Komerční banka of Branch Manager. He has been a member of the Trade Union of Komerční banka since joining KB.

Sylva Kynychová
A graduate of the Banking Institute College of Banking, majoring in Banking Management and MBA studies at Edu Effective Business School, USA. She joined KB in 1990 at the Wenceslas Square branch, where she worked in various sales and managerial positions. In 2004, she moved to KB head office, where she dealt with both project and operational–administrative activities in the area of product and service implementation into banking systems. Since 2012, she has held senior positions in TPS - Operations Services, where she first specialised in KBI (core banking system), and since 2015 also in support of payments and prevention of payment fraud. Since April 2018, she has been involved in the administration of products and systems and in the agenda of mortgage bond coverage, currently the Enterprise Service Tribe. She has been a member of the trade union since joining KB, and since April 2018 she has been partially released from her employment duties to serve as chairwoman of the Trade Union KB Union Committee, chairwoman of the basic trade union CKB Prague, and a member and vice-chair of the Trade Union of Financial and Insurance Workers. Since February 2019, she has been a member of the Supervisory Board of the Branch Health Insurance Company for employees of banks, insurance companies, and the construction industry.

Vojtěch Šmajer
A graduate of the Faculty of Law and the Faculty of Economics and Administration of Masaryk University in Brno (majoring in Finance). Before joining Komerční banka, he worked in sales positions at Sberbank CZ, a.s. and in BNP Paribas Personal Finance, S.A. Since 2015, he has been working at Komerční banka, first as an investment specialist and since August 2018 as a bank advisor for very wealthy clientele at a branch in Brno. Since 2018, he is also chairman of the basic organisation Brno-venkov and a member of the group for collective bargaining with the employer. Since June 2022, he has been Chairman of the Société Générale European Works Council.

Jarmila Špůrová
A graduate of the University of Economics in Prague, with a CEMS Master from the Community of European Management Schools and a Master in Public Administration from the Ecole Nationale d'Administration in France. During 2002–2004, she worked as CEO Office Manager and Secretary of the Board of Directors of Komerční banka within the Société Générale Group in Prague. From 2004 to 2008, she worked as a project manager for business development at the Société Générale Group's international banking headquarters in Paris. During 2008, she worked as director of the integration project within the Human Resources Department of Société Générale (Paris, Moscow). In 2009, she served as Deputy Director of Corporate Banking and Director of Retail Banking at Société Générale France, Business Distribution Networks, Paris-Bercy. During 2010–2012, she worked as the Corporate Banking Director of Société Générale Cameroon (Douala, Cameroon) and from 2013 to 2017 as Deputy General Manager and Corporate Banking Director of Société Générale French Antilles / Guyana. In 2017, she became CEO of SG Equipment Finance Iberia, EFC, S.A., in Spain and in 2020 Executive Director for the Western Europe Hub. In 2022, she was reappointed as a member of the SGEF Executive Committee and became a member of the SG Leasing Board. In 2023, she was elected Head of SGEF Italy.

Giovanni Luca Soma
An MBA graduate of the University of Turin, Italy, and a graduate of LUISS University with a degree in business economics, he also holds qualifications to work as a certified auditor and certified public accountant. From 1984 to 1989, he was the manager of Arthur Young Consulting in Rome, Italy. From 1989 to 1994, he worked with Deloitte & Touche Consulting in Milan, Italy. During 1994–1997, he served as Sales and International Services Director of Hyperion Software Inc. Between 1997 and 1998, he served as managing director of GE Capital Insurance and subsequently, during 1998–1999, as Corporate Sales Director for Italy in GE Capital. From 1999 to 2000, he served as CEO of Dial Italia (Barclays Group). During 2000–2005, he served as CEO of ALD Automotive Italy; 2005–2007 as Chairman of ANIASA, the Italian Association of Automotive Leasing and Services Providers; 2006–2008 as Group Regional Director and Deputy CEO of ALD International Paris; and 2008–2011 as CEO of ALD International Paris in France. In these positions he also gained knowledge in the field of risk management. Between December 2012 and September 2013, he was Deputy Head of the International Retail Banking Department and became a member of the Group Management Committee of Société Générale. He served as CEO of SG Consumer Finance, France (from 2010) and Deputy Head of IBFS, International Banking and Financial Services (from December 2012). From October 2017 until October 2023, he was manager of the Europe Business Division within SG International Retail Banking.

Concurrent membership of members of the Supervisory Board in bodies of other legal entities

Members	Position	Company
Delphine GARCIN-MEUNIER (since 1 February 2024)	Member of the Supervisory Board	SG Algeria, Algeria
	Member of the Board of Directors	ALD, France
	Member of the Board of Directors	Sogecap, France
	Member of the Board of Directors	BRD – GROUPE SOCIÉTÉ GÉNÉRALE SA, Romania
Giovanni Luca SOMA	Chairman of the Board of Directors [1]	BRD – GROUPE SOCIÉTÉ GÉNÉRALE SA, Romania
	Chairman of the Board of Directors	COMPAGNIE GENERALE DE LOCATION D'EQUIPEMENTS CGL, Italy
	Chairman [2] and a member of the Board of Directors	FIDITALIA S.P.A, Italy
	Chairman of the Supervisory Board	Hanseatic Bank GmbH & Co KG, Germany
	Member of the Board of Directors	ALD AUTOMOTIVE ITALIA, Italy
Petra WENDELOVÁ	Member of the Supervisory Board	LINET Group SE, the Netherlands
	Member of the Supervisory Board	Nadace Národní galerie v Praze
	Member of the Board of Directors	Spolek historie Suchdola
Marie DOUCET	Member of the Board of Directors	Société Générale Luxembourg, Luxembourg
Petr DVOŘÁK	Chairman of the Audit Committee	Modrá pyramida stavební spořitelna
Jarmila ŠPŮROVÁ	Managing Director	SG EQUIPMENT FINANCE IBERIA, E.F.C, S.A.U, Spain
	Member of the Board of Directors	SG LEASING SPA, Italy
	Chairwoman of the Board of Directors [3]	SG EQUIPMENT FINANCE ITALY S.P.A., Italy
Sylva KYNYCHOVÁ	Member of the Supervisory Board	Oborová zdravotní pojišťovna zaměstnanců bank, pojišťoven a stavebnictví

[1] Until 7 December 2023.
[2] Chairman until 15 December 2023.
[3] Since 28 April 2023.

Activity report of the Supervisory Board

Regular meetings of the Supervisory Board shall be held once per calendar quarter and with the possibility of remote voting. A quorum of the Supervisory Board shall be constituted if at least five members of the Supervisory Board are present at the meeting. Resolutions of the Supervisory Board are adopted by an absolute majority of all its members.

In 2023, the Supervisory Board held five regular meetings and one remote vote in lieu of a physical meeting in accordance with the Bank's Articles of Association.

Members	Attendance*
Giovanni Luca SOMA	100%
Petra WENDELOVÁ	100%
Cécilie CAMILLI [1]	33%
Marie DOUCET [2]	100%
Petr DVOŘÁK	100%
Miroslav HÁJEK [3]	100%
Alvaro HUETE GOMEZ	67%
Ondřej KUDRNA	100%
Sylva KYNYCHOVÁ	100%
Vojtěch ŠMAJER [4]	n/a
Jarmila ŠPŮROVÁ	83%
Average attendance at all meetings and remote voting combined:	91%

* Average attendance at all meetings and remote voting combined.
[1] Until 21 April 2023.
[2] Since 21 April 2023.
[3] Since 15 January 2023.
[4] Until 14 January 2023.

The Supervisory Board examined the Bank's financial statements as of 31 December 2022 (annual and consolidated), which had been prepared in accordance with International Financial Reporting Standards, and recommended that the General Meeting approve both sets of financial statements as proposed by the Bank's Board of Directors. The Supervisory Board also examined the Board of Directors' proposal for the distribution of net profit for the financial year 2022 and recommended that the General Meeting approve that proposal. Furthermore, the Supervisory Board checked the Report on Relations among Related Entities for 2022, drawn up in accordance with the provisions of Section 82 et seq. of Act No. 90/2012 Coll., the Companies and Co-operatives Act, as amended. On the basis of the presented documents, the Supervisory Board stated that during the accounting period from 1 January 2022 to 31 December 2022 the Bank did not suffer any harm resulting from any contracts, agreements, other legal acts made or adopted by the Bank or from any influence otherwise exerted by Société Générale. At the same time, based on the recommendation of the Audit Committee, the Supervisory Board agreed to submit the nomination of Deloitte Audit s.r.o. as the Bank's external auditor for 2023 to the General Meeting for approval.

In 2023, the Supervisory Board was kept informed of the Bank's activities and was provided with regular reports and analyses. In particular, the Supervisory Board evaluated the functionality and effectiveness of the Bank's internal control system, concluding that the internal control system is functional and effective, albeit with some areas where there is room for improvement. It also considered the 2022 Annual Assessment Report on KB's system aimed at countering money laundering and the financing of terrorism. KB Group's budget for 2023 was submitted to the Supervisory Board for discussion. The Supervisory Board discussed the remuneration of the members of the Board of

Directors and decided on the amount of the bonus, the payment of which is subject to the deferred bonus principles (scheme). The Supervisory Board set the performance criteria for the members of the Board of Directors for 2023 and approved the proposal for the remuneration of the Executive Audit Director. Also, the Supervisory Board was informed of salaries development and conclusions of the assessment of the implementation of remuneration principles in the Bank.

It also dealt with the annual analysis of the resolution of all complaints sent to the Bank and its ombudsman and other correspondence addressed to the Supervisory Board. The Supervisory Board was regularly informed by the Chairman of the Bank's Board of Directors of all steps taken as part of KB's 2025 strategy.

The Supervisory Board reviewed KB Group's Risk Appetite Statement, Framework, and KB Business Strategy, together expressing the level of risk appetite, and was informed about analysis of the evolving economic situation.

The Supervisory Board regularly discussed the Bank's quarterly financial results and its position in the market with regard to the evolving macroeconomic environment. It also discussed internal audit actions and their results in each period of the year as well as the internal audit plan for 2024 and the strategic plan for 2025–2028. It considered the internal audit strategy and the internal audit quality assurance and improvement programme. It also examined the Bank's obligations in respect of material transactions with related parties, noting that the Bank complies with the European Parliament and Council (EU) Directive on Long-Term Shareholder Engagement and only enters into transactions that are in the ordinary course of business. In the course of its work, the Supervisory Board relied on the opinions of its Audit, Risk, Remuneration, and Nominations committees and was informed of the matters discussed by them.

In April 2023, the Supervisory Board was strengthened with an additional independent member. The Supervisory Board subsequently increased the number of members on its Remuneration Committee and Nominations Committee from four to five and adjusted the composition of these committees so that they are composed of a majority of independent members, following the model of the Audit Committee. The change in the composition of these committees did not affect the representation of employees through their elected members of the Supervisory Board.

Supervisory Board's committees

The Supervisory Board has established within its competences the Audit Committee, the Risk Committee, the Nominations Committee, and the Remuneration Committee as its advisory and initiative bodies. Committees of the Supervisory Board provide the Supervisory Board with regular reports on their activities and, within the areas entrusted to their jurisdiction, submit to the Supervisory Board recommendations directed to preparing resolutions for adoption by the Supervisory Board.

Audit Committee

The Audit Committee is a committee of the Supervisory Board and was established in accordance with Act No. 93/2009 Coll., on Auditors, as amended. Its powers are stipulated by that Act and the charter of the committee.

The Audit Committee consists of three individual members who meet the requirements for performing duties of a member of an audit committee set forth by legal regulations and by the charter of the committee. Audit Committee members shall be appointed by the General Meeting from the members of the Supervisory Board for terms of 4 years. The majority of the members of the Audit Committee, including its Chairperson, are independent and professionally qualified under criteria established by the SEC. These two Audit Committee members qualify as independent financial experts.

Composition of the Audit Committee

Petra Wendelová
Chairperson and independent member of the Audit Committee (since 25 April 2019)

Giovanni Luca Soma
Vice-Chairman of the Audit Committee
(from 3 May 2016, to 30 January 2024), member of the Audit Committee (since 25 April 2013 until 30 January 2024)

Petr Dvořák
Independent member of the Audit Committee
(since 26 April 2018)

The Audit Committee meets as a rule once per quarter but at least four times in a calendar year. A quorum of the Audit Committee shall be constituted if a simple majority of all Audit Committee members attend the meeting. Decisions on all matters discussed by the Audit Committee must receive an absolute majority of all votes to be carried. If the votes are equal, the chairperson shall cast the deciding vote. The person in question shall not vote in the proceedings with respect to the election and removal of the Chairperson or Vice-Chairperson of the Audit Committee.

In 2023, the Audit Committee held seven regular meetings and once voted remotely in lieu of holding a meeting in accordance with the Bank's Articles of Association. The Committee performed its monitoring activities and worked closely within the Bank, especially with Internal Audit, Strategy and Finance, Risk Management, and Compliance departments, and also with the external auditor, which kept it informed about the ongoing audit of the Bank.

The Committee discussed the annual financial results of KB Group for 2022, the consolidated and unconsolidated financial statements of KB as of 31 December 2022, and the notes thereto prepared in accordance with IFRS, as well as the proposed distribution of profit for 2022. It was also presented with a supplementary audit report prepared by Deloitte Audit s.r.o., and in this context the Committee monitored the integrity of the financial information. Furthermore, it evaluated the independence of the external auditor and recommended that the Supervisory Board submit to the General Meeting for approval the proposal for the Bank's external auditor for 2023, namely Deloitte Audit s.r.o. KB Group's budget for 2023 was presented to the Committee for discussion. The Committee also regularly dealt with internal audit reports on the status of corrective actions and was kept informed of all internal audit actions taken during each period of the year. The Committee discussed, too, the Constructive Service Letter prepared by the external auditor, Deloitte Audit s.r.o. It monitored the external audit process and was informed of the external audit plan for preparation of the 2022 financial statements. It also was involved in evaluating the provision of non-audit services by the external auditor. The Committee was presented the external audit contract with Deloitte Audit s.r.o. In addition, the Committee discussed in detail the risk mapping, the annual internal audit plan for 2024, and the strategic plan for 2025–2028. On an ongoing basis, the Audit Committee discussed at its meetings KB Group's financial results for each quarter. Attention was also given to the capital adequacy of the Bank and KB Group. In this context, the Committee discussed the Bank's capital management policy, particularly with regard to regulatory capital adequacy requirements, and the dividend policy in relation to the 2022 earnings. The Committee was regularly informed of the functioning of the Bank's internal control system and of the development of all related risks that it assessed. Last but not least, the Committee considered the Bank's tax policy with regard to the windfall tax. The Committee discussed the report on its activities for 2022, which it submitted to the Public Audit Oversight Board.

During 2023, the Audit Committee agreed on the procedure for selection of a new external auditor for 2024 and subsequent years and, based on the outcome of the selection process, recommended that the Supervisory Board propose to the General Meeting the selection of KPMG Česká republika, s.r.o. as the Bank's external auditor.

Members	Attendance*
Petra WENDELOVÁ	100%
Giovanni Luca SOMA	88%
Petr DVOŘÁK	100%
Average attendance at all meetings and remote voting combined:	96%

* Average attendance at all meetings and remote voting combined.

Risk Committee

The Risk Committee has three members, one of whom is independent. The independent member also holds the post of Chair of the Committee. The Committee meets according to need, but at least twice per year. A quorum is constituted if a simple majority of all members of the Committee is present at the meeting. Resolutions shall be adopted by agreement of an absolute majority of all its members. Consensus should be reached in the event of disagreement by the independent member of the Committee.

Composition of the Risk Committee

Petra Wendelová
Chairperson of the Risk Committee (since 18 September 2019)
Independent member of the Risk Committee (since 25 April 2019) with expertise in the area of risk

Alvaro Huete Gomez
Member of the Risk Committee (since 3 May 2021)

Giovanni Luca Soma
Member of the Risk Committee
(since 25 September 2014, until 30 January 2024)

The Committee held three regular meetings in 2023 and once voted remotely in lieu of holding a meeting in accordance with the Committee's charter. The Committee discusses all issues of the Bank's risk management system and its efficiency, including the Bank's credit risk profile and remuneration principles. It considers the acceptable risk appetite and the Bank's strategy in the risk area.

Members	Attendance*
Petra WENDELOVÁ	75%
Alvaro HUETE GOMEZ	50%
Giovanni Luca SOMA	100%
Average attendance at all meetings and remote voting combined:	75%

* Average attendance at all meetings and remote voting combined.

Remuneration Committee

Until 20 April 2023 the Remuneration Committee had had four members, one of whom was independent and one whom was an employee representative. With effect from 21 April 2023, the number of members has been increased to 5 and the number of independent members has been increased to 3. The number of employee representatives has remained unchanged, and the position of Chairperson continues to be held by an independent member of the committee. The Committee meets according to need, usually at least twice per year. A quorum is constituted if a simple majority of all members of the Committee is present at the meeting. Resolutions shall be adopted by agreement of an absolute majority of all its members. Consensus should be reached in the event of disagreement by the independent member of the Committee.

Composition of the Remuneration Committee

Petr Dvořák
Chairman of the Remuneration Committee (since 24 April 2019)
Independent member of the Remuneration Committee
(since 15 March 2019, re-elected since 3 June 2021)

Marie Doucet
Independent member of the Remuneration Committee
(since 21 April 2023)

Alvaro Huete Gomez
Member of the Remuneration Committee
(since 3 May 2021, until 21 April 2023)

Sylva Kynychová
Member of the Remuneration Committee, employee representative (since 15 March 2019, until 14 January 2023, and then since 18 January 2023)

Giovanni Luca Soma
Member of the Remuneration Committee
(since 25 September 2014, until 30 January 2024)

Petra Wendelová
Independent member of the Remuneration Committee
(since 21 April 2023)

In 2023, the Committee held two regular meetings and once voted remotely in lieu of holding a meeting in accordance with the Committee's charter.

The Remuneration Committee approved the Remuneration Report and agreed to submit it to the General Meeting. Furthermore, it approved the 2023 remuneration principles, the setting of KPIs for members of KB's Board of Directors, the remuneration of the members of the Board of Directors and of the Executive Director of Internal Audit, and it made recommendations to the Supervisory Board within the scope of its powers. The Committee was informed of developments in remuneration, including deferred bonuses, and of the results of collective bargaining and of the conclusions of the evaluation of the implementation of the remuneration principles within the Bank.

Members	Attendance*
Petr DVOŘÁK	100%
Marie DOUCET 1)	100%
Alvaro HUETE GOMEZ 2)	0%
Sylva KYNYCHOVÁ 3)	100%
Giovanni Luca SOMA	100%
Petra WENDELOVÁ 4)	100%
Average attendance at all meetings and remote voting combined:	88%

* Average attendance at all meetings and remote voting combined.
1) Since 21 April 21 2023.
2) Until 21 April 21 2023.
3) Until 14 January 2023 and since 18 January 2023.
4) Since 21 April 2023.

Nominations Committee

Until 20 April 2023, the Nominations Committee had four members, one of whom was independent and one of whom was an employee representative; with effect from 21 April 2023, the number of members rose to five and the number of independent members increased to three. The number of employee representatives remained unchanged and the post of Chairman continues to be held by an independent member of the Committee. The committee meets according to need, but usually twice per year. As part of its powers, the Committee assesses the suitability of the members of the Board of Directors and of the Supervisory Board in terms of their credibility, professional competence and experience, and also assesses the collective suitability of the members of the Board of Directors and of the Supervisory Board in terms of their contribution to the functioning of these bodies as a whole. As part of the assessment, the Committee takes into account fulfilment of the principles stemming from the Code of Ethics and the Code of Conduct. A quorum is constituted if a simple majority of all members of the committee is present at the meeting. Resolutions shall be adopted by agreement of an absolute majority of all its members. Consensus should be reached in the event of disagreement by the independent member of the Committee.

Composition of the Nominations Committee

Petr Dvořák
Chairman of the Nominations Committee (since 24 April 2019)
Independent member of the Nominations Committee (since 15 March 2019)

Marie Doucet
Independent member of the Nominations Committee (since 21 April 2023)

Miroslav Hájek
Independent member of the Nominations Committee, employee representative (since 18 January 2023)

Alvaro Huete Gomez
Member of the Nominations Committee (from 3 May 2021 to 21 April 2023)

Sylva Kynychová
Member of the Nominations Committee, employee representative (from 15 March 2019 to 14 January 2023)

Giovanni Luca Soma
Member of the Nominations Committee (from 25 September 2014 to 30 January 2024)

Petra Wendelová
Independent member of the Nominations Committee (since 21 April 2023)

In 2023, the Committee held one regular meeting and once voted remotely in lieu of holding a meeting in accordance with the committee's charter.

The Nominations Committee recommended that the Supervisory Board make changes to the composition of some of its committees, so that the majority of members of these committees would be independent, and evaluated the suitability of candidates for these committees. The Committee also discussed a report on compliance with the Bank's Code of Conduct and formalised the requirements imposed on persons holding the positions of Chief Operating Officer, Chief Risk Officer and Chief Compliance Officer, their scope and key competences.

Members	Attendance*
Petr DVOŘÁK	100%
Marie DOUCET 1)	n/a
Miroslav HÁJEK 2)	100%
Alvaro HUETE GOMEZ 3)	50%
Sylva KYNYCHOVÁ 4)	n/a
Giovanni Luca SOMA	100%
Petra WENDELOVÁ 5)	n/a
Average attendance at all meetings and remote voting combined:	88%

* Average attendance at all meetings and remote voting combined.
1) Since 21 April 2023.
2) Since 18 January 2023.
3) Until 21 April 2023.
4) Until 14 January 2023.
5) Since 21 April 2023.

Employee relationships

Key data on KB Group employees

	2023	2022	2021
Age structure of employees (KB Group, Czechia, year end (%))			
≤30	15	16	16
31–40	23	23	24
41–50	33	35	35
51+	29	26	25
Employees by type of employment (%)			
– Full-time	94	93	93
– Part-time	6	7	7
Employees by contract type (%)			
– Permanent employment	90	83	84
– Other employment	10	17	16
Employees' qualifications (%)			
– University	49	51	50
– Secondary school	49	46	48
– Other education	3	3	2
Proportions of men and women in KB Group(%)			
– Men	40	39	38
– Women	60	61	62
Share of women in management positions (%)			
– In all management positions	46	44	-
– In top management positions (maximum two levels below Board)	27	27	-
Number of employees on maternal and parental leave	**635**	**715**	**789**
Number of employees with disabilities	**136**	**152**	**163**
Illness rate (%)	**2.3**	**2.6**	**-**
Employee turnover rate (%)			
– total	16.2	18.2	-
– voluntary[1]	6.9	9.8	-
– involuntary[2]	3	3.1	-
– directed[3]	5	3.9	-
– natural[4]	1.4	1.4	-

Note: Due to rounding, some totals may not correspond with the sum of the separate figures.
[1)] Employee termination.
[2)] KB termination.
[3)] For example, fixed-term contract expiration, switches within KB group.
[4)] For example, retirement, health issues, or death of employee.

Key data on Komerční banka's employees

	2023	2022	2021
Age structure of employees (Bank, Czechia, year end (%))			
≤30	17	17	16
31–40	23	23	24
41–50	32	34	34
51+	29	27	26
Employees by type of employment (%)			
– Full-time	93	93	93
– Part-time	7	7	7
Employees by contract type (%)			
– Permanent employment	89	83	84
– Other employment	11	17	16
Employees' qualifications (%)			
– University	48	51	50
– Secondary school	49	47	48
– Other education	3	2	2
Proportions of men and women in KB (%)			
– Men	40	39	38
– Women	60	61	62
Share of women in management positions (%)			
– In all management positions	47	44	44
– In top management positions (maximum two levels below Board)	27	27	27
Number of employees on maternal and parental leave	**555**	**625**	**676**
Number of employees with disabilities	**123**	**136**	**147**
Illness rate (%)	**2.5**	**2.7**	**3.0**
Employee turnover rate (%)			
– total	17.3	18.6	16.7
– voluntary[1]	7.0	9.7	8.8
– involuntary[2]	3.3	3.3	3.9
– directed[3]	5.4	4.1	2.6
– natural[4]	1.4	1.4	1.4

Note: Due to rounding, some totals may not correspond with the sum of the separate figures.
[1)] Employee termination.
[2)] KB termination.
[3)] For example, fixed-term contract expiration, switches within KB group.
[4)] For example, retirement, health issues, or death of employee.

Number of employees

Average recalculated number of employees	2023	2022	2021
KB Group	7,551	7,503	7,687
Komerční banka	6,499	6,553	6,736
– of which in Slovakia	43	42	42
– of which in Czech Republic	6,456	6,511	6,694
– of which at headquarters	4,073	4,021	4,044
– of which in distribution network	2,383	2,490	2,650

HR vision, corporate culture and values

KB's strategic vision in managing human resources is to build professional relationships with employees based on trust, respect, mutual communication, equal opportunities, and the offer of interesting professional and career growth. KB strives to create an inspiring and supportive environment where people will feel good at work, succeed, and naturally become ambassadors of the Komerční banka brand. Mutual co-operation among employees is then based on four basic values or principles of behaviour, which are **team spirit, innovation, commitment, and responsibility**. Together, these form the basis of the corporate culture upon which KB is building its future. Values are also integral to KB's mission, which expresses the meaning of the Bank's existence and how it wants to be perceived on the market.

Team spirit
KB's clients want a bank that will be their responsible, trustworthy, and modern partner. The Bank's employees meet their clients' needs as a team prioritising a helpful approach and expertise. KB is focused on long-term relationships with clients. It is important for everyone at KB to work as a team, express their opinions openly, listen to other viewpoints, appreciate mutual benefits, and experience individual successes and setbacks together.

Innovation
Innovation is an integral part of the Bank's DNA, and technological innovation and co-operation with start-up companies have been priorities in recent years. The goal is to improve the customer experience and continuously offer the best customer solutions. That is why employees are changing their ways of working and bringing in non-traditional approaches, encouraging the sharing of ideas while learning from their successes and failures.

Commitment
KB employees are committed to pursuing clients' satisfaction. They seek the best solutions for clients and nurture relationships with them based on trust and mutual respect. The clients' success means their own success, bringing them a sense of pride in their profession and strengthening their relationship with the Group.

Responsibility
Our bankers contribute to the economic, social, and environmentally sustainable development of the two countries and economies where Komerční banka operates. They take a responsible approach to the implementation of client visions and projects, act in accordance with the long-term interests of investors, and at the same time pay attention to risk in all its aspects while complying with the rules of the profession and the Code of Ethics. They consider not only the result to be important but also the way in which that result was achieved.

Fair treatment of employees

Legal framework for doing business
KB Group companies are subject to the standard employment regulations applicable in the Czech Republic as a member state of the European Union. Certain specific regulations, such as in relation to employee education and remuneration, are imposed by the Czech National Bank as regulatory body for the financial services industry. KB also accedes to certain rules of Société Générale and international standards. Compliance with all applicable regulations is subject to regular or random checks, and failure to uphold these standards can be sanctioned in accordance with the applicable regulations.

Komerční banka upholds the Czech Republic's laws and regulations, including binding regulations of the European Union as well as all international agreements ratified by the Czech Republic that are a part of the Czech Republic's legal order. These include, in particular, the conventions of the International Labour Organisation. In case of overlap into international employment, it follows in particular Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I). Komerční banka respects and supports the protection of human rights, with emphasis on the protection of children's rights and supporting the employment of parents with young children.

Work safety and working conditions
To the full extent of its legal obligations, KB Group ensures its employees' occupational safety as well as health and fire protection against possible risks that would endanger their lives and health when performing their work. The Bank provides its employees with sufficient and adequate information and instructions on safety standards and on providing first aid. The Bank also ensures respect for the prohibition of smoking and consumption of alcoholic beverages in the workplace. Managers at all levels are responsible for the employer's obligations in this area being honoured. These tasks are an equal and integral part of their work obligations.

Individual KB Group subsidiaries provide mandatory work-related medical services through a supplier company. They also provide regular employee training in safety, health, and fire protection standards and regularly organise checks and employee training in these areas while documenting and recording the results. All subsidiaries have identified the health risks associated with each job position and have assigned employees to the first or second category of work conditions classification.

Selected workplaces are inspected by an independent body in the Bank, namely the Union of Banking and Insurance Workers. These inspections include an assessment of the ergonomic provision of workplaces and an assessment of the quality of working and hygiene conditions in the workplace. An official record reporting conclusions of the inspection along with written recommendations is made from each inspection. In the past

5 years the trade union has found no major shortcomings that could not be remedied within a short time.

While modernising the environment in its workplaces, KB Group respects both safety and health requirements. It aims also to improve the social environment and effectively introduce state-of-the-art technologies.

KB subsidiaries stipulate working hours, breaks for food and rest, overtime work, and other mandatory requirements in the Collective Agreement and the Rules of Procedure, and, where the trade union operates, also in the Collective Bargaining Agreement. All parameters are in accordance with Czech law. Compliance with all duties is supervised by managers of the individual teams. In order to make better use of working hours and to balance work with employees' personal needs, the employer allows flexible working hours to be applied in departments where operating conditions allow. In companies with trade union representation, regular or flexible working hours are properly discussed. Furthermore, if operating conditions allow, employees can voluntarily take advantage of the opportunity to work from home.

Overtime work can be required only in exceptional cases, if there are serious operational reasons for doing so, always in agreement with the employee, in compliance with applicable regulations, and if properly documented. KB Group's management receives a regular report on overtime work and the entire process is duly inspected.

In accordance with applicable laws, and with the Labour Code in particular, the employer has stipulated internal rules of work as well as procedures and sanctions in the case of their violation. For certain professions, there are additional or more detailed rules prescribed in specific internal regulations, particularly in the Code of Ethics and the Rules of Procedure. The aggregate of legal rules and internal regulations provides a framework for their possible enforcement and, in cases of breaches of employees' obligations as ensue from labour relations law, a process for their resolution and recording.

Right to information and to social negotiation
The right of KB Group employees to social bargaining is fully enabled. In KB and MPSS, it is exercised by a trade union. Managers of KB and MPSS are in regular contact with representatives of the trade union, and collective bargaining takes place every year.

In accordance with the Labour Code and the Collective Agreement, KB allows all employees to be unionised. In 2023, there were 29 basic units of the Trade Union Organisation in Komerční banka and one in Modrá Pyramida. Relations between a trade union and an employer are governed, inter alia, by the Charter of Fundamental Rights and Freedoms, the Citizens' Associations Act, the Collective Bargaining Act, and International Labour Organisation conventions (the Trade Union Freedom Convention, the Trade Union and Collective Bargaining Convention, the Convention on Human Rights and Freedoms). In addition, the right to freedom of association and collective bargaining was supported by the parent company Société Générale with the signing of the Global Agreement on Fundamental Rights between SG and UNI Global Union in 2015, subsequently updated in 2019 and 2023.

The right to information is guaranteed to all employees, and in KB and Modrá Pyramida is based on the Collective Agreement. That agreement has been concluded for the period 2022–2025. The results of negotiations between KB and the trade union are fully available to all employees, including the full text of the Collective Agreement. The benefits of the Collective Agreement are valid for all employees of all respective KB Group companies, including those not organised into unions. In companies where there are no unions, similar advantages and benefits are addressed by internal regulations.

Information designated for employees is shared openly by the Group in numerous and various ways. For each employee, the main source of information is his or her superior. Another source of information consists in the intranet pages of individual companies. KB has a separate Employee section on its intranet site dedicated to providing relevant employment-related information. Furthermore, employees can call the My HR telephone line, submit inquiries by e-mail, or contact HR Business Partners and consultants. Chatbot KUBA answers questions from employees who have joined the Bank just recently.

Employee satisfaction and well-being

Employee care is one of the highest priorities of human resources management and KB's top management.

Employee satisfaction survey
The Bank regularly reviews the opinions, satisfaction, and engagement of employees and takes follow-up action. KB monitors employee engagement in the form of an Employee Barometer, which is announced throughout the Société Générale Group and is carried out by an independent research agency. The barometer examines 5 categories of indicators covering the areas of guiding change, efficient environment, social and economic responsibility, talent development, and well-being

Komerční banka's own Puls survey focuses on corporate culture, learning about overall satisfaction, motivation, level of personal fulfilment, opinion on teamwork and co-operation across teams, and work efficiency, as well as work flexibility and the Smart Office concept.

In 2023, the Employee Barometer was conducted at the level of the entire SG group, and a KB Puls survey was conducted at the level of the Bank. Employees had opportunity to comment on all those topics mentioned above and generally evaluated their current mood and atmosphere in the company. They again had opportunity to comment on the SG Group's responsible and sustainable approach to issues of diversity and inclusion.

The engagement score in the SG Barometer group-wide survey showed that the overall level of motivation has been stable over the last 4 years and remains high, at 70%. Employees particularly praised the teamwork and atmosphere at the Bank, with 93% and 96%, respectively, being satisfied with the collaboration with their supervisor and colleagues, and 92% appreciated the opportunity to express their opinions openly. Ninety-one per cent of employees consider the Bank to be responsible and ethical in its activities and 80% are proud to be part of the Société Générale Group. These are long-term stable results. Most employees also consider the Bank to be inclusive and open to all (88%) and would recommend it as an employer to those around them (72%).

In the purely local KB survey, KB Puls, and despite a decline of 1 p.p., engagement remained high, at 78%. Employees confirmed that they are motivated in their work (82%), trust management decisions (79%), and in the majority would recommend the Bank as an employer (77%). Ninety-six per cent of employees also confirmed that the flexible way of working, the Smart Office, either has no impact on the quality of their work or even makes them work better.

Employee health and well-being
Komerční banka has been systematically attentive to the health of its employees. For the second year now, KB has been running a telemedicine service, a 24/7 online medical consultation, where employees can ask questions about their health and make appointments with specialists. The service is part of the KB4U well-being programme, which also is available to employees on maternity or parental leave and to all of employees' family members.

Throughout the year, a number of online professional workshops and webinars on healthy eating and mindfulness took place. Through a contribution to the benefit system provided to employees, KB supported the sports activities of its employees or the purchase of products for a healthy lifestyle. The Bank organised a sports day for all employees. KB has continued, as well, to operate a psychological and legal counselling programme. Social counselling is now part of the counselling programme.

KB respects all its employees' human and social rights. It long has been accommodating in relation to its employees who find themselves in difficult life situations. This support is effected in various ways, and it considers the life situation a given employee is facing (for example, through flexibly adjusting work time, reducing working hours, home office, financial support, and unpaid time off). Every situation is assessed and resolved individually. Support of employees in difficult life situations is based on the Collective Agreement and corresponding implementation rules. Any drawing of financial aid is recorded by the employer.

Culture of respect

Diversity and inclusion
Diversity and inclusion are integral to KB's corporate culture and among the strategic priorities of the entire Société Générale Group. The Bank perceives diversity and individuality as sources of strength, whether these are differences in age, ethnic origin, nationality, gender, sexual orientation, political opinion, religion, or other minorities. Nevertheless, the Bank does not in any case request or collect data concerning the self-identification of employees with these target groups specifically in order that the same approach will apply to all without exceptions.

The Bank promotes diversity especially in its teams. KB employs experts from various fields, expatriate colleagues from countries of the SG Group, students who are just starting their careers at KB, as well as experienced employees who have been working in the Bank for many years.

Since 2020, the Bank has been a gold signatory to European CharterDiversity – a project under the auspices of the European Commission since 2010. In signing the Diversity Charter, it became a member of a strong group of companies that actively open up and contribute to solving societal issues. As part of this initiative, the Bank is committed to creating a non-discriminatory, supportive, and inspiring environment in which employees can best develop and self-realise.

In 2023, the Bank shared and gained experience in diversity and inclusion through several of its partnerships. It participated in activities organised by Business for Society, where it is now in its third year as a member company. KB also became a partner of the D&I Shapers platform, which brings together known companies across the Czech Republic. The Bank participated, too, in the second round of the #FinWomen project under the auspices of Cover Story, which aims to activate and support women in the financial services community, particularly in terms of career growth and development. The Bank has nominated 9 senior women executives from various parts of the KB Group to the community of 131 inspiring women and to the Hall of Fame. In coming months, they will be participating in the Forum's community-wide #FinWomen development programme. The Bank is also part of a close grouping of five banks within the Czech Banking Association whose aim is to cultivate diversity and inclusion across the entire sector.

KB's overall strategy as a responsible employer is based on three pillars: gender balance, equal pay, and support for social inclusion. Within the framework of gender balance, the Bank strives for a more balanced representation of men and women in senior management positions, including at the level of the Board of Directors. Among the most significant actions in this direction have been the appointment of Jitka Haubová to the position of Chief Operations Officer in 2020 and the appointment of five women to executive directorate positions, which brought to equal the shares of men and women at this managerial level.

Another pillar is equal pay for men and women, which the Bank has been working on for a long time. Relative to the market, that gap is small and KB continues to narrow it. In 2023, it was 1.8%.

In the area of inclusion, the Bank focuses primarily on supporting the early return of parents from maternity and parental leave. In case of mutual interest and need, co-operation is set up also during that leave. After returning from maternity or parental leave, KB assists these employees with reintegration into the work process. For example, if the type of operation and nature of the work so permit, this is achieved through permitting shorter and/or flexible working hours, the possibility of working from home, and/or a combination of the two. Parents who return earlier from parental/maternity leave are provided with a financial contribution in excess of the legal requirement. The Bank also focuses on supporting people from socially disadvantaged groups (e.g. single parents), or university students. As part of this support, it also co-operates with relevant charitable foundations.

Komerční banka also remains in contact with retiring employees. It values their many years of knowledge and experience and, if a need arises, turns to these former employees with the possibility of occasional work in order to meet temporarily increased need for capacity of some professional activities or to train newcomers and junior colleagues.

KB pays special attention also to colleagues with disabilities. In 2023, the Bank employed 123 people with disabilities. Among the most common positions they hold at KB are those of Bank Advisor, Transaction Processing Specialist, Teller, Middle Office Specialist, Client Services Specialist, or Telesales Specialist.

Raising awareness of diversity and inclusion among employees and the general public is also part of the Bank's strategic approach. The Bank communicates openly and directly on all topics, publicises its activities and results, and also shares its experience, whether that be internally or externally, in the form of mentoring and networking or other sharing platforms.

Prevention and punishment of all forms of undesirable behaviour

KB has long strived to prevent and counter any behaviour that would be in conflict with its values or principles contained in its Code of Ethics, internationally applicable standards of the SG Group, and local regulations. As part of this effort, KB Group has implemented into its internal rules the SG Group policy on prevention and punishment of unwanted behaviour in all its forms, including psychological and sexual harassment, as well as sexist, racist, or homophobic behaviour.

In the event that an employee witnesses or experiences any undesirable behaviour, he or she may report this to his or her line manager, human resources consultants, or the Compliance Department. One also can use a secure web application for whistleblowing that is available across the whole SG Group. In accordance with global SG Group rules, KB Group provides whistleblowers with protection against sanctions of any nature, termination of employment, or discrimination. It also ensures the anonymity of whistleblowers. Together with others in SG Group, KB has reinforced processes for notification of improper behaviour. To this end, it has set up an international group of experts that is available to employees anywhere in the world. This group consists of employees in human resources and business departments, including from KB, who are specially trained to handle alerts of unwanted behaviour. The members of this group adhere to strict principles of impartiality and confidentiality. All these initiatives aim to apply a zero-tolerance policy and to ensure that no employees are exposed to inappropriate behaviour.

Human capital development

Talent search and acquisition

Komerční banka has long been dedicated to finding young and experienced talent and adapts all its recruitment activities accordingly. These are also based on KB's strategy for the new era of banking, which brings with it technological advances in all key areas, whether it is the development of banking systems or a new model of customer service.

With these advances come significant demands for new competencies and knowledge of employees that will be essential for the Bank in future. In 2023, the Bank continued to build communities through Employer Branding as well as strengthening its employer brand through long-term recruitment campaigns.

The Bank sees co-operation with schools and the development of young talent as a key activity in the area of Employer Branding. Every year, dozens of trainees from universities and secondary schools gain experience at KB's headquarters and branch network. The Bank also regularly meets university students at job fairs, open days, workshops, and special events. These focus on specific economic or technological topics.

We have prepared a Trainee Programme for university students, a one-year programme wherein they gain practical experience and participate in real projects at the Bank during their studies. Seventy per cent of the students stay at KB on an employment contract after the end of their internships.

Technology meetups on selected topics and participation in technology conferences across the Czech Republic have been implemented for the IT community.

The Bank also regularly participates in employee competitions. In the Sodexo Employer of the Year contest, which assesses the overall approach of the company to its employees, the Bank came in second within the Prague region in the category of employers with more than 5,000 employees.

Employee education and career development

The Bank provides a wide range of training courses and programmes for KB employees and the KB Group as a whole, thus creating space for their education while emphasising that people also take responsibility for their own career growth.

In order to promote awareness about sustainability topics, KB decided to offer employees an educational, globally recognised card game called Climate Fresk, which raises awareness of climate change and its impacts. The necessary number of internal facilitators has been trained and certified for this purpose. To this end, the Bank has also started co-operation with the Palacký University Foundation in Olomouc, whose experts on the subject can be consulted by the facilitators on technical matters. In December 2023, the ESG Academy was launched to provide all Société Générale employees, including those of KB, with comprehensive ESG and CSR training. The Academy includes six e-learning modules that will provide employees with an overview of the environmental crises we currently face, the risks they pose, and how we can respond to them as employees of Komerční banka. Employees completed the first module in December 2023 and additional modules are expected in 2024.

The Bank also offers development opportunities through internal development programmes, both for young talent (SPIRIT programme) and for senior talent (KB Sense). The Bank co-operates with external training companies in designing and implementing these programmes, including to jointly develop their content. These development programmes' purpose is to promote the concept of a learning organisation. The Bank is also part of the Red Button EDU community, and we are working with the Czech Banking Association on a programme that educates primary and secondary school pupils on cyber security and financial literacy. Our colleagues from the KB Sense programme, together with non-profit organisations, have redesigned this module tailored for children from orphanages.

Komerční banka also works with Société Générale on development programmes. This gives KB employees the opportunity to develop their skills and abilities in an international environment.

In 2023, bank advisors in the IND segment have been intensively preparing for and participating in the New Era of Banking at KB, which is fundamentally changing the way we serve clients and the portfolio of products we offer. In order to cope with these new forms, the Change Management and Training team prepared a series of necessary trainings for them.

The Bank is developing the principles of the learning organisation. It supports internal experts in developing colleagues and creates space for sharing best practice and internal mentoring, for example within the co-development activity.

KB also supports the principles of the learning organisation through a community of internal coaches who provide employees with individual development, coaching, 360° feedback debriefings, and talent diagnostic debriefings. Also, the top talent community, KB SENSE, has provided a lot of value to the Bank's employees, whether that be through one-on-one mentoring, introductions to the Bank through podcasts, internal internships, co-developments, and even the internal KB Without Borders conference, where one of the objectives was to connect the world of head office employees with the branch network in an experiential way.

Total time of studies (sum for all employees)

digital training	64,304.5 h
attendance training	192,668.0 h
mandatory digital + attendance training	61,301.5 h
voluntary digital + attendance training	195,671.0 h

Average time of studies per employee in hours

digital training	8.95 h
attendance training	31.77 h
mandatory digital + attendance training	8.59 h
voluntary digital + attendance training	31.87 h

In the area of diversity, KB organised a Day for Fathers and Children in co-operation with the Open Men's League; sent selected women to ATAIRU's Talent Program for Leadership Support; and implemented a workshop How to Combine Career and Fatherhood and Sešívaná rodina ("Patchwork Family") in co-operation with Dobrý táta ("Good Daddy"). This year Komerční banka launched a brand new annual inspirational and development programme for women in the KB Group across the Czech Republic and Slovakia. #KBWOMEN is an internal, informal platform where women can meet, discuss, educate, and get inspired by one another as well as by the guests who are an integral part of the whole programme.

In terms of technology competencies, the Bank uses a combination of internal training sessions led by experts in a given field or technology and educational platforms. In the area of onboarding new employees, there are also "incubators" wherein we focus on onboarding juniors. This is an intensive onboarding process focused on the first months at KB, during which new colleagues are trained directly for their positions while focusing primarily on specific technologies and their use at the Bank.

Performance evaluation and renumeration

Performance evaluation and feedback
Combining an appraisal interview and two-way feedback, the regular annual performance evaluation is a part of communication with employees. In addition, in the Agile part of the Bank, feedback is provided by several evaluators in different roles. This provides a more objective view of the evaluator in a matrix structure. The standard evaluation for fulfilment of objectives and competence requirements has been supplemented throughout the company by a process of employee potential assessment, the outputs of which are further used for succession planning, talent identification, and/or talent programmes, as well as for setting development plans for individual employees. Other feedback tools used included 360° assessments, skill assessments, as well as personality and talent tests.

Remuneration in KB
The remuneration in KB is based on four principles:

- ***Principle of internal justice*** ensures that the same remuneration is paid for the same work and same performance under the same transparent circumstances. That remuneration must not be affected by gender, age, religion, membership in trade unions or political parties, or other personal characteristics of an employee that are not directly related to his or her work performance or competencies. ***Equal pay*** is a basic pillar of KB's diversity strategy. Its goal is a zero pay gap in 2025, down from 1.8% in 2023.

- ***Principle of external competitiveness*** is ensured through regular market surveys, taking into account the intended market position and significant differences in the remuneration market. These surveys then lead to determination of the aforementioned basic wages.

- ***Principle of individual contribution*** is taken into account in the wage and bonus. Wages may reasonably differ from the target level to take into account all aspects such as individual contribution or potential. A bonus is determined, inter alia, based upon an assessment of goals achievement and performance. A long-term incentive programme (LTI) is designed for employees and strategic talents with extraordinary value to the Group. It is described below in the part called Shareholding programmes.

- ***Principle of risk-taking*** ensures that remuneration is aligned with sound and effective risk management and supports such management. Remuneration does not encourage the taking of risks going beyond the risk tolerance of the Bank. KB also takes sustainability risks into account in its remuneration policy.

The structure of remuneration is based on three basic pillars:

1. Basic wage for work performed (fixed component)

Wages of all employees are determined in accordance with the sophistication of their positions, particularly in terms of the required knowledge, experience and skills, and the resulting responsibilities. During the regular annual review of KB's wages, an equitable approach in the implementation of wage increases is observed.

2. *Flexible performance-dependent remuneration component*

In addition to the basic wage, employees have a variable remuneration scheme for the quality of meeting corporate, team, and individual goals. The amount of the variable component is expressed as a percentage of the annual basic wage and is different for specific groups of employees. The target and maximum level of the variable component is set for all positions in the collective agreement, and for legal reasons it cannot exceed 200% of the basic wage.

Objectives following the variable component of remuneration

The remuneration principles take into account the interest of shareholders in the value of KB by linking the amount of the variable component for employees with the economic results of KB and the fulfilment of strategic priorities, including sustainable growth. In 2020, a new strategic programme was launched. Its priorities, described in the Strategy and Results chapter of this Annual Financial Report, have been implemented in the employee motivation system for 2023 through the Company Objectives and Key Results (COKR) measurement system. The area of sustainable development is also a part of the Strategic Priorities which includes, too, climate change reduction targets. For 2023, the goals related to sustainable development measured through COKR were part of the objectives of the CEO, all Board members, and the most senior management (in total, 1,563 Bank employees). The weightings of these targets were mostly between 5% and 50%.

Regulatory risk management principles in remuneration

Taking into account risks is part of the basic remuneration principles. It includes in particular the following measures:

i. The overall system of flexible performance-dependent components is set up in a way not to limit the Bank's ability to strengthen its capital. Payment of the flexible performance-dependent component of the remuneration is based on the Bank's performance. Therefore, the size of the flexible performance-dependent component is in no way guaranteed, even when the individual employee achieves his or her individual goals. The criteria used in calculating the aggregate amount of flexible performance-dependent component to be paid include corrections for both current and future risk. The same criteria will be used when setting the flexible performance-dependent remuneration budget in order to take into account any current and future risks.

ii. It is not the Bank's policy to provide any reward from previous employment. If necessary, such a component would always be a variable remuneration according to these Remuneration Principles.

iii. In the case of an employee's termination of employment, "golden parachute" bonuses are forbidden.

iv. On condition of full compliance with applicable laws and contracts, KB will at all times make every effort in its power to recover all flexible performance-dependent remuneration that has been paid but the payout of which has been found to be unjustified. The entire variable remuneration can also be clawed back for employees who have a significant impact on the risk profile of the Bank (Identified staff). Claw-back may be exercised for the entire vesting and retention periods. The claw-back principle applies in particular when an Identified employee has contributed significantly to the Bank's negative financial performance, in cases of fraud or serious negligence, thus resulting in significant losses. Claw-back applies for up to six years from the award of the variable component.

v. Employees with significant influence on the Bank's risk profile (hereinafter referred to as Identified staff [IS]) are identified in accordance with the relevant regulation and their list is regularly reviewed. The variable remuneration of SG expatriates identified as IS is assessed in accordance with the Bank's rules.

vi. In order to restrict taking on inappropriate risk, the variable remuneration component for an IS always is performance-linked and risk-adjusted. Non-financial criteria (such as employee ethics, complaints, and mistakes) are taken into account when assessing employee performance. Compliance with regulatory requirements is also taken into account in the evaluation. At the same time, some ISs are independently rated from a Risk and Compliance perspective.

vii. For the IS group, which most strongly affects the Bank's risk profile, specific rules are adopted: the KB Deferred Bonus Scheme. These rules consist in postponing payment of part of the variable component, the use of non-cash instruments (phantom shares of KB), and the Remuneration Committee's approval regime. In 2023, the deferred bonus scheme was applied to all members of the Board of Directors and 18 other KB Group employees, with a deferral period of five years for CEO of KB, other KB's Board members and Executive Director of Investment Banking and four years for other employees. Retention period of non-cash part of the variable scheme is set for 12 months.

viii. The decision on remuneration of the members of the Board of Directors is taken by the Supervisory Board in view of any findings of control functions (Risk Management, Compliance, and Internal Audit).

ix. Appraisals of internal control staff (in particular Risk Management, Compliance, and Internal Audit) are tied to achieving the goals associated with their functions, independently of the performance of those areas of activity of the Bank they control.

x. The principles of remuneration of employees who have a significant impact on the Bank's risk profile are reviewed and evaluated annually by the Internal Audit staff. Through the Remuneration Committee, KB's Supervisory Board oversees, evaluates, and controls compliance with remuneration policies and procedures whose activities have a material impact on the Bank's overall risk profile.

xi. Remuneration policy and practice must be evidenced and reviewable for at least 5 years.

3. *Employee benefits and advantages supporting employees' loyalty within Komerční banka Group*

The cost-effective structure of benefits reflects the Bank's targets to be a responsible employer while providing employees with choices. The structure and level of benefits are subject to collective bargaining agreements each year.

For the year 2023 the structure agreed was as follows:

a) Daily meal vouchers worth CZK 150 without the employee's financial participation;
b) CZK 6,720/employee/year for recreation, sports, health, culture, and personal development provided via the Cafeteria system;
c) CZK 10,000/year for employees within the category of people with disabilities and CZK 600/year for employees 55 years of age and older via the Cafeteria system;
d) Contribution to supplementary pension insurance and supplementary pension savings at 3% of the wage;
e) Premium conditions for retail banking products and services provided by Komerční banka to employees;
f) Financial support during long-term illness;
g) Three working days off with wage compensation for employees who work for Komerční banka for longer than 6 months;
h) One birthday day off;
i) Risk life insurance;
j) Extraordinary social assistance;
k) Career sabbatical;
l) Extending the list of diagnoses eligible for financial assistance for long-term inability to work,
m) One day off with wage compensation for corporate volunteering in areas supported by KB and the KB foundation;
n) 24/7 counselling programme for help and consultation in various life situations, in the legal, psychological and social fields;
o) Telemedicine service, a 24/7 online medical clinic where employees can ask questions about their health and make appointments with specialists. The service is part of KB4U's well-being programme. The programme is also available to employees on maternity or parental leave, as well as to all family members of employees; and
p) Allowance for parents returning earlier from parental/maternity leave;

The Bank provides for operation of the VEGEt coworking space, which is available to all KB Group employees as a meeting place for presentations, relaxation, and business meetings. The space includes a purely vegan bistro in accordance with the principles of sustainability (i.e. waste-free operation and the use of plant residues for composting). In these premises, seminars with environmentally oriented topics are held as well. Some of these environmental aspects can be verified on the spot.

The Bank has also acquired a new fleet of Škoda Enyaq electric vehicles and introduced car sharing, first at headquarters in Prague and then in other regional cities. The cars can be used for business trips and also are at the disposal of employees to be borrowed for private use.

Share programmes for KB Group employees
All KB employees can participate in the Global Employee Share Ownership Programme (GESOP). The plan aims, among other things, to strengthen long-term loyalty to the employer and motivate employees to participate as shareholders in the Group's success. Under this programme, SG Group employees can subscribe for Société Générale shares at a discounted price with an employer's contribution to the purchase of shares.

SG shares have been blocked for 5 years and by subscribing them, the employee acquires the right to vote at the Ordinary General Meeting of SG and to receive dividends if it is decided that these will be paid.

In 2023, 2,385 employees participated in the GESOP, subscribing for 333,929 shares with a total value of CZK 139,384,596. The employer's contribution came to CZK 36,285,480. A total of 28% of KB Group employees participated.

To increase loyalty and motivation to contribute to long-term value growth, the Société Générale Group provides some of its key employees with free shares of SG under the Long-Term Incentives programme. The rights to the shares in the programme are subject to blocking for a period of 3 years and subject to positive results of the Société Générale Group. In 2023, the programme included 344 of KB Group employees in the total value of CZK 30,096,651.

Risk management

Risk governance

Main principles of risk management in KB Group

Risk management at Komerční banka is based upon an integrated concept that takes into account the advanced risk management standards of the Société Générale Group together with the statutory and regulatory norms as defined and required by the Czech National Bank and other regulatory bodies.

Komerční banka's corporate governance standards assure that the risk management function is independent of commercial and operational functions, as well as from the internal audit function. This approach is also applied at all subsidiaries.

The credit risk, market risk, and operational risks management activities are carried out under the Risk Management organisational structure, which also

- includes the production of risk software and data solutions in close co-ordination with the Information Technology organisational structure of the Bank, and
- ensures supervision of risk management activities of KB's subsidiaries.

Compliance risk management activities, data protection, and fraud detection and prevention activities are managed within a dedicated organisational structure under the ultimate responsibility of the KB Chief Risk and Compliance Officer and ensure also supervision of these activities in KB's subsidiaries.

The structural risk management activities (interest rate risk and liquidity risk, including funding risk and foreign exchange risk in KB's Structural book) are managed within the Strategy and Finance organisational structure. The second line of defence (LoD2) function covering structural risk (including validation of reports, limits, and methodology; review of the Risk Appetite Statement, contingency funding plan, Internal Liquidity Adequacy Assessment process, etc.) is carried out within the Risk Management organisational structure.

Legal risk management activities are managed within an organisational structure that is the responsibility of KB's Chief Operating Officer.

Overall risk management strategy

Through its risk management strategy, KB Group continues to pursue a prudent and balanced approach to all types of risks assumed. At the same time, it aims to support development of the Group's business activities, including sustainable growth of its lending activities and reinforcing the Group's market positions. The objective is to ensure profitable credit and market activities across the business cycle and, at the same time, to preserve a sound balance sheet with strong capital and liquidity ratios. To this end, advanced risk management tools, including statistical tools, are continuously enhanced and analytical and risk management skills are maintained at high levels for both risk management and business staff.

A general target of Komerční banka's risk management is to harmonise risk management processes and tools throughout the Group.

Developing a culture of risk management

Continuous development of employees' risk management skills is assured by regular trainings in the areas of operational risks, anti-money laundering, ESG, etc. Specifically, employees participating in the lending process, including in the branch network, attend KB Risk Academy, a set of trainings in the area of credit risks. Moreover, selected staff members take part in targeted trainings, lectures, conferences, and other activities.

Regular performance assessment of all the Bank's employees, including of those in top management, includes mandatory assessment of compliance with the Code of Conduct. The Key Performance Indicators include at least one risk indicator for each member of the top management and for a specified group of employees with material impact on the Bank's risk profile. These indicators must have at least 20% weight in the overall assessment.

Employees in the branch network who participate in the credit process are also assessed according to risk performance of the loans granted.

Environmental, social, and governance

Climate change is recognised as a major threat to humanity having direct consequences for human health, prosperity, and well-being. We already see that this risk is beginning dynamically to shape access, price, and conditions for both the private and public sectors concerning finance, investment, and insurance. Significant regulatory initiatives from the Czech government, EU authorities, and banking regulators require universal banks like KB to take ESG risks better into consideration in relation to their credit underwriting policies and risk management procedures.

Incorporation of environmental risks into the risk management principles and procedures is governed in the "ESG by Design" programme of Société Générale. In 2023, the Bank focused on assessing climate risks (ability to adapt to the new "green" economy) at its clients. This assessment is mandatory for those business clients with overall volume of financing to a group of economically connected subjects exceeding EUR 5 million. The assessment of climate risks is subsequently reflected in overall credit assessment. A client's capacity for adaptation may influence its internal rating and a decision by the Bank whether or not to grant a loan.

KB Group is gradually increasing its ability to collect, measure, and disclose ESG data to reflect regulatory and other initiatives. The main goal is to apply a holistic approach to ESG regulation and to further embed ESG impacts into its core operations and policies in all relevant areas, such as onboarding of clients and transaction/financing validation.

The Group has been preparing to meet disclosure obligations under the EU's Corporate Sustainability Reporting Directive (CSRD). The Directive requires that large companies publish information regarding impacts on the business, opportunities, and risks in the environmental, social, and governance areas. The new rules should ensure that investors and other stakeholders have access to harmonised information for assessing the impact of companies on people and the environment and for investors to assess financial risks and opportunities arising from climate change and other sustainability issues.

KB Group will be obliged to report in accordance with the CSRD in 2025 for the first time (reporting for 2024). KB as a parent company will report on behalf of the whole KB Group and no subsidiary will be reporting on a standalone basis. As of now, KB is reporting non-financial information according to the Non-Financial Reporting Directive (NFRD).

Implementing changes in the ESG area is closely co-ordinated with Société Générale and takes place within the SG group's ESG by Design programme.

Risk appetite

KB Group risk appetite is outlined in the KB Group Risk Appetite Statement, which since 2015 has been prepared in compliance with Financial Stability Board recommendations. It defines at an aggregated level all risks that KB Group is ready to accept or intends to avoid and defines a prudent and balanced approach to them.

The KB Group Risk Appetite Statement is elaborated with the aim of ensuring consistency among risk-taking capacity, capital adequacy, and the business and financial targets. The level of the Group's risk appetite and its risk management strategy are fully aligned and within the boundaries of SG Group Strategy & Risk Appetite.

The Risk Appetite Statement is revised annually or, according to need, more frequently.

The KB Group Risk Appetite Statement includes an assessment as to the consistency of credit risk appetite with long-term risk and financial targets, as well as regular update of quantitative thresholds and limits for all material risks and their alignment with semi-annual ICAAP (Internal Capital Adequacy Assessment Process) results.

KB's internal audit regularly evaluates the Group's approach to assuming risk, and it assess on a regular and ad-hoc basis risk management procedures, including compliance with regulatory requirements.

Stress testing

Stress-testing exercises provide a forward-looking simulation of the Bank's results and key characteristics in various adverse scenarios that may occur in the economic or business environment. Projected macroeconomic variables are translated into the development of risk parameters and relevant exposures and/or positions and impacts on profit or loss, own funding requirements (capital adequacy), and other variables.

During 2023, KB Group performed these main stress-testing activities: (i) semi-annual Internal Capital Adequacy Assessment Process (ICAAP), and (ii) annual Internal Liquidity Adequacy Assessment Process (ILAAP). The aim of such tests is to assess resilience of the financial institution to adverse market developments.

As part of stress testing and preparation of the Risk Appetite Statement, KB Group identifies and evaluates impact from new risks that the Group faces or expects to face in future. The Group has identified (i) environmental risks, and (ii) geopolitical and related risks as the most important new risks.

The Group is gradually addressing the future impacts from environmental risk in the "ESG by Design" programme. Geopolitical risks and their related economic impacts are considered when preparing credit policies, including in ratings of potentially exposed clients and in IFRS 9 provisioning models.

In all stress tests, KB Group has proven itself solidly resilient to unfavourable conditions of the economic and business environment. KB Group has a strong capital base consisting mostly of the highest-quality common equity Tier 1 capital. KB Group is able to maintain its capital adequacy ratio above the Overall Capital Requirement even under conditions of a severe stress test scenario.

Geopolitical situation

KB Group is continuously monitoring and evaluating impacts from the war in Ukraine on its activities and on its clients. In most cases, the impacts are secondary and indirect, due mainly to reliance of clients on strategic materials.

The Group is convinced that the geopolitical risks are correctly reflected in ratings of respective clients and it considers clients' overall situation to be generally stable, with the exception of a sensitive exposure of CZK 4.1 billion to clients operating gas pipelines, which KB has placed under specific monitoring.

At the same time, KB Group is monitoring growing tensions also in other regions and evaluates the potential impacts on its activities and clients. If necessary, the Group will respond to the changing situation by adjusting its policies and accounting estimates, including by adjusting its provisioning models according to the IFRS 9 standard.

Credit risk

Credit risk management tools

Credit risk assessment and monitoring
Client credit risk is managed on the basis of comprehensively assessing clients' risk profiles from quantitative (financial) and qualitative viewpoints using advanced scoring and rating models along with individual approval by competent risk or business managers. The system of approval authorities is set up to reflect the risk profiles of the counterparties and the levels of competencies required for their assessment. No credit exposure can be originated until internal credit limits for the client and transaction have been first duly established.

The Bank has a strong monitoring process for clients financed and exposures granted that allows for triggering corrective actions in case deterioration is evidenced. The monitoring is continuously enhanced, and, specifically for non-retail clients, the Bank uses advanced models based on AI (artificial intelligence) algorithms.

All KB scoring, rating, and Basel (e.g. Loss Given Default, Probability of Default, or Credit Conversion Factor) models are back-tested at least annually and adjusted whenever needed.

The KB Group carries out detailed monitoring of its loan portfolio. It reports the results regularly to the Bank's management on a quarterly basis and to the Supervisory Board on a semi-annual basis.

Fraud prevention
A) Payment fraud protection

Komerční banka uses an automated fraud detection system (FDS) for detecting and preventing payment frauds. The system is based on rules and models using data from transactions, devices, and users' sessions. The system and its rules are being continuously adjusted according to the market situation.

B) Credit fraud protection

Komerční banka uses an automated system for detecting credit frauds and for co-ordinated reactions to credit fraud attacks. The system is fully integrated into KB's main applications. Anti-fraud tools and processes are continuously adjusted according to the market situation.

Staging
KB Group allocates its receivables arising from financial activities into three categories (Stages 1, 2, and 3) in accordance with the IFRS 9 standard. Stages 1 and 2 constitute non-default (performing) while Stage 3 comprises default (non-performing) receivables. The staging reflects both quantitative criteria (payment discipline, financial data) and qualitative criteria (e.g. in-depth client knowledge).

Model Risk Management
Due to the growing importance of predictive models, Komerční banka established in 2018 an expert team (Model Risk Management). The team is focused on risks originating from those models' usage. This MRM team provides an initial review of a model's design, checks its correct usage and implementation, controls appropriate lifecycle governance, and provides annual model re-validation). KB's MRM team is covering all credit risk, ALM, and compliance models. Models shared within the SG group are reviewed in co-operation with a central SG MRM team. Moreover, the team ensures regulatory compliance for regulated models (IRB, IFRS 9, ALM) for KB Group. With the ongoing digitalisation of bank services, the team will gradually extend its scope to control other KB Group model families (e.g. marketing models).

Real estate valuation
In compliance with Czech and EU regulations, the valuation and monitoring of real estate collaterals accepted by the KB Group as security for corporate and retail loan exposures are delegated to a dedicated independent unit. This unit is a part of the Risk Management Arm and co-operates with a broad group of external valuation experts.

KB Group continuously monitors both residential and commercial real estate markets and regularly revaluates the real estate collaterals. KB Group utilises appropriate techniques (individual or statistical) for this purpose in order to react adequately to market developments. KB Group uses statistical monitoring of residential real estate market developments and applies an adjustment for pertinent residential real estate appraised values if residential real estate market values significantly decrease in relevant regions and periods. Moreover, KB Group monitors the development of commercial rents and performs individual revaluation of pertinent commercial real estate if rents significantly decrease in relevant regions and commercial real estate segments. In addition, real estates securing exposures exceeding EUR 3 million are individually revaluated every 3 years.

Since November 2019, KB Group has been using online statistical real estate collateral evaluation for a limited part of the low-risk production of mortgages as one of the steps in digitalising the mortgage loan granting process.

Recovery activities
In 2023, KB Group observed the first impacts resulting from effects of the shock development of energy prices, high inflation, and dynamic increases in interest rates during 2022. This was visible especially for the individuals who already had been past due with their debts in the previous periods and for entrepreneurs. These effects appear gradually, with some time-lag after their initial effect on the economy.

In particular, KB Group has observed an increase in the time needed to "cure" clients in the first stage of recovery (up to 90 days after the due date). More moderate growth was observed in the volume of loans entering this stage of recovery each month.

In the second half of 2023, KB Group observed clearly visible effects of the economic slowdown especially among small business clients, who had more often entered longer-lasting delays with the payment of their credit obligations and also more often proceeded to the next phase of recovery, i.e. in out-of-court recovery.

During 2023, KB Group observed slightly higher intensity of requests for (repayment) relief, but the number of requests for relief stabilised during the 3rd and 4th quarters. Nevertheless, the number and volume of requests for repayment relief was still considered to be at a normal level.

The Group assumes that delayed effects of the current macroeconomic situation on the credit portfolio quality may be seen in future.

Therefore, KB Group continues to boost efficiency of processes by digitising and automating certain activities in the retail out-of-court collection so that it would be able to absorb any possible increased inflow of clients affected by the deteriorating economic situation.

During 2023, KB Group continued in regular sales of uncollateralised and collateralised retail non-performing loans and receivables to selected qualified investors so that the maximum achievable recovery rate is obtained. KB Group did not carry out any mass sales of non-performing loans secured by real estate collateral.

The Group continuously responded to the changing legal environment, to newly adopted legislation, and to their possible impacts on the recovery of loans and receivables. Increased attention continued to be given primarily to the collection of claims under the Insolvency Act, that being the predominant method of resolving overdue claims of retail and corporate clients in the legal collection phase.

KB Group plays an active role in the insolvency process from the position of a secured creditor, member of the creditors' committee, or representative of creditors, whether in bankruptcy proceedings or in reorganisations, both of which are used by KB Group depending upon a given debtor's circumstances and the attitudes of other creditors. In 2023, KB Group observed an increasing number of client reorganisation solutions in the form of the entry of a new investor. In providing debt relief, KB Group focuses especially on monitoring the fulfilment of debt relief conditions by those clients who are paying off their debts.

Provisioning

Main principles of provisioning
KB Group uses the IFRS 9 standard in the area of allowances for receivables. Depending on the client segment, materiality, risk profile, and characteristics of the receivables, allowances are created either (i) individually (for part of defaulted exposures, or, exceptionally, for exposures in Stage 2) while taking into account the present value of expected future cash flows and considering all available information, including the estimated value of collateral and the expected duration of the recovery process; or (ii) using expected credit loss statistical models based on the observed history of defaults and losses and forward-looking adjustments.

Allowances calculation in accordance with IFRS 9 is consistent with the risk-weighted assets calculation (IFRS 9 statistical models are originally derived from the IRBA regulatory models), the same statistical models being used in both calculations, and with the regular stress-testing approach (forward-looking predictions in the IFRS 9 calculations are the same as those used in the regular stress testing). In 2023, KB Group updated and recalibrated its IFRS 9 models for the performing portfolio (Stage 1 and Stage 2) and for the retail non-performing portfolio (Stage 3). This is further detailed in the next chapter.

Credit risk development in 2023

Granting policy
As default rates of the portfolio remained at a low level during 2023, KB Group did not materially change its granting policy. Nevertheless, the Group responded to the evolution of energy prices and rising inflation by raising the expenditure and cost of living minimums entering into the creditworthiness assessment for individuals. Throughout 2023, KB Group continued to simplify its processes and accelerate credit granting to all client segments and while gradually introducing digital processes.

Cost of risk in 2023
KB Group recorded cost of risk at 0 basis points in 2023 compared with 15 basis points (net creation) in 2022. The total volume of allowances created for amounts due from customers came to CZK 13.5 billion as of 31 December 2023 versus CZK 14.9 billion as of 31 December 2022.

Overall, 1.8% of loans (on-balance) were classified in Stage 3 (non-performing) as of 31 December 2023, which compares to 2.3% in 2022. The decreased NPL share in 2023 reflects low default migration intensity and continued strong recoveries.

During 2023, KB Group updated and recalibrated its IFRS 9 models for the performing portfolio (Stage 1 and Stage 2) and for the retail non-performing portfolio (Stage 3), while considering:

(a) New macroeconomic forecasts in line with the IFRS 9 forward looking approach (in terms of sensitivity, GDP and unemployment remain the main predictors in forward looking models),
(b) Adjustments of methodological rules for PD and LGD curves, and
(c) Parametric adjustments to staging rules for Stages 1 and 2.

These updates of IFRS 9 models led to release of allowances for the performing portfolio in the amount of CZK 125 million and to creation of allowances for the non-performing portfolio totalling CZK 16 million.

In accordance with the IFRS 9 methodology, the update was based on the multi-scenario approach, which as of the end of 2023 was founded on three scenarios:

(a) Baseline scenario with a probability of 62%;
(b) Stress scenario with a probability of 28%; and
(c) Optimistic scenario with a probability of 10%.

The baseline scenario anticipates year-on-year increase in GDP of 0.4% in 2023 and GDP growth of 2% in 2024, with average unemployment at 2.7% in 2023 and 2.8% in 2024. The stress scenario expects (4.6%) year-on-year decrease in GDP during 2023 and (1%) decline in 2024, with average unemployment at 5.7% in 2023 and at 5.3% in 2024.

The scenarios were developed internally using the best estimates and following forecasts published by government, regulatory, and other authorities.

In line with the forward-looking concept, KB Group continued to apply a specific approach using post-model adjustments for the following portfolios:

(i) Exposures in retail segments of individuals and small business, with a deteriorating credit profile that is not fully reflected in the clients' credit ratings as of 31 December 2023 and wherein KB Group expects clients' ability to repay their liabilities to be negatively influenced by high inflation, costs, or interest rates. As of 31 December 2023, the exposure of this portfolio totalled CZK 70.4 billion. In the segment of individuals, the rating of these clients was downgraded by one notch and in the segment of small business by two notches for the purpose of allowance calculation. In addition, exposures of the aforementioned clients granted until the end of 2021 are reclassified into Stage 2 (due to the deteriorated macroeconomic situation since initial recognition, which can influence the future credit profile of the exposures). The level of additional allowances was at CZK 658 million as of 31 December 2023. KB Group is considering to start the gradual release of these additional allowances once the currently increased default intensity recorded in consumer finance and small business declines to levels observed prior to the Covid period.
(ii) The whole performing non-retail portfolio, because KB Group expects that the ability of clients in this segment to repay their liabilities will be negatively influenced by high inflation, costs, or interest rates. The level of additional allowances was at CZK 1,653 million as of 31 December 2023. KB Group used the approach via additional allowances for the whole non-retail segment, as it does not yet observe significant differences in risk profile among sectors. However, KB Group is closely monitoring the situation of sectors that it considers to be potentially sensitive to high inflation or with a deteriorated outlook for the future. KB Group is considering to start the gradual release of these additional allowances in the second half of 2024 if the clients' financial statements for 2023 confirm the generally good financial situation of its clients. Furthermore, KB Group assumes that it will simultaneously introduce additional allowances for those selected sectors which KB Group considers to have a potentially deteriorated outlook for the future.

Principal activities in 2023

KB Group focused during 2023 especially on the following activities in the credit risk area:

(i) Assessing impacts of the current macroeconomic situation and outlook on the credit quality of its portfolio.
(ii) Delivering regulatory requirements (ongoing upgrade of regulatory IRBA models reflecting EBA Guidelines, regular update of provisioning models) or gradual incorporation of ESG principles into its activities.
(iii) Implementing the Bank's digital risk strategy (e.g. ongoing implementation of upgraded KB Group risk engine, redesign of origination processes for all segments enabling the digital client's journey, strengthening digital fraud prevention, etc.).
(iv) Continuing implementation of the optimised risk management function in KB Group with a focus on aligning and interconnecting subsidiaries' risk management processes with those of the Bank.

Capital markets risks

Capital markets risks management

Market risk and counterparty risk on market transactions within KB Group's financial markets activities are managed by a dedicated Markets and Structural Risks Department. This department reports directly to the Bank's Chief Risk and Compliance Officer and is fully independent of business units. It operates within the framework of Société Générale Group's Market Risk Division. Methodologies for measuring risks and control procedures are thus aligned with the best practices of Société Générale.

Market risk of the trading portfolio

Several types of measures are used for assessing risks in Komerční banka's trading portfolio:

- Value-at-Risk (VaR) is calculated using historical scenarios with a 99% confidence level and 1-day time horizon. As of 31 December 2023, the VaR came to CZK (19) million. Reliability of the VaR model's results is back-tested while checking the daily P&L against the VaR. KB's Board of Directors is regularly informed about the results of the back-testing.
- The impacts of low-probability events not covered by VaR are assessed using various stress-testing methods and scenarios.
- Volume and sensitivity metrics are used to measure exposure to all relevant risk factors (e.g. FX, interest rate, basis, flight to quality, and credit spread risks).

Market risk limits are approved by two members of KB's Board of Directors (the Member of the Board in charge of Risk Management and the Member in charge of Corporate and Investment Banking) after being validated by SG's Market Risk Division.

The Bank uses enhanced valuation techniques for derivatives while considering whether a given derivative is concluded with or without collateral agreement and thus reflecting the cost of the Bank's liquidity.

Komerční banka's exposure to the risk of change in volatility on its market book is limited to asymmetry effect stemming from the different collateral arrangements between client transactions and their hedges.

Counterparty risk on financial markets activities

A market transaction may be concluded with a counterparty only on validated products and if approved limits exist for that counterparty. Counterparty limits for financial markets operations are monitored on a daily basis. Any breach of such limits is immediately reported to the relevant management level within the Bank.

The measurement of counterparty risk arising from derivative products is based on the Credit Value at Risk (CVaR) indicator. This indicator is calculated using Monte Carlo simulation while taking into account netting and collateral effect. With a 99% confidence level, CVaR quantifies the potential future replacement costs of a transaction with a client in case of such client's default.

As of 31 December 2023, the KB Group was exposed to a credit exposure of CZK 392,504 million on financial derivative instruments and repo operations, including those with the central banks (expressed in CVaR). This amount represents the replacement costs at market rates as of 31 December 2023 for all outstanding agreements. The netting agreements and parameters of collateral agreements are taken into account where applicable.

Financial risks

In addition to credit and non-financial risks, the Group is exposed to risks related to changes in interest and exchange rates and liquidity of assets (financial risks). The process of managing financial risks aims to hold risks undertaken to a minimum while also facilitating the Group's organic development. The methods for identifying, measuring, and managing risks in the areas of foreign exchange and interest rates are typically based on the requirement to minimise the impact on earnings. Supervision of the financial risk management process is by the Assets and Liabilities Committee (ALCO), which includes, among others, members of Komerční banka's senior management. The ALCO also oversees the levels of risk taken on and the proposed hedging transactions that the Bank executes in managing risk. KB's Asset and Liability Management (ALM) department defines methodologies for identifying and measuring these risks, subject to approval by the ALCO. The ALM department also measures the risk indicators and reports them regularly to the ALCO and Board of Directors. The methodology of identification and measurement of financial risks is reviewed by the Risk Management Arm, specifically by the Market and Structural Risk Department. This department is also responsible for managing the limits for individual risk categories. KB's Treasury Department proposes and implements investment and hedging operations for managing the Bank's risk profile. Treasury is also in charge of setting up appropriate economic benchmarks for price setting, again subject to ALCO approval. Mirroring the regulatory developments in France and the USA, liquidity risk management has been centralised into the Treasury Department.

The ALCO, as well as the ALM, Treasury, and Market and Structural Risk departments, supervise the processes of asset and liabilities management also in other KB Group entities. All financial risk management activities fully comply with the rules of Czech regulatory authorities and with relevant international banking regulations.

Price setting

The process of product price setting is organised on two levels. The first involves the economic principle of determining a proper benchmark in terms of current market conditions and at the level of Komerční banka's portfolios (by the ALCO). The second is to determine the price for the customer in view of a combination of marketing objectives and product parameters from the client perspective (by the Commercial Committee). Treasury provides tools and supports the Bank's business network in valuing transactions, setting client rates, and determining exchange rate spreads. The price-setting strategy is to offer clients products bearing competitive interest rates while always taking into account those costs connected with the price of liquidity and hedging against interest rate risk. In that manner, margins and financial stability are preserved even despite possible changes in market conditions.

Interest rate risk in the banking book

Interest rate risk constitutes the risk of possible financial loss or negative changes in the Group's net interest income due to movements in market interest rates. KB Group has divided its business activities according to their nature into the banking book and market book. Transactions executed with clients through the branch network typically fall within the banking book while operations with instruments acquired with intention of further trading belong in the market book. Interest rate risk is measured and managed separately for the banking and market books. With regard to interest rate risk in the banking book, the parent company (i.e. Komerční banka) and Modrá pyramida are the most significant members of the Group. The Group manages its banking book interest rate risk using such standard methods as gap analysis and interest rate sensitivity analysis. The aim of the Group is to minimise banking book risk and not at all to speculate on interest rate changes. To this end, the Group has established prudential limits. Thanks to the strategy aimed at minimising interest rate risk, the Bank's exposure to the effects of rising interest rates is substantially limited, and any potential future interest rates decreases will not adversely affect the Bank.

KB uses such standard market instruments for hedging against interest rate risk as interest rate swaps and forward rate agreements, as well as to invest in securities. All hedging and investment transactions are immediately entered into the Bank's front office system, where they are recorded and priced.

As from 2018, the Group classifies financial assets pursuant to the IFRS 9 Financial Instruments into the following business models:

- for the banking book – Hold to Collect contractual cash flows (HTC portfolio) and Hold to Collect and Sell (HTCS portfolio) contractual cash flows,
- and for the trading book – Held for Trading.

The choice of portfolio for holding an investment in the banking book is defined by accounting requirements and the associated internal rules (for classification of securities, the Bank considers the business model and the nature of the cash flows).

Revaluation of the HTCS portfolio to fair value impacts upon regulatory capital through changes in Other Comprehensive Income (OCI). The volume of regulatory capital could be impacted mainly by a worsening in the credit quality of bonds, whereas an impact from movements of market interest rates is substantially limited due to the bonds' interest payments being hedged. Selection of the HTC or HTCS portfolio allows for hedging an investment against interest rate risk. In 2023, the Group decided to divest part of its HTCS portfolio in order to improve stability and predictability of the capital adequacy ratio over time.

Interest rate derivatives (for hedging risk in the banking book) are recognised pursuant to valid accounting rules (including IAS 39) so as to achieve the most precise accounting recognition. Changes in the economic environment and in the product mix of the balance sheet had no impact on the Bank's hedge accounting. During 2023, all hedging derivatives of the Bank met the conditions defined by accounting standards, and their complete effectiveness was validated during regular testing.

KB has prepared a detailed strategy for managing interest rate risks that includes descriptions of permitted derivatives, instructions on using them, and methods for their accounting valuation.

Foreign exchange risk in the banking book of KB Group

Foreign exchange risk is defined as the risk of potential loss to the Group due to fluctuations in currency exchange rates. The Group's foreign exchange risk is measured and managed on a daily basis, and its position is controlled by a system of limits. The strategy is to minimise the impact of foreign exchange risk in the banking book, which means essentially to achieve neutral foreign exchange positions. For the purposes of hedging these, the Bank uses such standard instruments as FX spot and FX forward operations.

Within the Group, foreign exchange risk is concentrated especially in Komerční banka itself. The maximum open foreign exchange position of the Group's banking book in 2023 was less than 0.26% of the Group's capital, and thus it was essentially negligible. Part of foreign exchange risk management also involves KB's ability to respond quickly to market developments so as to prevent the conclusion of economically disadvantageous transactions. Komerční banka uses an automatic system for continuously monitoring the development of market rates, and it changes those rates used in client transactions once the market movement reaches a predetermined threshold.

Operational risk

The overall strategy for operational risk management is determined by the Operational Risk Committee, which also adopts appropriate steps in case of any negative development in the operational risk area and approves principal changes in the insurance programme utilised for mitigating impacts of operational risk events.

KB has been applying the Advanced Measurement Approach (AMA) to operational risk management and capital requirement calculation since 2008. Capital requirement calculation is performed using a central model of Société Générale. In addition to the standard tools utilised within the AMA approach, such as collecting data on actual operational risk losses, risk control self-assessment, key risk indicators, and scenario analysis, KB also has implemented a system of permanent supervision composed of daily and formalised controls. The headquarters departments use the SG Group tool GPS (Group Permanent Supervision) to manage and report on these formalised controls. The concept of "second-level controls" based on SG Group principles is present in KB and in 2023 was further developed. Improvement aimed at an independent review of control setup and appropriate performance of formalised and operational controls. The Bank continuously enhances the effectiveness of individual operational risk management processes, including the collection of information about internal events.

In 2023, Komerční banka Group recorded 206 operational risk events in a final amount of CZK 78.0 million. In a year-on-year comparison, this represents a 3% decrease in the number of losses and a 60% reduction in terms of loss volumes. Regarding net loss volumes, fraud and other criminal acts constitute the most significant long-term risk category.

To strengthen KB's holistic approach to risk management, the Operational Risk Department was transferred under the Risk Management Arm already in 2019 and thus the department is currently being supervised directly by the Chief Risk Officer, a member of KB's Board of Directors. Co-operation within KB Group companies in the area of operational risk management has been ensured through the regular exchange of information and participation of KB representatives on Operational Risk Committees organised by major KB Group companies. Within KB Group, the AMA approach is already used in four KB Group companies. In addition to the Bank itself, these include Modrá pyramida, as well as two non-banking entities, SGEF and ESSOX.

KB, in co-operation with its parent company and in accordance with SG Group principles, continuously streamlines operational risk management procedures and strengthens the control environment. As part of the Group's strategic risk management initiatives, the Risk Control Self-Assessment methodology was further developed in 2023 to place more emphasis on a "process" approach to risk assessment. In order to reflect recent regulatory challenges at SG Group level and to mitigate the most significant risks, new formalised controls were implemented while the setup of certain formalised controls was updated to strengthen a consistent approach to implementing control activities across SG Group.

A significant part of the operational risk management activities in the past year was devoted to KB's transformation activities and, in particular, to launch of the New Era of Banking by KB. With this launch, which aims to simplify and streamline the product offering, digitalise and optimise front- and back-office processes, base itself primarily on digital interaction with the client, and utilise modern technological solutions, KB entered a new era of its existence. Operational risks related to the Bank's transformation activities, including the New Era of Banking by KB, are analysed and taken into account already in the development of new solutions. The identified risks are monitored and evaluated on an ongoing basis.

KB devotes considerable effort and resources to fighting fraud. In order to strengthen the Bank's ability to detect and prevent fraudulent behaviour in the current environment, already in 2021, fraud prevention units in charge of preventing and detecting payment, credit, and internal frauds were joined into a unified department that is being supervised directly by the Chief Risk Officer.

In line with the growth in cashless transactions, KB spotted already in 2022 an increase in fraudulent payment transactions and in attempts to misuse clients' trust with the aim of fraudulently acquiring the credentials and access codes for their internet or mobile banking or to persuade clients to execute payment transactions to accounts controlled by fraudsters. Compared to 2022, there was a 30% reduction in the volume of recorded fraudulent payments during 2023, but this still reflects a visible upward trend compared to previous years. Effective system measures ensured that the vast majority of these fraudulent attempts was identified. Komerční banka persistently monitors existing fraudulent scenarios and continuously accommodates its control mechanisms to these. That contributes significantly to reducing total client losses due to fraudsters. Because the most effective protection against these fraudulent attacks is prudence together with knowledge of potential risks and basics of safe behaviour on the internet, Komerční banka regularly warns and informs its clients about recent security threats.

Business continuity

Business continuity management consists in developing Komerční banka's structures, procedures, and resources intended to cope with extraordinary situations in order to reduce the potential damaging impacts these may have on the Bank; protect the entity's employees, clients, assets, and activities; and enable it to continue providing basic services and thus to protect KB's reputation, brand, products, processes, and know-how while limiting the impact on its financial position. KB has developed business continuity plans for all main vital and critical processes. These plans are regularly assessed, updated, and tested. The system is subject to regular reviews by internal auditors as well as regulatory authorities. KB is a part of the Czech Republic's recognised critical infrastructure within the financial market and currency sector.

Impact of the Russian aggression in Ukraine

Recognising security risks associated with the ongoing Russian aggression towards Ukraine, the Bank strengthened its security measures, especially in the area of IT and information security.

Cyber and information security

Cyber and information security within Komerční banka is managed under the Chief Digital Officer, a member of the Board of Directors. The key governing and influencing body in relation to cyber and information security within the Bank is the Security Center of Expertise. It defines the overall cyber and information security governance, disseminates this into and across the entire organisation, assesses associated security risks, and controls achievement of defined security levels. The whole approach towards organising cyber and information security is built upon a key, fundamental principle that every asset owner is responsible for the security of the owned asset and every employee is responsible for his or her own secure behaviour.

Security aspects of servicing and development work in KB must be addressed with very acute focus so that execution of all security aspects and their outcomes well protect the Bank's business, banking secrecy, client data, and all interactions with clients against foreseeable threats originating from the continually evolving digital environment. Security aspects are considered as fundamental features within all new developments and all business interactions. Komerční banka's approach to protecting its digital environment is based on an ISO/IEC 27000 methodology. KB strives to achieve well harmonised end-to-end defence coverage and to ensure that the key pillars of information security – confidentiality, integrity, availability, and non-repudiation – are properly addressed and maintained.

The most severe cyber risks originate from the external environment and include the likes of fraud risks, risks of attacks on KB's clients, risks of penetrating the Bank's information systems, risks of electronic services availability loss, risks of illegitimate data exfiltration. The Bank also does not underestimate threats that originate from inside of the bank organisation, such as internal fraud, misuse of access rights, or potential leakage of the Bank's confidential information. To mitigate these risks, Komerční banka employs a broad set of preventive and detective measures that create a comprehensive, layered set of the Bank's security defences. The Bank continually monitors the external and internal environments, behaviour of users, and the setup of internal assets. It assesses risks associated with implemented changes in order to assure that identified high risks will be quickly mitigated. Risk mitigations are also initiated as the outcome of periodic risk reviews involving all IT assets. Komerční banka continually implements regulatory requirements directed to maintaining a prudent security setup that contributes to the application of high preventive and control standards. The adherence to internal policies and external requirements is double-checked by the internal audit department, which conducts approximately five missions yearly on different cyber and information security topics.

The Bank operated during 2023 under continued difficult cyber risk conditions. It remained a target for adverse cyber actors, primarily for actors responding to geopolitical developments or political statements related to Russia's invasion of Ukraine. Komerční banka was among targets of a DDoS campaign against the Czech banking sector launched at the end of August 2023. During the first wave of the DDoS attack, KB's clients could not log on to KB's Mojebanka internet banking service and KB web pages were unavailable for a couple of hours. The nature of this attack did not prevent KB from managing information such that data confidentiality and integrity were not impacted. Additional DDoS wave attempts that were repeated during the autumn and beginning of winter in 2023 did not cause any major impacts on services provided to KB's clients, and those attempts were contained by improved defensive methods.

The number of serious, publicly announced vulnerabilities that may threaten the security of KB's digital environment remained at high levels. The Bank continued in responding swiftly to these by immediate application of recommended fixes or patches.

In parallel, the Bank continually faced a heightened number of phishing and vishing attempts. These attempts caused no significant interruption of services or detriment to the internal environment. As true for the Bank, so, too, were its clients targets of sophisticated cyberfraud attempts. In response, the Bank implemented a number of countermeasures – ranging from informational campaigns to improved technical arrangements and additional anti-fraud controls – to address attacks that were experienced from various vectors.

During 2023, the Bank continued in its transformation and began offering a new suite of digital banking products known as KB+. These products capitalise on embedded security inasmuch as reflecting security policies and standards requirements is an integral aspect of the agile@scale development methodology consistently applied in creating new KB+ applications and improvements. Development teams' adherence to security policies and standards is validated by dedicated security resources allocated to individual development Tribes via comprehensive security assessments that mirror the requirements included in accepted policies. Findings and gaps are recorded within the information security risk management framework, then prioritised for mitigations by development Tribes with the help of IT risk dashboards and strong management oversight.

KB's digital environment is continuously monitored from a security perspective by the security operations centre. Consistent execution of key secure practices is controlled by a set of automated controls or periodical manual controls (first-level controls). Already a standard best practice, Komerční banka continued to employ benchmark monitoring of its external perimeter security posture by an external service provided by the company BitSight. This effort succeeded in sustaining KB's "advanced" ranking that was achieved already in 2020.

Security governance in 2023 continued to pursue a wing-to-wing group security continual improvement programme driven by Société Générale and approved by ECB. Improvements were carried out in the area of foundation security (i.e. endpoint detection and response [EDR]) protection on Windows servers and a framework for addressing obsolescence); detection & reaction (i.e. alignment of practice within SG Group, a common baseline of security information and event management [SIEM] alerting, and measured response to most critical alerts); application security (i.e. secure by design requirements applied in initial setup, with initial security gates deployed into development processes); data security (i.e. application of stringent controls of data protection on top confidential information); application of the rules on SaaS services that become part of the KB digital environment; Schrems II controls introduction; data leakage prevention (DLP) practice improvements; identity and access management (i.e. continual spreading of controls over privileged accounts to additional sets of applications, local administrative rights reduction); cyber resilience (i.e. continued hardening, now of the more-orbital part of KB's digital environment); and cyberculture (i.e. improved awareness programmes reflecting cyberthreat developments).

During 2023, the Bank tested its preparedness for responding to cyber events. It executed a tabletop crisis exercise organised in co-operation with the National Cyber and Information Security Agency (NÚKIB). KB carried out a red teaming exercise that simulated an advanced cyberattack aiming to interrupt a vital servicing process or to exfiltrate confidential information from KB. Outcomes of tests like these generate inputs to KB's cyberresilience programme that focuses on identifying gaps in KB's defences and then closing these across KB's entire digital environment, thus complementing the Group's sound approach to security governance.

Komerční banka also continued in developing a response scenario to potential data destruction in a business continuity management case. The Bank progressed in design of the recovery environment, in determination of vital processes details (i.e. what needs to be recovered and what needs to be validated upon recovery), and in outlining development in this area for the next 2 years, by which time recovery shall start to be practiced within regular business continuity management and in alignment with operational resilience practice established by EU legislation, specifically the Digital Operational Resilience Act (DORA). On this topic, KB started to address EU DORA requirements by initial gap analysis, formation of response teams, and alignment of how this topic is addressed within SG Group.

The secure behaviour of employees was promoted via continual delivery of KB's information security awareness programme. This includes annual information security training complemented by internal communication on actual security topics. The Bank continues to deliver training in secure development techniques to KB's developers. The employees were kept alert via regular simulated phishing attacks (at least three times per year) and vishing campaigns.

Continued vigilant attention was given to client security. Secure two-factor authentication via the KB Key application (KB Klíč) is a dominant authentication method. More than 1 million of KB's clients are actively using KB Klíč and strong authentication is mandatory for access to fully digital KB+ products. Komerční banka actively promotes the use of Bank identity and contributes to increasing the quality of its security, usage, and support. Komerční banka supports clients in addressing security aspects of digital banking through its continually updated, dedicated security website (https://www.kb.cz/en/security). The site communicates key secure behaviour practices and features that should help clients to stay safe. It includes recommendations on how to protect client devices and information about current threats and active fraud schemes. KB's anti-fraud detection system helped to save the money of a number of clients by detecting and blocking suspicious payments that were made by impacted clients but on the basis of fraudulent requests.

Komerční banka continually monitors a defined set of key risk indicators (KRI), such as number of security exceptions, number and criticality of open vulnerabilities, and number of security incidents. None of the monitored KRIs deviated from long-term levels in 2023. The Bank reported 3 security incidents in 2023 as defined by the Cyber Security Act (Act No. 181/2014 Coll.). All these reports were associated with the aforementioned DDoS attacks against the KB environment that targeted the services of Mojebanka digital banking and services of KB web pages.

Compliance risk

Compliance risk arises from possible breaches of regulatory rules, standards, principles of ethical conduct, and KB's internal regulations based on general ethical and corporate social responsibility principles that are obligatory for all employees. Any materialisation of this risk means the possibility of bringing KB into conflict with regulatory authorities, institutions, or its clients. KB could face financial penalties, reimbursement for damages and costs for corrective measures, as well as loss of reputation and goodwill with clients and the general public.

To manage compliance risk, KB has established a set of rules and processes within the control and management system. KB is scrupulously attentive to their observance. The Compliance Department is an important part of KB's management and control system. It has clearly defined functions and powers to identify these risks. Risk management rules and processes are vested in KB's internal regulations. Those internal regulations are regularly communicated to all employees, and compliance with them is regularly controlled. Senior employees are responsible for the continuous education of their colleagues to ensure compliance with the rules.

KB conducts a series of activities for the purposes of compliance risk management. The first step is systematically to monitor outputs of the relevant regulatory bodies as well as to follow new regulations. The next activity is continuing to co-ordinate the implementation of the regulations within KB by creating internal policies and procedures. Finally, there is a follow-up that involves inspection and consulting.

KB has developed a broad basis of internal regulations within risk management focused primarily on preventing the violation of regulatory and ethical rules and minimising the associated risks. The main areas relevant for KB include in particular preventing money laundering and financing of terrorism, rules for preventing corruption and accepting gifts, managing conflicts of interest, rules for providing financial market services, rules for handling insider information, distribution and advertising of products, payment operations, protecting banking secrecy, consumer protection, whistleblower protection, client data protection, competition, and rules regulating advertisement.

Within these areas, KB provides training to relevant employees and informs them about new regulatory developments. The purpose of the training is to ensure understanding and compliance with regulatory requirements while maintaining general awareness of the main principles and rules of conduct that both KB and its employees must observe. KB provides advice and support in the aforementioned areas across all KB Group companies.

In the context of compliance risk management, KB strictly insists on zero tolerance for fraudulent and dishonest conduct of any kind, as well as for any infringement of the pertinent regulatory and ethical rules, whether consciously or through negligence. Special attention is given also to reputation risks that must be taken into account within the context of KB's activities.

A number of mechanisms have been put into place to minimise the risks of regulatory non-compliance by KB and its employees. There is continuous monitoring of compliance with the rules and subsequent controls. The results of particular controls are regularly reviewed. KB records the findings and conclusions from inspections carried out by regulatory institutions and internal audit. Special attention is paid to corrective measures. Furthermore, individual regulatory discrepancies identified through normal banking operations are recorded and carefully evaluated. The process of improvement is constantly being reported to KB's Board of Directors.

Compliance incidents are governed according to a formalised process adopted on the basis of SG Group rules. All employees are encouraged to avoid such incidents. In case of any compliance failure, however, the resolution process is in accordance with the regulatory duties and also serves as a basis for continuous improvement. The process of compliance incidents management comprises six key steps:

1. Incident detection
2. Compliance incident qualification
3. Investigation of compliance incident
4. Analysis of review of compliance incident in committee
5. Compliance incident reporting
6. Framework management

All compliance incidents are registered and archived. Any critical concerns in the compliance area are reported both periodically (via the Compliance Committee or Operational Risk Committee) or ad hoc, whereby the Head of Compliance directly supervised by the Chief Risk and Compliance Officer has direct access to meetings of the Board of Directors, the highest governance body of the Bank, or via the Chief Risk and Compliance Officer, who is a member of Board of Directors.

The Compliance Committee approves all basic internal policies relating to compliance risk, as well as proposals and recommendations in the area of compliance risk, including ethical conduct rules and anti-corruption and anti-money laundering measures. The Committee shares information on current compliance risks, discusses new legal and regulatory developments (including pending legislation) along with their operational and business implications, material failures (incidents) and regulatory non-compliance, as well as the results of regulatory investigations. Since 4 September 2023, this Committee has become one of the direct committees of the Bank's Board of Directors.

Rules of conduct

KB is aware that the professional behaviour and conduct of its employees are basic preconditions for the successful development of the Bank and Group. Such behaviour and conduct are based on building open relationships with the clients and deepening trust between KB, its employees, and its clients and partners. KB Group has created rules for ethical behaviour and conduct of its employees that are based on general obligations as defined both by regulatory provisions and by standards of professional conduct applicable to the banking industry. These obligations consist of particular rules preventing conflicts of interest and corruption, rules for accepting gifts, rules preventing abuse of position, and rules against misuse of confidential information. The principles of ethical conduct and the necessity for upholding these rules are effective for all employees and are defined in KB's internal policies. A Société Générale and KB training programme raises the awareness of ethical conduct among KB employees. It is designed for all employees of the Group and focuses on principles of conduct and values for individuals and the Group as a whole. From 2022, oversight and assessment of issues related to ethical conduct, including identified compliance incidents, is conducted on a regular basis by the Appointment Committee of the Supervisory Board.

On a local level, KB has internal policies such as its Code of Ethics, Practical Interpretation of the Ethical Code, and other internal policies (non-public and intended only for KB employees) encompassing, among others, such areas as anti-discrimination rules, conflict of interest, whistleblowing, anti-corruption and anti-bribery, confidentiality of information, banking secrecy, anti-competitive practices, anti-money laundering, and insider dealing, as well as compliance with local, EU, and international regulations regarding above all environment, health, and safety.[1)]

KB has zero tolerance for any kind of fraudulent behaviour, corruption and bribery, antitrust/anti-competitive business practices, as well as discrimination or harassment in any form. KB is fully in line with the SG Code governing the fight against corruption and influence peddling.[2)]

On the SG group level, KB is bound by SG's Code of Conduct,[3)] which encompasses all those areas wherein SG has obligations. It refers, among other things, to the prevention of discrimination, confidentiality of information, conflict of interest, insider trading, and whistleblowing. In addition, Société Générale has a specific code dealing with tax issues.[4)] These publicly available principles guide the work of the Group across the globe. Therefore, they are applied and promoted also in KB, whose website contains information regarding corporate culture applicable to KB and external partners.[5)]

All employees, including those who work part-time, receive training on the rules of conduct at the beginning of their work relationship, after which they are trained every 2 years. In addition, there are dedicated KB or group training courses (from SG) that are tailored for exposed staff and conducted more frequently or on an ad hoc basis. Only employees on maternity leave or in long-term absence receive no new training.

Since 2020, new employees are required to sign off a document confirming that they have read and understood the latest version of the Code of Conduct. In addition, all applicants are informed at an early application stage about the existence of the Code of Conduct and SG Code governing the fight against corruption and influence peddling, and they are asked to act according to the rules encompassed in these two documents.

Effective implementation of the Code of Conduct is assured by responsibilities, accountabilities, and reporting lines systematically defined in the internal policies of KB and its subsidiaries. The relevant contacts are available on the website (www.kb.cz/en/about-the-bank/contacts). All employees are encouraged to follow the rules in the Code of Conduct and SG Code, which are linked to the remuneration principles. Internal policy covers breaches of compliance risk by enabling the Bank to issue warnings or a dismissal.

Efficiency of the conduct rules is continuously assessed by the system of internal controls (First Level Controls, Second Level Controls), regular evaluation of key risk indicators, promotion and assessment of the whistleblowing system, regular risk mapping of the most exposed risk areas (including anti-bribery and corruption, conflict of interest), and training programmes followed by tests.

The compliance system is verified on a regular basis by internal audit, SG supervision, and the Czech National Bank. The Czech National Bank is the supervisory authority for banks in the Czech Republic. This supervision comprises on-site and off-site inspections.

Generally, KB does not disclose breaches, except for systemic breaches or serious breaches which must be disclosed according to mandatory disclosure requirements. KB reports on breaches to SG via an intragroup reporting tool. Qualified breaches are always reported to the CNB or other relevant authority. Following investigations, the actual breaches would be published by such authority on their web sites. No such breach in the area of rules of conduct occurred in 2023.

Anti-corruption measures

The adoption and upholding of clear rules against corruption and KB's zero tolerance towards any kind of corruption constitute basic standards and a foundation for responsible business. These are prerequisites for maintaining and strengthening the position of the Group and its place in the competitive market. KB's anti-corruption measures target KB itself and its business activities, employees of KB, as well as third parties, including clients, suppliers, and financial service providers. The rules and principles adopted to fight corruption and bribery are anchored in the internal policies and are elements of mandatory training for all employees.

KB has implemented rules for how to indicate bribery and corruption risks related to a client. The assessment includes geographical indicators (based on the level of corruption in a country involved), features of the transaction, and relevant news flow. An increased level of risk may trigger need for an enhanced due diligence process.

To comply with the rules on combating corruption, suppliers and others of KB's business partners also are bound by obligatory contractual clauses. KB has a procedure for establishing a business relationship with a new business partner. KB always requires the execution of due diligence by checking adverse information relating to a natural person or legal entity, such as information on conducting administrative or criminal proceedings relating to money laundering or financing of terrorism, corruption, fraud, tax evasion, sanctions, or negative experience of KB.

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1) Further information is available at https://www.kb.cz/en/about-bank/we-do-business-sustainably/economic-sustainability

2) https://www.kb.cz/getmedia/5ca79c56-5683-47b5-85aa-e4af43e66ec8/code-governing-the-fight-against-corruption-and-influence-peddling-uk-(1).pdf

3) https://www.kb.cz/getmedia/50272b65-a151-4a76-9cb0-1409c8cfe08b/code_of_conduct_eng.pdf

4) https://www.kb.cz/getmedia/7632c13e-f17b-4383-a0b7-05c84489cbca/tax_code_of_conduct_of_societe_generale_group_uk.pdf

5) www.kb.cz/en/suppliers and to https://www.kb.cz/en/about-bank

There is a scoring model for the risk rating of the new business partner determining low, medium-low, medium-high, and high risk. Risk factors are evaluated on the basis of geography (with separate ratings for bribery and corruption and for money-laundering risks), industry, reputation (negative news, corruption, bribery, fraud), sanctions, and politically exposed persons (PEP) screening data. Business partners with red flags on such factors are rated as high risk. High-risk business partners must be approved by KB and SG compliance departments. In the case of a PTI GN (Third Party Intermediaries with Government Nexus) supplier, there is a requirement in place regarding its validation by SG Head office. The validation of the TPI GN supplier has to be performed in the case of a new relationship and in the case of the regular review as well.

Upon establishing a new relationship with an intermediary (financial service provider), KB always conducts due diligence according to the regulatory requirements in relation to financial crime. The risk rating model for financial service providers is similar to that for clients, including the requirement for two-level approvals. The contract contains anti-corruption clauses compliant with internal policy.

To date, KB has no knowledge of any external investigation of breaches of anti-corruption or anti-bribery rules in relation to it.

The Compliance Department is responsible for establishing the rules against corruption. As a result of SG Group emphasis in this area, KB has implemented numerous measures, such as by amending its internal policy on anti-corruption, establishing stricter rules for offering and accepting gifts and invitations to employees, launching a database tool for recording such gifts and invitations, and setting up monitoring and control of adherence to the rules. In addition, all respective managers have received training from the Compliance Department for those persons most exposed to corruption risk.

The Compliance Department is also responsible for establishing the rules on the prevention of bribery. These rules comply with SG's group-wide policies and its anti-bribery code. The respective rulebook is updated on a continuous basis and covers mainly areas regarding whistleblowing, gifts, business meals, external events, procedures for third-party assessments, rules for sports donations, rules for charity donations, mergers and acquisitions, and lobbying.

Once every three years KB carries out an activity called Anti-bribery and Corruption (ABC) Risk Assessment. Within this activity Compliance department identifies areas across KB's departments where there is a risk of corruption, bribery or of other improper behaviour. Once identified, an assessment is made as to whether appropriate anti-corruption measures are in place to mitigate the risk. This ABC Risk Assessment is also carried out by all KB Group entities.

In 2023, KB strengthened its anti-corruption and anti-bribery protection organisation by establishing a permanent working group with a KB Group-wide remit to assess contractual documentation, co-operation or public negative information with a focus on corruption among clients, suppliers and third parties, based on publicly known information or internal investigations. It conducted in-depth investigations of 97 entities during the year.

The Task Force has established escalation rules for any findings of increased risk of corruption.

There were no substantiated cases of corruption and bribery in the last five fiscal years. There are no ongoing external investigations by local or international authorities.

Policy influence

KB and its employees strictly follow the rules for asserting the Bank's interests with public authorities (lobbying). Employees of KB who will carry out advocacy activities must comply with the rules and provisions relating to the fight against corruption and influence peddling, as described in the SG Code governing the fight against corruption and influence peddling and the anti-bribery rules, as well as KB's internal Advocacy policy. In addition, they must undergo mandatory training specific to the fight against corruption relating to the identification of staff exposed to corruption, and they may report any situation that could constitute a violation of internal, legal, or regulatory standards via whistleblowing.

KB employees may represent the views and standpoints of KB in professional associations and other bodies of which KB is a member (e.g. the Czech Banking Association). A KB employee can enter into a negotiation with a public/state representative, but in such case he or she must act in his or her capacity as a representative of a professional association. In principle, the views of KB employees are taken as those of the association and not of the Bank and therefore are not regarded to constitute lobbying.

Contributions to political campaigns or organisations or other groups whose role is to influence political campaigns or public policy and legislation are prohibited by internal policies. KB strictly follows a course of political neutrality and refrains from supporting any political organisations or activities through donations or subsidies, even where local law so permits.

The only contributions – in the form of standard membership fees – were made in 2023 to industry or trade associations (such as the Czech Banking Association and Czech Capital Market Association) in the amount of CZK 10.87 million.

Proactive identification and reporting of potential risks, whistleblowing

A system for proactive identification and effective reporting of potential risks (whistleblowing) is regarded as one of the main tools for managing compliance risks within KB.

The right to blow the whistle provides an opportunity for everyone to notify ('speak up') without fear of retaliation or sanctions when they believe there has been a breach of internal policy, laws, or regulations that a received instruction, a transaction under consideration, or more generally a particular situation of which they become aware does not comply with the rules governing the conduct of the Group's activities or the ethical standards expected or that they believe may be in breach of laws and regulations.

A whistleblower can be any employee, external and temporary staff, and, as part of the duty of care, any service provider with whom an established commercial relationship is maintained (suppliers or subcontractors) or with which such relationship is even not yet established or will not ever be, and literally even anybody such as, for example, shareholders, investors, regulators, supervisors, or any member of the public.

Whistleblowers may exercise their whistleblowing right through their supervisors or the Compliance Department in any possible way. It is also possible to use a dedicated e-mail box (whistleblowing@kb.cz) or directly contact competent persons under Act No. 171/2023 Coll., on the Protection of Whistleblowers.[1)]

A whistleblowing alert also may be submitted to Société Générale via a secured, anonymous whistleblowing web tool.[2)]

Focused training of employees

KB has a training system for the employees. Training courses are allocated to employees according to their work duties, putting emphasis on mandatory training courses applicable to all employees (all staff) and those applicable to specific positions (targeted population).

All employees are obliged to complete the training courses regarding workplace safety, fire safety, compliance and Ethical Code, risk management culture, safety minimum, reputation risk, e-starting, internal policies, anti-money laundering, and tax transparency (including FATCA).

Employees selected according to their work positions must complete special certifications and training courses on special regulation or training courses for certain positions, such as managers and team leaders. Workers participating in sales of selected products, such as consumer loans, insurance policies, pension policies, or investment instruments, must achieve professional qualifications as prescribed by regulation.

All employees receive training at the beginning of their work relationship and then it is regularly renewed every other year. In addition, there are dedicated training courses that are tailored for exposed staff and conducted more frequently. Only employees on maternity leave or in long-term absence receive no new training.

The completion of mandatory training courses is monitored. In case mandatory training is not completed, the employees and their managers are automatically notified by the system on a monthly basis. The administrator of the training is notified on a quarterly basis.

Product development and offer

KB is continuously developing a number of new products with the objective of satisfying the needs of clients from various segments. Their parameters, processes, and related risks are analysed in advance and approved by the responsible units, including oversight units (the Risk Management, Legal, and Compliance departments). This ensures compliance with laws and regulations. When offering products to clients in the distribution network, the suitability of a given product for a specific client is evaluated, and the client's needs are taken into consideration. KB follows the principle of responsible lending and provides the clients with all information regarding its products in a clear and transparent manner.

All new products and significant changes of current products must be evaluated by a dedicated New Product Committee which assesses also all risks relevant to the product or its change, including potential risks for the clients.

Advertisement, offering, and sale of financial products

Sales of all products comply with the applicable regulations, including their advertisement and way of offering.

Remuneration of staff in retail as well as corporate banking always takes into consideration also qualitative compliance criteria, which are based on the regulatory requirements, such as the EBA guidelines on remuneration. The distribution network is bound by the rules of responsible banking and obligation to act in the best interest of the customer when offering a product (with additional requirements stipulated for selected products, such as insurance policies and investment instruments). KB's motivational system ensures that customer satisfaction is taken into account as part of performance assessment and when assessing the variable remuneration payout, and infringement of a compliance rule may result in its decrease by 10% to 100%.

All advertisements and communication with the clients are approved in advance by the Compliance Department with regard to consumer protection rules and other rules concerning financial products.

Environmental and social risks

Komerční banka has implemented a system for identifying and managing environmental and social risks (ESRM) in the provision of financing to the Bank's clients from the viewpoint of potential damage or negative effects on environment, health and safety, human rights, and basic freedoms. These factors may lead to a potential non-compliance with KB's rules and commitments, with obligations from applicable regulations or with environmental and social commitments of Société Générale Group. They may also impact negatively on KB's reputation or even give rise to a credit risk exposure, including from physical damage to a client's assets due to such environmental or social factors as climate change or industrial accidents.

The aim of the ESRM system is to make sure that the Bank does not co-operate with companies that are involved in excluded activities (by including such companies in the list of excluded companies common to the entire Société Générale Group, the SG Exclusion List) and that the Bank does not finance such companies or such activities. The Bank will thoroughly assess ES risks when serving clients operating in sensitive sectors. The ES risk assessment process is closely linked to the know-your-client (KYC) process. For existing clients, ES risk assessment is carried out regularly in parallel with the renewal of credit lines.

Jitka Haubová, a member of the Board of Directors, is in charge of overseeing the processes of ESG risks management and the overall sustainability approach in KB. Within KB Group, in

[1)] https://www.kb.cz/en/about-bank/we-do-business-sustainably

[2)] https://report.whistleb.com/en/societegenerale addition to at KB, the ESRM rulebooks are fully applicable at Factoring KB and SGEF. ESSOX completed implementation of the ESRM rulebook in 2023. In each subsidiary, there is an environmental and social risk co-ordinator in charge of ESRM implementation and supervision over compliance with the Group's ESRM regulations. Their approaches are co-ordinated with ESRM experts of the Bank.

Implementation of this system is a condition for long-term successful development of KB's business and it relates also to SG Group's commitments. In 2007, SG Group committed to adopting the Equator Principles, a voluntary framework of rules for evaluating environmental and social risks when financing projects. SG Group is a founding member of UNEP-FI (the United Nations Environmental Programme Financial Initiative) and of the Equator Principles. In 2019, SG became a signatory to the so-called Principles of Responsible Banking, thereby committing to consider principles of sustainable banking in all its activities, including adoption of its own goals for supporting the Paris Climate Agreement.

In 2021, SG, as a founding member of the UNEP-FI Net-Zero Banking Alliance, committed to aligning its portfolios with trajectories to achieve carbon neutrality by 2050 with the ambitious goal of limiting global warming to 1.5 degrees Celsius. SG Group, including KB, is thus progressively targeting portfolios with the highest levels of CO_2 emissions and the greatest potential impact.

SG Group has developed the Environmental and Social (E&S) General Guidelines, which define the basic framework of its ESRM system for the responsible conduct of banking and financial activities. Within this framework, both cross-cutting E&S policies have been developed to address topics common to all sectors, as well as sector-specific E&S policies (Sector Policies), whereby the Group focuses more specifically on those sectors within which it operates and that it considers sensitive in terms of E&S risks.

KB fully respects the commercial restrictions on the provision of banking services and products to companies involved in coal mining activities (coal mines, coal-fired power plants, and related services); trading in certain types of arms, ammunition, and military material; asbestos mining; and oil and gas extraction in Arctic regions, from sands, or shale. The Bank does not finance exports of arms and military equipment to high-risk countries and countries with undemocratic and authoritarian governments. These restrictions also apply to individual private or state entities or business groups whose activities are considered non-transparent within the arms industry. Sectoral policies apply as well to agriculture, forestry and timber, and, from 2023, to the tobacco industry. The sector policies are available on KB's website[1] (as well as that of SG[2]).

In co-operation with SG Group, KB commenced in 2021 implementation of EBA guidelines on loan origination and on EBA standards on Pillar 3 for physical and transition climate risks. KB extended climate transition risk assessment to all industries in 2023 when assessing the credit risk of transactions according to

[1] https://www.kb.cz/en/about-bank/we-do-business-sustainably

[2] https://www.societegenerale.com/en/publications-documents?theme=rse&category=politiques-sectorielles

a specifically defined Corporate Climate Vulnerability Indicator for the client. This tool evaluates clients' financial capacities for transition of their business activities potentially influenced by changing regulations, market demand, externalities, and new technologies.

In accordance with the EU Financial Services Sustainability Related Disclosures Regulation (SFDR),[3] KB publishes specific information on its approach to integrating sustainability risks and taking into account adverse sustainability impacts, and this information was updated and supplemented in 2023. Also in the area of investment services (MIFID II),[4] new requirements related to sustainability have been taken into account.

As part of SG's group-wide project ESG by Design, attention was also given to streamlining tools for detecting and automating the evaluation of environmental and sustainability risks in the forms of excluding inadmissible activities, as well as evaluating negative information and including it into the approval process for accepting clients, their control, and their transactions.

Crime prevention, measures against money laundering (AML), financing of terrorism, and circumvention of international sanctions

KB exerts maximum efforts to prevent the abuse of its services for any purposes relating to money laundering and the financing of terrorism or circumvention of international sanctions. It applies rules, methods, and verification procedures in compliance with the corresponding legal regulations, norms, and rules of the SG financial group. In 2023, the Compliance Unit focused on adjusting the internal control environment in the area of preventing money laundering and financing of terrorism in connection with implementing correction of deficiencies identified by the CNB during the 2021 and 2022 audits and with the adoption of Act No. 1/2023 Coll., on restrictive measures against certain serious acts in international relations (the Sanctions Act), meanwhile creating conditions for updating internal processes and rules in line with Société Générale Group programmes. KB has also adapted the reporting process within the framework on whistleblowing from an AML perspective.

KB continues to share management and control information with the employees in the forms of, for example, operational reports and training classes and/or e-learning courses. KB has an established system for monitoring all transactions and business relationships. Publicly available policies or procedures cover mainly know-your-customer standards, such as customer identification, due diligence, financing of terrorism, and politically exposed persons.[5]

In 2023, KB was affected by 3 major events:

- The continuing Russian aggression against Ukraine

[3] Regulation (EU) 2019/2088 on sustainability related disclosures in the financial srvices sector (SFDR).

[4] Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directives 2002/92/EC and 2011/61/EU.

[5] https://www.kb.cz/en/about-the-bank/documents

Russia's aggression against Ukraine has had a crucial impact on the client acceptance processes. KB has created special processes, special products, and terms for provision and drawdown. Currently, KB is following the valid rules of the Ministry of Interior and checks are underway for asylum seekers admitted in 2022 with their current links to the Czech Republic. Further impact has accompanied the issuance of several additional sanctions packages, the introduction of a Czech Republic sanctions list, new sanctions lists, and the initiation of new mandatory checks by KB and correspondent banks. These new processes have resulted in the Bank's increasing capacity in the Compliance team.

- Implementation of a new detection tool

KB is working in co-operation with SG to implement a new detection tool from an AML perspective and which can also use artificial intelligence. This new tool will allow AML analysts to work more efficiently with client information in a single place, investigate clients by segment, and set up personalised scenarios on clients according to segment and risk.

- Increased number of risky clients due to a change in the risk model for calculating client riskiness

At the end of 2022, KB deployed a modification of its client risk model, taking into account 12 client segments, KYC data in accordance with the AML decree, and transaction data on its clients. At the same time as the model was being adjusted, the country and subject of business codes were set to change.

From 2022, KB introduced the obligation to screen clients for negative information. It uses an automated process of screening against negative information across the globe with a view to AML, sanctions, and reputational risk. In 2024, KB will also start screening entities for ESG risks.

KB has publicly transparent procedures in place to ensure the effective establishment and implementation of a company culture that opposes money laundering and financing of terrorism.[1)]

These documents refer to the information requested from clients regarding customer due diligence. Formal policies and procedures include customer verification based on reliable, independent source documents, data, or information; identification of beneficial owner; and conducting ongoing due diligence on business relationships. In line with regulations, KB conducts screenings against applicable lists of sanctions and embargoes issued by competent authorities having jurisdiction over the relevant financial institutions and SG Group as a whole on a daily basis as well as lists of politically exposed persons (PEP) at the beginning of a relationship, then quarterly on the whole client portfolio. KB prohibits opening accounts for clients without prior screening against the lists of sanctions, PEP, and exclusions (black list). In the case of PEP, each client is requested during an onboarding process to provide a declaration as to the source of funds, which is then recorded in a special database. Subsequently, clients are screened on a regular basis. The power to approve PEP is delegated to the head of Financial Crime Compliance and the head of the relevant business unit.

In all business relationships with its clients and other commercial partners, KB diligently applies the "know-your-client" (KYC), "know-your-supplier" (KYS), and "know-your-financial service provider" (KYP) rules as defined by both local laws and regulations and internal policy. KYC rules are applied according to client types, including natural person, professional, and legal entity (and specifically corporations, banks, asset managers, retail and limited mutual funds, other financial institutions, non-profit organisations, and governments). Based on the client type and existence of defined riskiness criteria updated as per the new AML Act, including country-based risk, identification risk, reputational risk, and dynamic product and transaction data (e.g. date of the entity's establishment, date of its onboarding, identification of the ultimate beneficial owner, legal form of the entity, non-face-to-face onboarding, entity size, negative news, corruption risk, sanctions incident or sanction hit, PEP identification, suspicious activity report, transactions with high-risk or medium high-risk countries, suspicious behaviour of a client, source of wealth, source of funds), each client is expected to submit a pertinent set of documents when opening an account. Individuals are required to submit, in particular, documents proving identity and address, tax returns and tax declarations (FATCA & CRS). In addition to the requirement to submit the same documents as do natural persons, entrepreneurs are required to submit statements of activities and business licences and to complete a sanctions questionnaire. Legal entities must always submit documents proving their existence, the identity of the executive directors, copy of identity card for management/control structures and ownership, including an extract from the evidence of ultimate beneficial owners, as well as documents showing the income and business activity of the client, tax return or annual report, sanction questionnaire, and a declaration of business activities. If explicit or very specific information on client activities is required, additional documents (e.g. anti-money laundering rules, licenses, company statutes, etc.) are required during client on-boarding or periodic KYC validation and accuracy checks. The new procedure for establishing business relationships with payment service providers was developed in co-operation with Société Générale during 2022, but it came into force at KB in 2023.

There are two possibilities for how to proceed with non-face-to-face identification while ensuring the same standard of KYC: by online application or by courier. Both require the client to submit two documents proving identity and additional documents relevant for a legal entity. Online onboarding is offered only for Czech citizens. The information requirements and requested documentation are available at https://www.kb.cz/en/become-a-client.

During 2023, the Compliance Department analysed 14,679 business cases or requests for business relationships beyond the standard assessment. It made a recommendation to terminate 140 client relationships and denied contractual client relationships to 585 applicants.

Records are kept for 10 years from the end of a relationship with the client. An annual independent assessment of monitoring procedures is conducted.

1) https://www.kb.cz/getmedia/234f2f42-e979-4fbd-99e2-097d983fd6d1/Summary-of-AML-policies-and-procedures-or-AML-and-KYC-data.pdf;
https://www.kb.cz/getmedia/9056dd59-d3c7-4d7a-b61d-e37290257d76/kb-identification-and-verification-of-clients.pdf

All employees, including senior management, are requested on an annual basis to complete training courses and/or e-learning with final tests in the areas of anti-money laundering and countering the financing of terrorism, know-your-customer, anti-bribery, and anti-corruption. The intranet-based training includes case studies and computer-based training with self-assessment. Face-to-face training by the Compliance Department is mandatory for selected employees.

Tools used for monitoring transactions in relation to money laundering include the following:

a) Siron AML, an application used on a daily basis that automatically detects non-standard/risk transactions of clients in the AML/Countering Financing Terrorism area (generating AML alerts). Altogether, 37 indicators/scenarios of risk behaviour/type of transactions are set up.

b) The AML application is a system providing mutual communication between the AML unit and responsible employees (i.e. evaluation and recording of feedback, reporting suspicious transactions, etc.).

In 2023, the AML unit:

- Reviewed 38,298 AML alerts generated by the automated transaction monitoring system. A rising trend in the number of alerts is due to the increasing number of client transactions. Slight decrease compared to the previous year was affected by the adoption of scenario revisions in 2Q 2022, optimisation of thresholds, including consideration of the current situation (payout to former Sberbank clients, Russian aggression against Ukraine); (2022: 44,896, 2021: 60,577, 2020: 48,439, 2019: 775);
- Reviewed 1,359 complaints for investigation from other KB departments, other financial institutions, and/or law enforcement authorities (2022: 955, 2021: 539, 2020: 414). The rising trend is due to the massive increase in internet fraud and account misuse.
- Reported 615 suspicious transactions to the Financial Analysis Unit (FAU) (2022: 627, 2021: 593, 2020: 444, 2019: 248);
- Processed 1,213 enquiries from the FAU (2022: 1,201, 2021: 1,288, 2020: 1,135, 2019: 1,469);
- In 413 cases (382 of which were initiated by banks, 31 by the FAU) there followed orders for suspension or blocking of the account and/or client (2022: 424, 2021: 225, 2020: 687, 2019: 165);
- In 398 cases, termination of existing contractual relationships was initiated (2022: 414, 2021: 337, 2020: 351, 2019: 532);
- Reviewed 8,544 payments rejected for manual processing due to AML/CFT or special monitoring. The increase is due to tightening international standards in the area of anti-money laundering and preventing the financing of terrorism (2022: 4,353, 2021: 1,549).

c) AMLCOM is an application for screening of correspondent banking transactions and which KB has been using since February 2020. Evaluation of alerts falls within the competence of the Compliance Department.

From KB entities, 1,526 alerts were evaluated in 2023 (2022: 898, 2021: 1,393, 2020: 1,373), 152 alerts were subject to enhanced due diligence (2022: 81, 2021: 59, 2020: 46). KB reported 182 transactions to the Financial Analysis Unit (in 24 reports) wherein it acted as a correspondent bank.

KB has developed sophisticated measures against circumvention of international sanctions, including to check on a daily basis KB's entire client portfolio against sanctions lists, to check all foreign transactions for potential violations of sanctions, as well as to check the products and services, and especially those involving foreign trade and export.

In 2023, KB evaluated 17,803 alerts (2022: 3,954, 2021: 14,743, 2020: 59,094) for potential risk of sanctions violations. The vast majority of these alerts were assessed as posing no risk. Although no significant breaches of sanctions were identified, several business relationships with clients had to be terminated due to Russian sanctions and outgoing payment relations with Belarus and Russia were terminated.

In 2023, KB conducted in-depth analysis of 9,066 foreign transactions (2022: 13,079, 2021: 7,511, 2020: 5,980) to eliminate the risk of violating international sanctions (in particular EU and USD-related sanctions). Of these transactions, 4,108 were screened by SG Paris and 273 were screened by SG's correspondent bank in New York. As a result of these checks, a total of 450 transactions were blocked and 16 transactions were frozen (for 5 clients) due to the new sanctions restrictions.

All these transactions are checked online in real time. They require mainly (but not solely) thorough knowledge of the given clients' activities, the rationale for the transactions, and the relationships with counterparties.

Client data protection

Compliance with the rules for the protection of personal data and data covered by banking secrecy, as well as the handling and maximum security of such data, has long been one of KB's top priorities. The importance of the topic of data protection in 2023 was underscored by the fact that the GDPR regulation celebrated 5 years of its effectiveness, during which time it has become a respected part of the regulatory framework.

To this end, KB has a long-established set of relevant organisational and technical measures consisting in an appropriate regulatory base, a comprehensive information security system, application security, an access control system, a control mechanism and, last but not least, the provision of staff education. The established set of internal policies is the basis for ensuring a high level of protection for the personal data of KB's clients, employees, and suppliers. Information on the processing of personal data is transparently described in several documents listed on KB's website,[1] including a basic document entitled Information on the Processing of Personal Data. It contains a summary overview of the processing of personal data at KB, including the rights associated with it. Other documents relating to the protection of personal data are available at the same location.

In relation to its suppliers, KB has a system in place to ensure the protection of personal data and data subject to banking secrecy, from selection of the supplier, through the contractual

[1] https://www.kb.cz/en/protection-of-personal-data

documentation containing the relevant provisions, to the control mechanism over fulfilment of the obligations of individual suppliers. In 2023, in response to evolving case law (in particular the European Court of Justice decision in the case Schrems II), the management of relations with suppliers was adapted to more refined interpretations, mainly concerning the transfer of personal data to non-EU countries.

Supervision of compliance with the data protection rules continues to be systematically implemented at KB and in its subsidiaries, which are responsible to the same Data Protection Officer (DPO). The DPO independently carries out ongoing monitoring of compliance with the data protection principles, draws attention to possible non-compliance with the GDPR, and recommends possible corrective measures. The DPO is responsible for consultation and communication with the Office for Personal Data Protection (OPDP).

As part of the ongoing agenda of evaluating breaches of personal data security under the GDPR, there were for KB in 2023 identified 66 confirmed cases, 1 of which one was assessed as high risk and was reported to the OPDP. The remaining cases were assessed as low-risk events.

Within the framework of the ongoing agenda of exercising data subjects' rights under the GDPR, 90 rights were recorded for KB in 2023. In all cases, requests to exercise rights were individually assessed, evaluated, and responded to appropriately.

As regards the interaction with the supervisory authority, which is the Office for Personal Data Protection (OPDP) for the area in question, one of the aforementioned personal data breaches was reported. In addition, during 2023, a control started at the end of 2022 continued, resulting in the imposition of a fine for minor deficiencies in the sending of commercial communications. In 2023, KB further responded to two requests received from the OPDP where KB provided the requested co-operation.

Supplier relationships

In relationships with its suppliers, Komerční banka is committed to honouring all legal regulations as well as to the protection of the environment, social and human rights, and the principles of sustainable development. KB has implemented the common sourcing principles of Société Générale, which it perceives also as a prudent risk management approach.

The sourcing rules include, among others, rules for assessing risks and obtaining adequate information before making a decision on concluding or maintaining a business relationship with a supplier – so-called know-your-supplier (KYS) rules.

These rules enable the Group to identify those suppliers exposed to a risk of bribery or corruption and to manage such risks, to prevent co-operation with suppliers in breach of applicable regulations in the areas of taxes, anti-money laundering and financing of terrorism, and corruption or who might be involved in an illegal activity. The Bank verifies, in accordance with applicable conditions, statutory representatives of the suppliers, their beneficial owners, and politically exposed persons linked to the suppliers.

The KYS principles are included in KB's internal rulebook. The KYS policy also stipulates limits for the value of purchases. In 2023, the rules (limits) within the Société Générale Group were further tightened and contracts with a duration of more than 5 years are now included in the assessment. At the same time, a new indicator has been added to the supplier evaluation criteria, concerning the evaluation of negative information detected about the supplier. The rules apply to the suppliers of non-financial services as well as to suppliers of goods and other products. Several units within KB and Group are involved in KYS activities.

Before concluding a new business relationship with a supplier, KB checks that the supplier's consideration does not generate a risk of corruption. It identifies the supplier and its statutory representatives and verifies that these persons are not recorded in the lists of information held in order to prevent money laundering and financing of terrorism. The suppliers are also checked against registers such as the EU Sanctions List, sanctions and embargoes of the USA, and lists of the United Nations Security Council. The KYS rules include also processes for establishing relationships with suppliers from sectors sensitive from the perspective of sustainability (e.g. the energy sector). KB Group will not enter into a business relationship unless all required information is provided and all conditions are met.

More stringent requirements are applied to a supplier with higher level of risk, identified according to pre-determined indicators (e.g. PEP, link to a high-risk country). These stringent requirements must be satisfied before entering into the business relationship as well as during the regular review of suppliers and daily screening of the list of suppliers.

According to the risk assessment of suppliers, KB determines the frequency of the reviews and it may require conducting enhanced due diligence. Enhanced due diligence must be conducted in particular when riskiness of the supplier has been assessed as medium-high or high, or if the supplier has a representation agreement and a connection to government, or if there is a PEP. In enhanced due diligence, KB researches via public sources the ethical framework of the supplier (measures against corruption, code of conduct, etc.), possibly to include screening of the supplier's reputation, its statutory representatives and other executives, identification of beneficial owners and their records on the lists of sanctions, PEPs, or negative information.

In case that a KB Group employee notices a risk indicator during the due diligence process or at any time when pursuing a business relationship, he or she must inform the Compliance Department. A non-exhaustive list of risk indicators is a part of KB's internal instruction. The signature authorisation for concluding a business relationship as well as escalation procedures are based on results of the supplier's risk assessment.

Every contract with a supplier must include clauses on international sanctions and against corruption and it may include also clauses related to corporate social responsibility or other clauses required by law or KB's rules. Old contracts which do not include relevant clauses must be adapted upon the next renewal. KB informs all suppliers before signing a contract on applicability of the SG Code of Conduct and SG Code governing the fight against corruption and influence peddling. All contracts with a link to information and information technologies contain IT security clauses.

No payment to a supplier may be executed without relevant substantiation and the consideration provided to any supplier must be commensurate with market prices. KYS documentation is archived for at least 5 years from the date of the business relationship's termination.

Efficacy of the KYS process is measured against a set of Key Performance Indicators, including specific indicators for purchases with more stringent KYS requirements. First Level Controls (FLC) are set to make sure that the KYS process is always correctly followed. The FLCs are independently reviewed by Second Level Controls. Remedial steps must be implemented each time a shortcoming or a deficiency is identified in the KYS process.

Protecting economic competition

KB had previously introduced an internal directive covering protection of competition based upon both general obligations as established by regulatory provisions and on the standards of SG Group. This regulation describes the regulatory framework, risk areas concerning the banking sector, and behaviour of individual employees in negotiating with third parties and with the regulator so that the employees are sufficiently informed regarding risks and methods for avoiding them. Selected employees also are subject to internal training in this area. Employees negotiating on the Bank's behalf at the level of the Czech Banking Association also undertake to uphold the rules of the Czech Banking Association in this area.

KB did not incur any fines or settlements related to anti-competitive business practices in the past four fiscal years, nor is it currently involved in any ongoing investigations related to anti-competitive practices.

Governing law

As an issuer of publicly traded securities, during 2023 Komerční banka was governed in its activities particularly by the following laws:

- Act No. 21/1992 Coll., the Banking Act;
- Act No. 256/2004 Coll., on Capital Market Undertakings;
- Act No. 90/2012 Coll., on Business Corporations and Co-operatives;
- Act No. 257/2016 Coll., on Consumer Credit;
- Act No. 370/2017 Coll., the Payment Systems Act;
- Act No. 170/2018 Coll., on Distribution of Insurance and Reinsurance;
- Act No. 253/2008 Coll., on Selected Measures against the Legitimisation of Proceeds from Criminal Activity and the Financing of Terrorism (AML Act);
- Act No. 69/2006 Coll., on Implementation of International Sanctions;
- Act No. 300/2016 Coll., on the Central Register of Accounts;
- Act No. 563/1991 Coll., on Accounting;
- Act No. 37/2021 Coll., on the Registration of Beneficial Owners;
- Act No. 110/2019 Coll., on Personal Data Processing;
- Act No. 143/2001 Coll., on Protection of Economic Competition;
- Act No. 136/2011 Coll., on the Circulation of Banknotes and Coins;
- Act No. 190/2004 Coll., on Bonds;
- Act No. 240/2013 Coll., on Investment Companies and Investment Funds;
- Act No. 89/2012 Coll., the Civil Code;
- Act No. 277/2013 Coll., on Foreign Exchange Activities;
- Act No. 634/1992 Coll., on Consumer Protection;
- Act No. 171/2023 Coll., on the Protection of Whistleblowers;
- General Data Protection Regulation (EU) 2016/679 (GDPR);
- Regulation (EU) No. 596/2014, on Market Abuse;
- Regulation (EU) No. 575/2013 on Prudential Requirements for Credit Institutions and Investment Firms and Related Implementing Regulations of the European Commission;
- Commission Delegated Regulation (EU) 2017/565 supplementing Directive 2014/65/EU (MiFID II) as regards the organisational requirements and operating conditions of investment firms and the definition of terms for the purposes of that Directive (MiFID II Delegated Regulation);
- Regulation (EU) No. 648/2012 on OTC Derivatives, Central Counterparties and Trade Repositories (EMIR);
- Regulation (EU) No 909/2014 on Improving Securities Settlement in the European Union and on Central Securities Depositories (CSRD);
- Regulation (EU) 2019/2088 on Sustainability Related Disclosures in the Financial Services Sector (SFDR);
- Commission Delegated Regulation (EU) 2022/1288 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of do no significant harm, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in precontractual documents, on websites and in periodic reports; and
- EU Regulation 2015/2365 on Transparency of Secured Financing and Reuse Transactions (SFTR).

These regulations entail the main legal basis for the Bank's operations. In addition to what is stated above, the Bank's activities must also comply with a number of other regulations, government decrees, implementing regulations, guidelines and other documents issued by European bodies.

Penalties incurred

KB Group companies incurred the following penalties:

KB was found responsible for an offence under Act 480/2004 and fined CZK 45,000 by the Czech Data Protection Office (UOOU). This was due to excessively dissemination of commercial communications identified by the related inspection of the UOOU.

The following remediation measures were discussed with the regulator (UOOU) and implemented by KB even before closing the inspection:

- A more restrictive approach regarding the targeting of marketing campaigns.
- The system for entering a request to stop the sending of marketing communications has been streamlined and simplified.

Legal risk

Managing legal risk consists in minimising uncertainty associated with enforcement and interpretation of legal acts, contracts, regulations, and laws. To manage legal risks, KB Group applies a variety of techniques, procedures, and tools, including regular monitoring of proposed and adopted legislation, close co-operation among the legal teams within KB Group, a system of continuous education of and specialisation among lawyers, detailed documentation, evaluation of outputs, and a set of corresponding control mechanisms.

In addition to standard legal functions within such various areas as contracts, banking, and corporate law, the main tasks of KB's lawyers during 2023 involved support of KB's main strategic goals, including deployment of the new digital bank (KB+ application); continuous alignment of processes in the area of corporate governance and legal services within KB Group; as well as support for preparation of the mortgage factory, establishment of the KB Poradenství concept, and further development of banking identity services. Legal staff also continued with digitising and simplifying meetings of statutory bodies for KB and other KB Group companies.

Significant legal disputes

With respect to its overall financial situation, Komerční banka considers as significant all litigations involving principal amounts exceeding CZK 10 million and any bankruptcy proceeding in which the Bank is a creditor with a claim exceeding CZK 50 million.

As of 31 December 2023, KB Group was a bankruptcy creditor with a claim exceeding CZK 50 million in 22 bankruptcy proceedings. The total of claims filed in relation to these proceedings was CZK 3.8 billion. As of 31 December 2023, KB Group was a party to a total of 2 significant legal proceedings as a defendant. The principal that was the subject of these legal proceedings totalled CZK 398.4 million.

Information concerning the provisions created for litigations in which the Group is a defendant is stated in the Notes to the Consolidated Financial Statements according to IFRS, Note 37 – "Commitments and contingent liabilities".

Internal audit

The internal audit function in KB Group is organisationally supervised by the Chief Executive Officer of KB and regularly reports about its activities to the Audit Committee of the Bank.

Evaluating the functionality and effectiveness of risk management, management and control processes, and corporate governance is the main task of KB Internal Audit. This work contributes to improving operational efficiency of the entire organisation.

Internal Audit is integrated into the global Internal Audit division within the SG Group. In addition to audits at KB, this division covers KB Group companies and SG Group companies in the Central European region.

Internal Audit's strategic objectives focus on covering the Group's biggest risks and most important activities, including compliance with all regulatory requirements. Internal Audit assignments are performed according to an annual audit plan, prepared primarily based on risk assessment, and focus on priority areas.

In 2023, a total of 41 audit missions were carried out, of which 14 missions were carried out exclusively at KB Group subsidiaries. Twenty-seven of the missions carried out at the Bank covered both the business network and head office units. A total of 188 audit mission findings were implemented in KB Group in 2023, of which 58 were of a higher severity. At the end of 2023, there were 2 findings within KB Group that had not been implemented after more than 18 months and which therefore were not closed. The Bank maintains a low number of long-term findings.

An assessment of the remuneration system was carried out at KB, focusing primarily on compliance with the requirements of CRD V. No significant deficiencies were identified.

In its regular report to the Board of Directors, the Audit Committee, and the Supervisory Board, KB Internal Audit assessed the Bank's internal control system as effective.

The plan for 2024 was drawn up using methodologies shared within the SG Group and based on the results of the risk assessment, the 5-year audit cycle, and regulatory requirements.

Statutory audit

As a public-interest entity, the Bank is obliged and committed to comply with European and local regulation governing the selection process and mandatory rotation of statutory auditors. The initial engagement period for a statutory auditor should not exceed 10 years. Re-appointment for a maximum of 10 more years is possible only based on a tendering process with close involvement of the entity's audit committee. Moreover, the key audit partner has to be rotated after 7 years.

The Bank has been audited by its current statutory auditor for 9 years, 2023 being the last year of its mandate. The key audit partner has been managing the engagement since 2022.

Capital and liquidity

Regulatory framework

Komerční banka is subject to supervision by the Czech National Bank (CNB), and since November 2014 the Société Générale Group has been supervised by the European Central Bank. The regulatory requirements in the European Union are established through Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms (the Capital Requirements Regulation, or "CRR"), and by Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (the Capital Requirements Directive, or "CRD").

According to the valid capital rules, an additional Pillar 2 buffer of 2.9% over the minimum required capital ratio of 8.0% was applied to the Bank in 2023. This brought the required TSCR (i.e. total SREP) capital ratio to 10.9%. A combined capital buffer in the final amount of 6.5% was applied on top of the TSCR capital ratio. That consisted of the capital conservation buffer of 2.5%, the buffer for Other Systemically Important Institution (O-SII) of 2.0%, and a required countercyclical capital buffer of 2.0% for exposures in the Czech Republic (the countercyclical capital buffer was gradually decreased by the CNB from the level of 2.5% in April 2023 to 2.25% from 1 July 2023 and then to 2.0% from 1 October 2023). The required overall capital ratio (OCR) thus reached approximately 17.4% as from 1 October 2023 (an increase of 0.8 percentage points in comparison with the previous year).

Komerční banka's OCR is reduced to about 17.1% as of 1 January 2024, diminishing by 0.3 percentage points compared to 2023. That is a result of a reduction in the additional capital requirement of Pillar 2 by 0.3 percentage points.

The Bank and Group meet the overall capital ratio requirement with significant reserve, because their respective capital ratios stand sufficiently above the minimum required level.

In addition to the aforementioned capital requirements, the Bank is also required to comply with a minimum requirement for own funds and eligible liabilities (MREL). 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 in accordance with the CNB's general approach. Pursuant to the CNB's decision dated 24 July 2023, the Bank is required, from 1 January 2024, to maintain its own funds and eligible liabilities on a sub-consolidated basis of at least 21.2% of the total risk exposure amount (i.e. the risk-weighted exposure amount) and 5.91% of the total exposure amount. As part of meeting the interim targets in previous years and meeting the final target valid from 1 January 2024, the Bank gradually took on eligible liabilities (senior non-preferred debt) in total volume of EUR 1,500 million during 2022 and of EUR 900 million in 2023 (i.e. in aggregate nominal volume of EUR 2,400 million). These eligible liabilities were drawn from the Bank's parent company (Société Générale S.A.) in accordance with the preferred resolution strategy for the Société Générale Group. During the past year, the Bank fulfilled all regulatory MREL requirements and the amount of eligible liabilities taken on in previous years is sufficient to meet the MREL requirements valid from 1 January 2024.

Capital and risk-weighted assets

Total shareholders' equity comprises the following main items: share capital, reserve funds, and retained earnings. As of 31 December 2023, total equity rose year to date by 2.9% to CZK 128.3 billion, with the positive contribution from the net profit generated during the year offset by the volume of the annual dividend paid in May 2023. Values of retained earnings as well as income from shares 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 3.2 billion. As of 31 December 2023, KB held in treasury 1,193,360 of its own shares constituting 0.63% of the registered capital. These shares had been acquired in previous years at the cost of CZK 726 million. The Bank did not acquire its own shares during 2023. The acquisition of its own shares had been authorised by the General Meeting, particularly for the purposes of managing KB's capital adequacy.

On 29 November 2023, KB took on new subordinated debt from its parent company Société Générale S.A. of EUR 100 million with a maturity of 10 years and an option to repay after 5 years. The interest rate of this loan is stipulated at 3M EURIBOR plus 2.82%, using the actual/360 day count convention. Thus, the total nominal volume of subordinated debt reached EUR 200 million as of the end of 2023. As of 31 December 2023, this Tier 2 subordinated debt summed to CZK 5.0 billion, which was 0.9% of risk-weighted assets. The subordinated loan is denominated in EUR in order to better align the currency structure of KB's regulatory capital with that of its assets. The loan was accepted from Société Générale after the Bank assessed other opportunities available on the market and concluded that the loan from SG provides the most effective option for the Bank. The Bank may, in coming years, continue gradually to increase the volume of Tier 2 instruments, which, according to the regulation and CNB decision, may cover up to 2.65 percentage points of Komerční banka's risk-weighted assets in order to optimise the structure of its regulatory capital as of 1 January 2024. Actual decisions on potential further Tier 2 reinforcement will reflect the required level of regulatory capital as well as prevailing market conditions.

Consolidated regulatory capital for the capital adequacy calculation stood at CZK 105.9 billion as of 31 December 2023, which is 4.1% higher compared to 31 December 2022. Total capital adequacy stood at 18.8%. Core Tier 1 (CET1) capital totalled CZK 99.7 billion (having increased by 1.1% since the end of 2022 after regulatory adjustment for the foreseeable dividend) and the Core Tier 1 ratio was 17.7%. Tier 2 capital summed to CZK 6.2 billion, which was 1.1% of risk-weighted assets.

KB uses the following approaches for calculating capital requirements related to individual types of risk:

Capital requirement calculation approaches for KB Group Companies

<table>
<tr><th rowspan="2">KB Group entity</th><th colspan="3">Capital requirement calculation approach</th></tr>
<tr><th>Credit risk</th><th>Market risk</th><th>Operational risk</th></tr>
<tr><td>KB*</td><td rowspan="5">AIRB</td><td rowspan="8">STA</td><td>AMA</td></tr>
<tr><td>BASTION</td><td rowspan="3">TSA</td></tr>
<tr><td>Protos</td></tr>
<tr><td>KB Penzijní společnost</td></tr>
<tr><td>Modrá pyramida</td><td rowspan="3">AMA</td></tr>
<tr><td>SGEF</td><td rowspan="3">STA</td></tr>
<tr><td>ESSOX</td></tr>
<tr><td>Other entities</td><td>TSA</td></tr>
</table>

AIRB: Advanced Internal Rating-Based Approach.
AMA: Advanced Measurement Approach.
STA/TSA: Standardised Approach.
* KB Slovakia uses the STA approach for calculating the requirement for credit risk.

The volume of the Group's risk-weighted assets (RWA) reached CZK 563.9 billion as of 31 December 2023 (compared to CZK 523.0 billion at the end of 2022). RWA for credit risk (including Credit Valuation Adjustment) constituted 81%, operational risk 8%, and market risk 11% of the total RWA. The increase in RWA during 2023 was driven by growth in corporate exposures and increase in RWA for market risks (with general interest rate risk as the main contributor).

A difficult macroeconomic environment continued during 2023 due to declining GDP, high inflation, and high interest rates. Nevertheless, because of the portfolio's resilience, this development had no fundamental impact on RWA development in 2023.

The average credit risk weight as of 31 December 2023 was 27.7%, a decrease by 260 basis points from 30.3% as of 31 December 2022. Decrease of risk weight was driven by the portfolio's growing exposure to sovereigns with low risk weight. Minor deterioration of risk weight was observed only in the small and medium enterprises portfolio (the risk weight grew from 49.8% as of 31 December 2022 to 53.0% as of 31 December 2023).

Information on consolidated capital, risk-weighted assets for calculation of capital adequacy, and capital requirements (in CZK million)

Reconciliation of accounting and regulatory capital (consolidated)

(CZK million)	31 Dec 2023	31 Dec 2022*	31 Dec 2021
Items from Statement of Financial Position – Total shareholders' equity	**128,284**	**123,435**	**126,782**
Share capital	19,005	19,005	19,005
Share premium	149	149	149
Other equity	584	563	546
Accumulated Other comprehensive income	2	669	2,387
Retained earnings from previous periods	85,219	77,775	84,210
Reserve funds	5,213	5,212	5,211
Own shares	(726)	(726)	(726)
Net profit for the period	15,612	17,556	12,727
Minority interests	3,226	3,232	3,273
Total adjustments to CET1	**(28,566)**	**(24,819)**	**(25,710)**
Gains/(losses) on hedging instruments (cash flow hedging)	(208)	(596)	(1,248)
Additional value adjustment	(117)	(107)	(140)
Goodwill	(3,752)	(3,752)	(3,752)
Other intangible assets, net of tax	(5,416)	(5,694)	(4,562)
Insufficient coverage of expected credit losses (lack of provisions)	0	0	0
Unusable profit	(15,709)	(11,411)	(12,727)
Minority interests	(3,226)	(3,232)	(3,273)
Insufficient coverage for non-performing exposures	(138)	(27)	(8)
Other transitional adjustments to CET 1	0	0	0
Tier 2 capital	**6,154**	**3,122**	**2,137**
Subordinated debt received	5,005	2,440	2,490
Subordinated debt provided	(446)	(446)	(446)
Surplus coverage of expected credit losses (Excess of provisions)	1,595	1,128	93
Total capital	**105,872**	**101,738**	**103,209**
Tier 1 capital	**99,718**	**98,616**	**101,072**
Core Tier 1 (CET1) capital	**99,718**	**98,616**	**101,072**

* The value of total shareholders' equity as of 31 December 2022 in this table is before restatement in relation to implementation of IFRS 17 in Komerční pojišťovna. See also Notes to the Consolidated Financial Statements according to IFRS, note 3.6.1.

Consolidated risk-weighted assets

(CZK million)	31 Dec 2023	31 Dec 2022	31 Dec 2021
Total risk-weighted assets	**563,886**	**522,975**	**484,372**
for credit risk	**452,312**	**430,842**	**400,209**
for credit risk pursuant to the Standardised Approach in IRB	80,274	74,592	69,788
for credit risk pursuant to the IRB Approach	372,038	356,250	330,421
for settlement risk	**–**	**–**	**–**
for position, foreign exchange, and commodity risks	**61,726**	**42,963**	**34,680**
for operational risk	**46,566**	**43,304**	**43,988**
for credit valuation adjustment	**3,282**	**5,866**	**5,495**

Capital requirements (consolidated)

(CZK million)	31 Dec 2023	31 Dec 2022	31 Dec 2021
Total capital requirements	**45,111**	**41,838**	**38,750**
for credit risk pursuant to the Standardised Approach in IRB	**6,422**	**5,967**	**5,583**
Exposures to central governments or central banks	1	1	1
Exposures to regional governments or local authorities	0	0	0
Exposures to public sector entities	1	2	2
Exposures to international development banks	0	0	0
Exposure to international organisations	0	0	0
Exposures to institutions	52	43	22
Exposures to corporates	4,449	4,392	4,101
Retail exposures	1,091	1,029	1,035
Exposures secured by real estate	0	0	0
Exposures in default	127	176	149
Exposure associated with particularly high risks	0	0	0
Exposure to covered bonds	0	0	0
Items representing securitisation positions	0	0	0
Exposures to institutions and businesses with short-term credit rating	0	0	0
Exposures in the form of units of shares or shares in collective investment undertakings	0	0	0
Equity exposure	564	215	149
Other items	137	109	124
for credit risk pursuant to the IRB Approach	**29,763**	**28,500**	**26,434**
Exposures to central governments or central banks	72	65	118
Exposures to institutions	1,415	1,593	1,510
Exposures to corporates	19,576	18,191	15,666
Retail exposures	7,122	7,237	7,708
Equity exposures	42	32	25
Items representing securitisation positions	0	0	0
Other assets that are non-credit obligation	1,536	1,382	1,407
for position risk	**4,938**	**3,437**	**2,774**
for large exposures exceeding the limits	**0**	**0**	**0**
to currency risk	**0**	**0**	**0**
to settlement risk	**0**	**0**	**0**
to commodity risk	**0**	**0**	**0**
to operation risk	**3,725**	**3,465**	**3,519**
for credit valuation adjustment	**263**	**469**	**440**

Information in accordance with Decree 163/2014 Coll. on an individual basis

Reconciliation of accounting and regulatory capital (on an individual basis)

(CZK million)	31 Dec 2023	31 Dec 2022	31 Dec 2021
Items from Statement of Financial Position – Total shareholders' equity	**115,103**	**112,584**	**115,418**
Share capital	19,005	19,005	19,005
Share premium	134	134	134
Other equity	525	507	491
Accumulated Other comprehensive income	106	801	2,494
Reserve funds	4,189	4,189	4,189
Retained earnings from previous periods	77,296	71,102	77,478
Own shares	(726)	(726)	(726)
Net profit for the period	14,574	17,572	12,353
Total adjustments to CET1	**(21,098)**	**(17,141)**	**(18,235)**
Gains/(losses) on hedging instruments (cash flow hedging)	(213)	(604)	(1,264)
Additional value adjustment	(117)	(107)	(140)
Other intangible assets, net of tax	(4,980)	(4,995)	(4,100)
Insufficient coverage of expected credit losses (lack of provisions)	(78)	0	0
Unusable profit	(15,710)	(11,412)	(12,726)
Insufficient coverage for non-performing exposures	0	(23)	(5)
Other transitional adjustments to CET 1	0	0	0
Tier 2 capital	**6,064**	**3,004**	**2,236**
Subordinated debt received	5,005	2,440	2,490
Subordinated debt provided	(446)	(446)	(446)
Surplus coverage of expected credit losses (Excess of provisions)	1,505	1,010	192
Total capital	**100,069**	**98,447**	**99,419**
Tier 1 capital	**94,005**	**95,443**	**97,182**
Core Tier 1 (CET1) capital	**94,005**	**95,443**	**97,182**

Risk-weighted assets (on an individual basis)

(CZK million)	31 Dec 2023	31 Dec 2022	31 Dec 2021
Total risk-weighted assets	**510,313**	**474,477**	**431,973**
for credit risk	**403,933**	**387,608**	**353,143**
for credit risk pursuant to the Standardised Approach in IRB	41,612	42,596	37,889
for credit risk pursuant to the IRB Approach	362,321	345,012	315,254
for settlement risk	**–**	**–**	**–**
for position, foreign exchange, and commodity risks	**61,726**	**42,963**	**34,679**
for operational risk	**41,372**	**38,040**	**38,655**
for credit valuation adjustment	**3,282**	**5,866**	**5,496**

Capital requirements (individual)

(CZK million)	31 Dec 2023	31 Dec 2022	31 Dec 2021
Total capital requirements	**40,825**	**37,958**	**34,558**
for credit risk pursuant to the Standardised Approach in IRB	**3,329**	**3,408**	**3,031**
Exposures to central governments or central banks	1	1	1
Exposures to regional governments or local authorities	0	0	0
Exposures to public sector entities	1	1	2
Exposures to international development banks	0	0	0
Exposure to international organisations	0	0	0
Exposures to institutions	41	14	15
Exposures to corporates	1,975	2,145	1,860
Retail exposures	0	0	0
Exposures secured by real estate	0	0	0
Exposures in default	0	24	26
Exposure associated with particularly high risks	0	0	0
Exposure to covered bonds	0	0	0
Items representing securitisation positions	0	0	0
Exposures to institutions and businesses with short-term credit rating	0	0	0
Exposures in the form of units of shares or shares in collective investment undertakings	0	0	0
Equity exposures	1,311	1,223	1,127
Other items	0	0	0
for credit risk pursuant to the IRB Approach	**28,986**	**27,601**	**25,221**
Exposures to central governments or central banks	72	65	118
Exposures to institutions	1,946	2,061	1,882
Exposures to corporates	20,142	18,711	16,103
Retail exposures	5,597	5,679	6,027
Equity exposure	13	13	9
Items representing securitisation positions	0	0	0
Other assets that are non-credit obligation	1,216	1,072	1,082
for position risk	**4,938**	**3,437**	**2,774**
for large exposures exceeding the limits	**0**	**0**	**0**
to currency risk	**0**	**0**	**0**
to settlement risk	**0**	**0**	**0**
to commodity risk	**0**	**0**	**0**
to operation risk	**3,310**	**3,043**	**3,092**
for credit valuation adjustment	**262**	**469**	**440**

Capital ratios and ratios in % (on an individual basis)

(%)	31 Dec 2023	31 Dec 2022	31 Dec 2021
Capital ratio for common equity Tier 1	18.42	20.12	22.50
Capital ratio for Tier 1 capital	18.42	20.12	22.50
Capital ratio for total capital	19.61	20.75	23.02
Return on average assets (ROAA)	1.06	1.34	1.03
Return on average equity Tier 1 (ROAE)	15.10	17.58	12.73
Assets per employee (in CZK thousand)	218,704	183,116	172,212
Administrative costs per employee (in CZK thousand)	1,743	1,543	1,466
Profit or loss after tax per employee (in CZK thousand)	2,215	2,618	1,820

Note: The calculation methodology according to Decree 163/2014 Coll. differs from the methodology specified in the section *Definitions of the mentioned alternative performance measures.*

Capital management

The Bank manages its capital adequacy to ensure its sufficient level in the environment of changing regulatory requirements while allowing for organic business growth and for potentially adverse macroeconomic developments. Under the applicable regulation of capital adequacy, in addition to the usual reporting of the capital adequacy ratio (so-called Pillar 1), regulatory demands comprise also fulfilling conditions for evaluating required economic capital, stress testing, and capital planning (so-called Pillar 2, or the internal capital adequacy assessment process, ICAAP). To determine the required economic capital, the Bank has substantially selected methods close to the regulatory procedures applied for Pillar 1. That has resulted in there being very similar levels of necessary economic and regulatory capital.

Given the fact that capital requirements are continuing to develop, the Bank is continuously assessing the impact of their changes in the process of capital planning. As the national regulatory authority, the CNB oversees KB's compliance with capital adequacy requirements on standalone and consolidated bases. During 2023, the Bank met all regulatory requirements. On a regular basis, KB also compiles and reports to the CNB mandatory information regarding its ICAAP.

Stress testing

As an essential part of its risk management under Pillar 2, KB regularly simulates hypothetical macroeconomic scenarios involving potential adverse external macroeconomic conditions. On this basis, the Bank estimates impacts upon its financial result and the risk profile of its business in a medium-term horizon. It subsequently generates expectations for the development of risk-weighted assets (i.e. capital requirements) and financial results. The results of stress testing are among the inputs considered in determining the Bank's dividend policy. In the liquidity risk area, client behaviour and its effect on the deposit base are modelled on the basis of stress scenarios such that any possible outflow of liquidity would be very securely covered. The results of stress testing in 2023 confirmed that KB is resistant to impacts from potential unexpected adverse developments in the Czech economy.

Liquidity and funding

KB Group's strong liquidity position is founded upon the various types of customer deposits that it holds and the fact that the Group does not substantially use secondary financing. Thanks to the stability of its large deposit base, the Group had no need to modify the structure of its balance sheet in response to external economic developments by reducing certain types of exposures or seeking to obtain other types of funding. KB Group's strong creditworthiness is supported by its stable financial results, as well as the level of capital adequacy it has achieved. As a result, as of 31 December 2023, it had an excellent net loan-to-deposit ratio of 83%.[1] KB also meets by a large margin the 3% required minimum leverage ratio that has been binding since mid-2021. This indicator confirms Komerční banka's solid position and its adequate room for further business growth.

Funding of KB Group

Client deposits in the volume of CZK 1,006 billion[2] comprise a crucial part (approximately 66%) of the Group's total liabilities and shareholders' equity. Current accounts made up the largest proportion of client deposits within the Group (65%). In addition to its broad and stable base of client deposits, KB Group has other possible funding sources, including cross currency swaps and debt securities issues and loans taken. Historically, mainly cross-currency swaps were used as the main source of EUR funds when swapping CZK for EUR. This was a consequence of CZK liquidity excess resulting from the large CZK deposit base. To enhance currency diversification of its funding sources, the Bank issued in 2021 its inaugural issue of mortgage covered bonds denominated in euro in the volume of EUR 500 million. The bond was rated AAA by Fitch Ratings and was admitted for trading on the regulated market of the Luxembourg Stock Exchange. Komerční banka did not increase in 2023 the volume of issued debt securities. As of the end of 2023, the total nominal amount of mortgage bonds and other debt securities placed outside KB Group reached the equivalent of CZK 12.4 billion.

To meet regulatory requirements for MREL (as described in the "Regulatory framework" above), the Bank entered into a series of intragroup senior non-preferred loan contracts with its parent in the total volume of EUR 900 million during 2023 (i.e. the aggregate sum of these non-preferred loans totalled EUR 2,400 million). Parameters of these contracts were optimised also from the perspective of the EUR funding needs of the Bank, thus providing long-term resources for the EUR-denominated balance sheet. In such context, the Bank decreased use of both cross-currency swaps and covered bonds.

In terms of the overall balance sheet and funding requirements, the Bank remains primarily funded by client deposits, with additional financing sourced from the secondary market through financial debt. In line with the strategy to minimise interest rate risk, the Bank anticipates no significant financial impacts from fluctuations in market interest rates or refinancing spreads.

[1] Excluding repo operations with clients.

[2] Excluding volatile repo operations with clients. The total volume of 'Amounts due to customers' reached CZK 1,127 billion.

Liquidity management

Liquidity risk management focuses primarily on the ability of the Bank and entire Group to meet their payment obligations at all times. This includes maintaining adequate cash volumes as well as balances on nostro accounts and the mandatory minimum reserves account while not unnecessarily adding to the Bank's costs or restraining its business activities. Liquidity is maintained by rigorous cash flow management. A liquidity snapshot broken down by currency (CZK and foreign) is monitored based on static indicators measuring the incoming and outgoing cash flows within particular time horizons and also based on dynamic stress scenarios focusing on potential adverse development of the economic environment as well as the deterioration of individual positions.

Behaviour of the client deposit base and clients' use of financing are modelled (including off-balance sheet transactions) in its liquidity ratios in order to maintain a very high certainty of covering possible outflows of funds. Sufficient liquidity is managed using a system of limits. To achieve these, KB uses on- and off-balance sheet transactions on the interbank market. The Group is prudent in its strategy and uses medium- and long-term instruments which allow it to stabilise both volumes and associated costs while at the same time reflecting changes in costs when setting prices.

The Group maintains high liquidity at all times. It covered all its liabilities during 2023 from its internal sources without any problems, and the use of additional secondary funding remained limited. As of 31 December 2023, the Group was not drawing liquidity from central banks. The Group's liquidity cushion is a combination of investments in government bonds and reverse repo operations with the CNB.

As required by the regulator, the Bank monitors and steers the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). Both these regulatory indicators were regularly measured and reported to the CNB and within the SG Group reporting framework. Ongoingly, both LCR and NSFR were safely above the regulatory requirements of 100%.

Consolidated Financial Statements

prepared in accordance with IFRS Accounting Standards as adopted by the European Union
as of 31 December 2023

Consolidated Statement of Income and Consolidated Statement of Comprehensive Income for the year ended 31 December 2023

Consolidated Statement of Income for the year ended 31 December 2023

(CZKm)	Note	2023	Restated 2022
Interest income	5	119,128	93,146
Interest expense	5	(93,533)	(64,514)
Net interest income		**25,595**	**28,632**
Net fee and commission income	6	6,414	6,121
Net profit/(loss) on financial operations	7	3,832	3,666
Dividend income	8	0	2
Other income	9	358	211
Net operating income		**36,199**	**38,632**
Personnel expenses	10	(8,335)	(7,734)
General and administrative expenses	11	(5,593)	(5,257)
Depreciation, amortisation, and impairment of operating assets	12	(3,393)	(3,023)
Total operating expenses		**(17,321)**	**(16,014)**
Operating profit		**18,878**	**22,618**
Impairment losses	13	(120)	(1,109)
Net gain from loans and advances transferred and written off	13	106	(72)
Cost of risk		**(14)**	**(1,181)**
Income from share in associated undertakings		330	216
Net profit/(loss) on subsidiaries and associates / Profit/(loss) attributable to exclusion of companies from consolidation		0	73
Gain on a bargain purchase		0	0
Net profits on other assets	14	(87)	111
Profit before income tax		**19,107**	**21,837**
Income tax	15	(3,288)	(3,998)
Net profit for the period	16	**15,819**	**17,839**
Profit attributable to the Non-controlling owners		207	217
Profit attributable to the Group's equity holders		15,612	17,622
Earnings per share (in CZK)	17	**82.67**	**93.31**
Diluted earnings per share (in CZK)	17	**82.67**	**93.31**

Note: Net interest income is calculated by applying the effective interest rate method, except that in the case of hedging derivatives, the contractual interest rate of the corresponding derivative is used.
Note: The item Income from share in associated undertakings has been restated due to the application of IFRS 17 (refer to Note 3.6.1).

The accompanying Notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income for the year ended 31 December 2023

(CZKm)	Note	2023	Restated 2022
Net profit for the period	16	**15,819**	**17,839**
Items that will not be reclassified to the Statement of Income			
Remeasurement of retirement benefits plan, net of tax	39	2	8
Revaluation of equity securities at FVOCI*, net of tax	40	(9)	1
Items that may be reclassified subsequently to the Statement of Income			
Cash flow hedging			
– Net fair value gain/(loss), net of tax	41	442	190
– Transfer to net profit/(loss), net of tax	41	(830)	(842)
Hedge of a foreign net investment		(21)	18
Foreign exchange difference on translation of a foreign net investment		29	(18)
Revaluation of debt securities at FVOCI**, net of tax	42	(277)	(1,080)
Share of the other comprehensive income of associates, net of tax	24	26	(36)
Other income from associated undertakings		0	0
Other comprehensive income for the period, net of tax		**(638)**	**(1,759)**
Total comprehensive income for the period, net of tax		**15,181**	**16,080**
Comprehensive income attributable to the Non-controlling owners		210	213
Comprehensive income attributable to the Group's equity holders		14,971	15,867

* Revaluation of equity securities at fair value through other comprehensive income option.
** Revaluation of debt securities at fair value through other comprehensive income.
Note: The items, Net profit for the period, and, Share of the other comprehensive income of associates, net of tax, in 2022 have been restated due to the application of IFRS 17 (refer to Note 3.6.1).

The accompanying Notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position as of 31 December 2023

(CZKm)	Note	31 Dec 2023	Restated 31 Dec 2022
ASSETS			
Cash and current balances with central banks	18	12,835	14,190
Financial assets held for trading at fair value through profit or loss	19	48,464	57,269
Other assets held for trading at fair value through profit or loss	19	0	0
Non-trading financial assets at fair value through profit or loss	20	0	132
Positive fair value of hedging financial derivatives	43	8,598	21,582
Financial assets at fair value through other comprehensive income	21	16,783	30,171
Financial assets at amortised cost	22	1,397,423	1,154,138
Revaluation differences on portfolios hedge items		(815)	(2,550)
Current tax assets		643	83
Deferred tax assets	33	223	202
Prepayments, accrued income, and other assets	23	6,279	5,797
Investments in associates	24	3,047	2,652
Intangible assets	25	10,192	9,030
Tangible assets	26	8,034	8,762
Goodwill	27	3,752	3,752
Assets held for sale	28	844	94
Total assets		**1,516,302**	**1,305,304**

Note: The item, Investments in associates, has been restated due to the application of IFRS 17 (refer to Note 3.6.1).

(CZKm)	Note	31 Dec 2023	Restated 31 Dec 2022
LIABILITIES AND EQUITY			
Amounts due to central banks		0	0
Financial liabilities held for trading at fair value through profit or loss	29	60,206	66,949
Negative fair value of hedging financial derivatives	43	31,241	56,746
Financial liabilities at amortised cost	30	1,247,773	1,050,337
Revaluation differences on portfolios hedge items		(34,944)	(52,689)
Current tax liabilities		225	1,529
Deferred tax liabilities	33	782	1,080
Accruals and other liabilities	31	17,321	16,831
Provisions	32	854	1,151
Subordinated and senior non-preferred debt	34	64,560	38,694
Total liabilities		**1,388,018**	**1,180,628**
Share capital	35	19,005	19,005
Share premium, funds, retained earnings, revaluation, and net profit for the period		106,053	102,439
Non-controlling interest		3,226	3,232
Total equity		**128,284**	**124,676**
Total liabilities and equity		**1,516,302**	**1,305,304**

Note: The items, Retained earnings, and, net profit for the period, have been restated due to the application of IFRS 17 (refer to Note 3.6.1).

The accompanying Notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 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	Cash flow hedging	Translation of foreign net investment and related hedging	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	142	17	0	0	0	0	0	159	1	160
Payment of dividends**	0	0	(18,872)	0	0	0	0	0	0	(18,872)	(255)	(19,127)
Transactions with owners	**0**	**0**	**(18,730)**	**17**	**0**	**0**	**0**	**0**	**0**	**(18,713)**	**(254)**	**(18,967)**
Profit for the period	0	0	17,622	0	0	0	0	0	0	17,622	217	17,839
Other comprehensive income for the period, net of tax***	0	0	(36)	0	8	1	(652)	4	(1,080)	(1,755)	(4)	(1,759)
Comprehensive income for the period	**0**	**0**	**17,586**	**0**	**8**	**1**	**(652)**	**4**	**(1,080)**	**15,867**	**213**	**16,080**
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	105	21	0	0	0	0	0	126	1	127
Payment of dividends**	0	0	(11,483)	0	0	0	0	0	0	(11,483)	(217)	(11,700)
Transactions with owners	**0**	**0**	**(11,378)**	**21**	**0**	**0**	**0**	**0**	**0**	**(11,357)**	**(216)**	**(11,573)**
Profit for the period	0	0	15,612	0	0	0	0	0	0	15,612	207	15,819
Other comprehensive income for the period, net of tax***	0	0	26	0	2	(9)	(388)	5	(277)	(641)	3	(638)
Comprehensive income for the period	**0**	**0**	**15,638**	**0**	**2**	**(9)**	**(388)**	**5**	**(277)**	**14,971**	**210**	**15,181**
Balance as of 31 Dec 2023	**19,005**	**(577)**	**106,045**	**584**	**(214)**	**(4)**	**208**	**(3)**	**14**	**125,058**	**3,226**	**128,284**

* Capital funds and retained earnings consist of other funds created from profit in the amount of CZK 5,213 million (2022: CZK 5,213 million), net profit for the period in the amount of CZK 15,612 million (2022: CZK 17,622 million), and retained earnings in the amount of CZK 85,220 million (2022: CZK 78,950 million).

** Further information about payment of dividends is presented in Note 16.

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

Note: The items, Profit for the period, and, Other comprehensive income for the period, net of tax, in 2022 in the column Capital funds and retained earnings have been restated due to the application of IFRS 17, the initial application of which is recorded under Changes in accounting policies (refer to Note 3.6.1).

The accompanying Notes form an integral part of these Consolidated Financial Statements.

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

(CZKm)	2023	Restated 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	19,107	21,837
Non-cash and other adjustments		
Movement of allowances/provisions (including impact of loans and advances transferred and written off)	250	1,312
Depreciation and amortisation expense on tangible and intangible fixed assets	3,393	3,023
Net profits on other assets	87	(111)
Revaluation of derivatives	(8,704)	7,357
Accrued interest, amortisation of discount and premium	(492)	(3,204)
Profit/(loss) on subsidiaries and associates	(330)	(291)
Foreign exchange differences	617	1,293
Other changes	(570)	(501)
Operating profit before change in operating assets and liabilities	**13,358**	**30,715**
Changes in assets and liabilities from operating activities after non-cash adjustments		
Amounts due from banks (received/paid)	(178,504)	25,610
Loans and advances to customers	(50,797)	(58,220)
Debt securities at amortised cost	(9,469)	(27,319)
Financial assets at fair value through other comprehensive income	18,381	231
Financial assets held for trading at fair value through profit or loss	(9,702)	(1,180)
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	(567)	(201)
Amounts due to banks (received/paid)	20,100	141
Amounts due to customers	177,164	(5,899)
Financial liabilities at fair value through profit or loss	14,290	5,390
Other liabilities	624	4,708
Net cash flow from operating assets and liabilities	**(18,345)**	**(56,739)**
Net cash flow from operating activities before tax	**(4,987)**	**(26,024)**
Income tax paid	(5,325)	(2,725)
Net cash flow from operating activities	**(10,312)**	**(28,749)**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Dividends received (including associated undertakings)	3	5
Purchase of tangible and intangible assets	(4,130)	(3,777)
Sale of tangible and intangible assets	1	790
Purchase of investments in subsidiaries and associates	(40)	(812)
Sale/decrease of investments in subsidiaries and associates	0	0
Net cash flow from investment activities	**(4,166)**	**(3,794)**

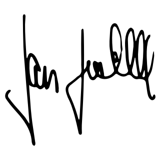
(CZKm)	2023	Restated 2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to shareholders	(11,290)	(18,969)
Dividends paid to non-controlling interest	(217)	(255)
Securities issued	0	0
Securities redeemed	0	(1,099)
Lease liabilities	(457)	(418)
Subordinated and senior non-preferred debt	24,725	36,309
Net cash flow from financing activities	**12,761**	**15,568**
Net increase/(decrease) in cash and cash equivalents	**(1,717)**	**(16,975)**
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	173	(238)
Cash and cash equivalents at the end of the year (refer to Note 36)	**8,592**	**10,136**
Interest received	119,878	91,643
Interest paid	(94,775)	(66,215)

Note: The items, Profit before income tax, and, Profit/(loss) on subsidiaries and associates, have been restated due to the application of IFRS 17 (refer to Note 3.6.1).

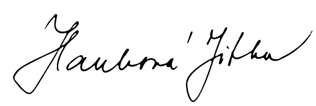
The accompanying Notes form an integral part of these Consolidated Financial Statements.

These Consolidated Financial Statements were approved by the Board of Directors on 29 February 2024.

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.

Notes to the Consolidated Financial Statements as of 31 December 2023

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1 Principal activities

The Financial Group of Komerční banka, a.s. (henceforth the "Group") consists of Komerční banka, a.s. (the "Bank") along with 18 subsidiaries and 5 associated undertakings. The parent company of the Group is the Bank, which is incorporated in the Czech Republic as a joint-stock company. The principal activities of the Bank are financial services as follow:

I. Providing loans, advances, and guarantees in Czech crowns and foreign currencies;
II. Acceptance and placement of deposits in Czech crowns and foreign currencies;
III. Providing current and term deposit accounts in Czech crowns and foreign currencies;
IV. Providing banking services through an extensive branch network in the Czech Republic;
V. Treasury operations in the interbank market;
VI. Servicing foreign trade transactions; and
VII. Investment banking.

The Bank generates the preponderant proportion of the Group's income and represents substantially all of the assets and liabilities of the Group.

The address of the Bank's registered office is Na Příkopě 33/969, 114 07 Prague 1.

In addition to its operations in the Czech Republic, the Group has operations in Slovakia through its foreign branch (Komerční banka, a.s., pobočka zahraničnej banky) and its subsidiaries ESSOX FINANCE, s.r.o. and ENVIROS, s.r.o., as well as in Belgium through its subsidiary BASTION EUROPEAN INVESTMENTS S.A.

The Bank's ordinary shares are publicly traded on the Prague Stock Exchange. Société Générale S.A. is the Bank's majority shareholder, holding 60.35% (2022: 60.35%) of the Bank's issued share capital, and is the ultimate parent company.

The main activities of the Bank's subsidiary companies as of 31 December 2023:

Company's name	Direct holding (%)	Group holding (%)	Principal activity	Registered office
KB penzijní společnost, a.s.	100.00	100.00	Retirement pension	Prague
Modrá pyramida stavební spořitelna, a.s.	100.00	100.00	Building society	Prague
Protos, uzavřený investiční fond, a.s.	83.65	100.00	Investments	Prague
Factoring KB, a.s.	100.00	100.00	Factoring	Prague
BASTION EUROPEAN INVESTMENTS S.A.	99.98	99.98	Financial services	Brussels
KB Real Estate, s.r.o.	100.00	100.00	Support services	Prague
STD2, s.r.o.	100.00	100.00	Support services	Prague
VN 42, s.r.o.	100.00	100.00	Support services	Prague
KB SmartSolutions, s.r.o.	100.00	100.00	Support services	Prague
KB Poradenství, s.r.o.	100.00	100.00	Intermediation of loans, insurance, and savings	Prague
KB Advisory, s. r. o.*	0.00	100.00	Support services	Prague
My Smart Living, s.r.o., v likvidaci*	0.00	100.00	Support services	Prague
Finbricks, s.r.o.*	0.00	100.00	Development and implementation of payment solutions	Prague
upvest s.r.o.*	0.00	96.00	Crowdfunding real estate investments	Brno
ENVIROS GLOBAL LIMITED*	0.00	100.00	Holding	London
SG Equipment Finance Czech Republic s.r.o.	50.10	50.10	Industry financing	Prague
ESSOX s.r.o.	50.93	50.93	Consumer loans, leasing	České Budějovice
ESSOX FINANCE, s.r.o.	0.00	50.93	Consumer loans, leasing	Bratislava

* The company is not consolidated due to its insignificant impact on the financial statements.

The main activities of the Bank's associated undertakings as of 31 December 2023:

Company's name	Direct holding (%)	Group holding (%)	Principal activity	Registered office
Komerční pojišťovna, a.s.	49.00	49.00	Insurance	Prague
CBCB - Czech Banking Credit Bureau, a.s.	20.00	20.00	Data collection for credit risk assessments	Prague
Worldline Czech Republic s.r.o.*	1.00	1.00	Financial services	Prague
MonkeyData s.r.o.**	0.00	33.171	Data analysis for e-commerce	Ostrava
Platební instituce Roger a.s.**	0.00	24.83	Providing of payment services	Brno

* This is a share in the company's equity. The Group has 40% of the voting rights and a share in the profit of 0.1%.
** The company is not consolidated due to its insignificant impact on the financial statements.

2 Events for the year ended 31 December 2023

Dividends declared during 2023

At the General Meeting held on 20 April 2023, the shareholders approved a dividend for the year ended 31 December 2022 of CZK 60.42 per share before tax. The dividend was declared in the aggregate amount of CZK 11,483 million, and the remaining balance of the net profit was allocated to retained earnings. The dividends were paid out in Czech crowns.

Moreover, the Group paid out CZK 56 million in dividends to non-controlling owners of ESSOX s.r.o. (2022: CZK 101 million) and CZK 161 million to non-controlling owners of SG Equipment Finance Czech Republic s.r.o. (2022: CZK 154 million).

Changes in the Bank's financial group

In April, July, October, November and in December, KB SmartSolutions, s.r.o. increased equity of Finbricks, s.r.o. by CZK 10.5 million through financial contribution into other capital funds. Finbricks, s.r.o. is presently not consolidated due to its insignificant impact on the consolidated 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, a new fully owned subsidiary of the Bank, KB Poradenství, s.r.o., was established with a registered capital of CZK 100 thousand. During October, the Bank increased the equity capital in the company by CZK 900 thousand in the form of a financial contribution to other capital funds.

In June, KB SmartSolutions, s.r.o. increased its share in MonkeyData s.r.o. from the previous 24.989% to 28.256%. In September, KB SmartSolutions, s.r.o. increased its share to the current 33.171%. MonkeyData s.r.o. is presently not consolidated due to its insignificant impact on the consolidated financial statements.

In July, My Smart Living, s.r.o., reduced other capital funds to the benefit of KB SmartSolutions, s.r.o. in the amount of CZK 700 thousand. On 1 November 2023, the company entered liquidation. My Smart Living, s.r.o. v likvidaci is presently not consolidated due to its insignificant impact on the consolidated financial statements.

In September, the Bank's investment in subsidiary VN 42, s.r.o., valued at CZK 364 million, was reclassified as *'Assets held for sale'* due to expected sale of this company.

In December, the Bank increased the equity of Modrá pyramida stavební spořitelna, a.s. by CZK 1,100 million through a financial contribution into other capital funds.

In December, ENVIROS, s.r.o. (CZ) increased the equity capital in its subsidiary ENVIROS, s.r.o. (SK) by EUR 45 thousand in the form of a financial contribution to other capital funds. ENVIROS group is presently not consolidated due to its insignificant impact on the consolidated financial statements.

During 2023, the Bank increased its equity in the company KB SmartSolutions, s.r.o. by CZK 31 million in the form of a financial contribution to other capital funds.

3 Principal accounting policies

The principal accounting policies followed in the preparation of these Consolidated Financial Statements are set out below.

3.1 Statement of compliance with IFRS Accounting Standards

The Consolidated Financial Statements are prepared pursuant to and comply with IFRS Accounting Standards as adopted by the European Union (hereafter only "IFRS"), on the basis of Regulation (EC) No. 1606/2002 on the application of international accounting standards, and effective for the annual period beginning on 1 January 2023.

The Consolidated Financial Statements presented for the year ended 31 December 2023 are prepared on the basis of current best estimates. The management of the Group believes that these present a true and fair view of the Group's financial results and financial position using all relevant and available information as of the financial statements date.

3.2 Underlying assumptions of the Consolidated Financial Statements

3.2.1 Accrual basis

The Consolidated Financial Statements are prepared on an accrual accounting basis (i.e. the effects of transactions and other events are recognised when they occur and are reported in the Consolidated Financial Statements for the period to which they relate).

An exception is the Consolidated Statement of Cash Flows, which is prepared on a cash basis (i.e. it presents cash inflows and outflows during the reporting period without regard to the period to which each transaction relates).

3.2.2 Going concern

The Consolidated Financial Statements are prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future. The Group has neither the intention nor the need to liquidate or materially curtail the scale of its operations.

3.2.3 Reporting period

The Group reports for a 12-month period which is identical to the calendar year.

3.3 Basis of preparation

3.3.1 Presentation currency

The Consolidated Financial Statements are presented in Czech crowns (hereafter only "CZK"), which constitute the Group's presentation currency. The balances shown are stated in CZK million unless indicated otherwise.

3.3.2 Historical cost

The Consolidated Financial Statements are prepared under the historical cost convention, except for items measured at fair value comprising financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, hedging derivatives, and hedged items in fair value hedge accounting.

Assets held for sale are measured at the lower of their (i) fair value less cost to sell, or (ii) carrying amount just prior to reclassification into *'Assets held for sale'*.

3.3.3 Material accounting judgements and estimates

In applying the accounting policies for the purpose of preparing the Consolidated Financial Statements in accordance with IFRS, it is necessary for the Group's management to use professional judgement and make estimates and assumptions. These impact upon reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the financial statements date, and the reported amounts of revenues and expenses during the reporting period. These estimates and judgements are based on the information available as of the financial statements date and they relate especially to the determination of:

- Fair values in the Statement of Financial Position of financial instruments not quoted in an active market which are classified as financial assets or liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, or hedging derivatives (refer to Note 3.5.5);
- The value of intangible assets, except goodwill (refer to Note 3.5.10);
- The amount of impairment of assets (refer to Notes 3.5.10 and 3.5.11);
- Provisions recognised under liabilities (refer to Note 3.5.12);
- The initial value of goodwill for each business combination (refer to Note 3.5.11);
- The amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies (refer to Note 3.5.8);
- Assessment of the substance of participation interest in Group entities (refer to Note 3.3.4);

- The amount of impairment and provisions for credit risk related to financial assets measured at amortised cost or at fair value through other comprehensive income, loan commitments and financial guarantees granted as measured using models or internal assumptions based on historical, current, and prospective data (refer to Note 3.5.5);
- Business model and SPPI assessment of financial assets (refer to Note 3.5.5); and
- Lease term for leases of an indefinite time period.

Information about the key judgements and assumptions concerning the future and other key sources of estimation uncertainty as of the financial statements date that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities are disclosed in individual notes as appropriate.

Geopolitical situation

The geopolitical situation subjects the current economic environment to ongoing heightened volatility and uncertainty, thus requiring particularly complex judgements and estimates in certain areas. The geopolitical situation has significant implications in the area of credit risk management, as described in Note 43(A). Possible impacts in other risk management areas were also assessed and, where necessary, appropriate procedures and measures implemented. As a consequence of the international sanctions imposed and also due to market changes, the Group minimised its rouble-denominated balance sheet in 2022 by sale of rouble assets and subsequently by closure of all client accounts denominated in roubles. Furthermore, the Bank decided to discontinue outgoing transactions to Russia and Belarus. The geopolitical situation caused a significant increase in workload in the areas of (i) KYC (know-your-client), mainly due to the increasing acceptance rate of refugees as well as the application of sanctions restrictions to clients residing in Russia; (ii) S&E (Sanction and Embargo) monitoring as a result of sanctions restrictions related to EU sanctions packages; and (iii) AML (measures against money laundering) due to a strong motivation for Russian assets to be transferred into the EU zone while circumventing the sanctions. Due to the current situation, the risk of cyber attacks has increased for the Group and its clients. To address these risks for the Group, efforts were continued to implement risk-mitigating measures while targeting continual improvements in both preventative and detective areas, such as ex ante monitoring of clients or countries.

3.3.4 Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Bank and of its subsidiaries whose financial statements are significant relative to the Group's consolidated financial statements, particularly regarding Group consolidated total assets and gross operating income. A subsidiary is an entity in which the Bank has control, i.e. the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing control, the Group considers all relevant facts and circumstances while taking into account particularly voting rights, potential voting rights, and contractual arrangements. This assessment may require the use of accounting judgements. Subsidiaries are consolidated using the full method of consolidation from the date when the Bank obtains control to the date when the Bank ceases to exercise control over such entity.

The financial statements of the consolidated subsidiaries used to prepare the Consolidated Financial Statements were prepared as of the Bank's financial statements date and using consistent accounting policies. The assets and liabilities of foreign subsidiaries and branches are translated into the Bank's presentation currency at the rate of exchange as of the Bank's financial statements date, and their items of income and expense are translated at the monthly average exchange rates for the respective month of a given transaction. Exchange differences arising on translation are taken directly to a separate component of equity. The consolidation principles are unchanged as against the previous year. All intragroup transactions, balances, income, and expenses were eliminated in full.

Investments in associates are presented in the Consolidated Financial Statements using the equity method if their financial statements are significant relative to the Group's consolidated financial statements, particularly regarding Group consolidated total assets and gross operating income, or if they are strategic investments. An associate is an entity in which the Bank has significant influence, i.e. directly or indirectly owns 20% to 50% of voting rights but it does not exercise control. Equity accounting involves recognising in the Consolidated Statement of Income and in the Consolidated Statement of Comprehensive Income the Group's share of the associates' profit or loss for the period and comprehensive income for the period. The Group's interest in an associate is initially recognised at cost in the Statement of Financial Position and adjusted thereafter for the post-acquisition change in the investor's share in the investee's net assets.

3.4 Application of new and revised IFRS Accounting Standards

3.4.1 Standards and interpretations newly applied by the Group in the current period

The following standards, interpretations, and amendments were newly applied by the Group as from 1 January 2023. Unless otherwise described below, their application has no significant impact in the current period (and/or prior period).

Standard	Impact/Comments
IFRS 17 Insurance Contracts – new standard, issued in May 2017 Amendments to IFRS 17, issued in June 2020	The new standard establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts. It supersedes IFRS 4 Insurance Contracts. To make differences in profitability among insurance contracts visible, IFRS 17 requires entities to divide each portfolio of insurance contracts into a minimum of three groups: (i) loss-making (onerous) contracts at initial recognition, (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently, and (iii) remaining contracts. The groups of insurance contracts are measured at current values using updated estimates and assumptions about cash flows, discount rates, and risks relating to insurance contracts. Entities recognise profit allocated to periods when the insurance services are provided. For a loss-making group of contracts, the loss is recognised immediately. In the Statement of Income, the insurance service result (comprising insurance revenue and insurance service expenses) is presented separately from the insurance finance income or expenses. In June 2020, IASB issued an amendment to IFRS 17, including deferral of the effective date by two years to 1 January 2023. The impacts of the first-time application of IFRS 17 are presented in Note 3.6.1.
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS 17)	The amendment is a transitional provision relating to comparative information about financial assets presented on the initial application of IFRS 17. The amendment permits entities that first apply IFRS 17 and IFRS 9 at the same time to disclose comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before.
International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)	The amendments introduce a temporary exception to the requirements regarding the recognition and disclosure of deferred taxes arising from the OECD's Pillar Two income taxes. The amendments also provide targeted disclosure requirements for affected entities. See Note 15 for related disclosures.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	The amendments clarify the accounting for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exemption does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	The aim of the IASB project was to develop guidance and examples to help entities apply materiality judgements to accounting policy disclosure. The amendments to IAS 1 require entities to disclose material accounting policy information rather than significant accounting policies in their financial statements.
Definition of Accounting Estimates (Amendments to IAS 8)	The amendments introduce the definition of accounting estimates and include other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies.

3.4.2 Issued standards and interpretations not applied for the current period

Although the following standards, interpretations, and amendments had been issued by IASB, they are not yet effective for the reporting period beginning on 1 January 2023 and/or they have not yet been approved by the European Commission (highlighted in the table below). The Group has decided not to apply them earlier.

Currently, the Group does not anticipate that their application will significantly impact the Group's financial position and financial performance for the reporting period, unless otherwise described below.

Standard	Summarised content	Effective for reporting period beginning on or after
Classification of Liabilities as Current or Non-current (Amendments to IAS 1, issued in January 2020)	The amendments clarify one of the criteria for classifying a liability as non-current, specifically the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. That right to defer must exist at the end of the reporting period and the classification is unaffected by the likelihood or expectations about exercising the right.	1 January 2024
Non-current Liabilities with Covenants (Amendments to IAS 1, issued in October 2022)	The supplementary amendments specify that the liability's classification is not affected by future covenants, where the obligation to comply is only after the end of the reporting period. However, the amendments require disclosures.	
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	The amendments specify for sale and leaseback transactions the requirements for subsequent measurement of the lease liability.	1 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	The amendments add disclosure requirements of qualitative and quantitative information on supplier finance arrangements.	1 January 2024 EU not yet endorsed
Lack of Exchangeability (Amendments to IAS 21)	The amendments specify when a currency is exchangeable into another currency and how to determine the exchange rate when exchangeability is lacking.	1 January 2025 EU not yet endorsed

3.5 Material accounting policies

3.5.1 Transactions in foreign currencies

3.5.1.1 Functional and presentation currency

The functional currency of the Group's entities operating in the Czech Republic (i.e. the currency of the primary economic environment within which the Group operates) is the Czech crown.

The Group has a branch and a subsidiary, ESSOX FINANCE, s.r.o., in the Slovak Republic and a subsidiary, BASTION EUROPEAN INVESTMENTS S.A., in Belgium. They have the euro as their functional currency and are considered as foreign operations from a financial reporting point of view.

3.5.1.2 Transactions and balances translation

Transactions realised in foreign currency (i.e. in a currency other than the functional currency) are translated into the functional currency at the date of initial recognition using the spot foreign exchange rate announced by the bank authority (hereafter only the "BA") for the respective foreign currency. Depending on the functional currency, the BA means the Czech National Bank (hereafter only the "CNB") for the Czech crown and the European Central Bank (hereafter only the "ECB") for the euro.

At the end of the reporting period, all statement of financial position line items denominated in foreign currency are translated into the functional currency, depending upon their nature, as follows:

I. Foreign currency monetary items are translated using the closing rate (foreign exchange rate announced by the BA at the end of the reporting period);
II. Non-monetary items that are measured at historical cost are translated using the BA's foreign exchange rate at the date of the transaction; and
III. Non-monetary items that are measured at fair value in a foreign currency are translated using the BA's foreign exchange rate at the date when the fair value was determined.

Gains and losses arising from the translation of foreign currency items at the end of the reporting period as well as those related to their settlement are recognised as gains or losses for the period in which they occur and are presented in the line *'Net profit/(loss) on financial operations'*.

Where a gain or loss from a fair value change in a non-monetary item denominated in foreign currency is recognised directly in Other Comprehensive Income, however, related foreign exchange rate differences are recognised in the same way. These non-monetary items include equity instruments for which the Group has decided at initial recognition to use the irrevocable election to measure these at fair value with changes recognised in Other Comprehensive Income without subsequent recycling into profit or loss on realisation. Also recognised in Other Comprehensive Income are foreign exchange rate differences related to the fair value revaluation of debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (excluding the effective portion of their fair value hedges and excluding foreign exchange rate differences related to changes in their amortised cost) and non-derivative financial liabilities (current accounts, deposits) used as hedging items for the cash flow hedge of foreign currency risk and the hedge of a net investment in a foreign operation.

For consolidation purposes, the results and financial position of consolidated entities whose functional currency is different from the Group's presentation currency are translated into this currency using the following procedures:

I. Assets and liabilities are translated using the closing rate (exchange rate announced by the CNB at the end of the reporting period);
II. Income and expenses recognised in profit or loss are translated using the average rate for the period (monthly average of exchange rates announced by the CNB during the period);
III. All resulting exchange differences are recognised in other comprehensive income and presented in the line '*Share premium, funds, retained earnings, revaluation, and net profit for the period*'.

3.5.2 Recognition of income and expenses

3.5.2.1 Net interest income

Interest income and expense related to interest-bearing instruments, except for instruments classified as financial assets or financial liabilities at fair value through profit or loss and interest hedging derivatives, are recognised on an accrual basis in the Statement of Income in the lines *'Interest income'* and *'Interest expense'* using the effective interest rate (refer to 3.5.5.7 Effective interest rate method). For credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the amortised cost of the asset (i.e. an amount adjusted for expected credit losses over the life of the asset). Interest income and expense related to interest rate hedging derivatives are recognised in the lines described on an accrual basis using the contractual interest rate of the corresponding derivative. Late-fee income is recognised at the date of its payment and presented in the line *'Interest income'*.

3.5.2.2 Net fee and commission income

The recognition of income from fees and commissions depends on the purpose for which a fee was assessed and the basis of accounting for any associated financial instrument. In accordance with the substance of fees and nature of services for which they are assessed, the Group distinguishes the following categories of fees:

- Fees and commissions that comprise an integral component of the effective interest rate of a financial instrument are recognised in the line *'Interest income'*;
- Fees and commissions for services provided and for the execution of an act, such as deposit service fees, loan service fees, fees income for transaction services provided, commissions income for cross-selling of third-party products (such as insurance and investment products for which the Group is acting as an agent while not taking over control of the products provided and therefore in connection with the net approach for revenues presentation), and specialised financial services fees. Income is recognised as revenue at the point in time when the services are provided or the act has been completed. If related to a longer period, the fees are recognised over time on a straight-line basis. These fees and commissions are presented in the line *'Net fee and commission income'.*

3.5.2.3 Net profit/(loss) on financial operations

This line includes net profit/loss on financial operations, which means realised and unrealised gains and losses on securities held for trading; security derivatives; currency, interest rate, and trading commodity derivatives; foreign exchange transactions; foreign assets and liabilities retranslation to the functional currency; and realised gains and losses on financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

This line also includes interest income and expense related to interest-bearing instruments classified as financial assets or financial liabilities at fair value through profit or loss.

3.5.3 Cash and cash equivalents

Cash comprises cash on hand and cash in transit.

Cash equivalents are short-term (with a maturity of 3 months or less), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes. This item also includes obligatory minimum reserves. The Group can freely transact with the amount of these reserves under the assumption that average obligatory minimum reserves are maintained within the given maintenance period established by the CNB.

3.5.4 Fair value and hierarchy of fair value

Fair value is the price that would be received in selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements of assets or liabilities measured at fair value. The hierarchy of fair values has the following three levels:

- *Level 1:* inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- *Level 2:* inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- *Level 3:* inputs are unobservable inputs for the asset or liability.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The fair value is included in the hierarchy according to the lowest classified significant input used in its determination. Significant input information consists of information that has a significant impact on the total fair value of the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis (i.e. those for which measurement at fair value is required or permitted in the Statement of Financial Position at the end of each reporting period), the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the date of the event or change in circumstances that caused the transfer.

3.5.5 Financial instruments

3.5.5.1 Dates of recognition and derecognition

All regular way purchases or sales of financial assets are recognised using settlement date accounting. The settlement (collection) date is the day on which the financial instrument is delivered (cash payment).

When settlement date accounting is applied, the financial asset is recognised in the Statement of Financial Position on the day of receipt of a financial instrument (sending of cash) and derecognised on the day of its delivery (collection of cash).

For financial assets measured at fair value, however, the acquired financial asset is measured to reflect changes in its fair value from the purchase trade date to the purchase settlement date. Gains and losses from changes in fair value are recognised depending upon the type of financial instrument and taking into account the classification based on both the business model and contractual cash flow characteristics (i.e. either in profit or loss or in other comprehensive income).

All purchases and sales of financial instruments that do not meet the “regular way” settlement criterion in the marketplace concerned are treated as financial derivatives. The Group recognises financial derivatives in the Statement of Financial Position at the trade date. Financial derivatives are derecognised at their maturity.

The Group recognises a financial liability in the Statement of Financial Position when it becomes a party to the contractual provisions of the instrument and it is removed from the Statement of Financial Position when it is extinguished (i.e. in circumstances where a contractually defined obligation is fulfilled, cancelled, or expires).

3.5.5.2 Initial measurement of financial assets and financial liabilities

When a financial asset or financial liability is initially recognised, the Group measures it at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of that instrument.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received).

The transaction costs mainly include fees and commissions paid to brokers, dealers, and agents.

Also, financial guarantee contracts issued are initially recognised at fair value, being the premium received, in the Statement of Financial Position in the line *‘Accruals and other liabilities’*. The guarantees are subsequently measured as of the financial statements date at the higher of the amount initially recognised less, when appropriate, cumulative amortisation of revenues recognised in the Statement of Income in accordance with IFRS 15 (in the Statement of Financial Position in the line *‘Accruals and other liabilities’*) or the impairment for expected credit losses from any financial obligation arising as a result of the guarantee (in the Statement of Financial Position in the line *‘Provisions’*). The premium received is recognised in the Statement of Income in the line *‘Net fee and commission income’* on a straight-line basis over the life of the guarantee. The creation of provisions is recognised in the Statement of Income in the line *‘Impairment losses’*.

3.5.5.3 "Day 1" profit or loss
In determining whether the fair value at initial recognition equals the transaction price, the Group takes into account factors specific to the transaction and to the asset or liability.

The Group trades no financial instruments on an inactive market. On active markets, the Group trades financial instruments only for the quoted price in the active market. For this reason, there is no difference between the transaction price and the fair value of the financial asset or financial liability that is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique whose variables include only data from observable markets (a "Day 1" profit or loss).

3.5.5.4 Financial assets and liabilities classification and subsequent measurement
The classification of the Group's financial instruments is determined at the date of initial recognition and is unchanged throughout the period of holding the financial instrument, except for rare situations listed in 3.5.5.5 Reclassification of financial assets and liabilities.

Depending on the nature of the financial instrument and the evaluation of both the business model for managing the financial asset and the asset's contractual cash flow characteristics, financial instruments held by the Group are after initial recognition subsequently measured at:
I. Amortised costs;
II. Fair value through other comprehensive income; or
III. Fair value through profit or loss.

The Group does not make use of an option to designate a financial asset or liability upon initial recognition as a financial instrument at fair value through profit or loss (the "Fair Value Option"). For some investments in equity instruments not held for trading purposes the Group uses the irrevocable election to measure these at fair value with changes being recognised in other comprehensive income.

Changes in the basis for determining the contractual cash flows of financial assets and liabilities – IBOR reform
In the context of the interest rate benchmark reform (hereinafter the "IBOR reform"), the basis for determining the contractual cash flows of a financial asset or liability may be modified:
- by amending the contractual terms and conditions set during the initial recognition of the financial instrument (example: the contractual terms and conditions are amended to replace the initial reference interest rate by an alternative one);
- by applying external dispositions without requiring a change in contractual terms and conditions (example: the adoption of European regulations requiring the migration of all contracts still indexed to LIBOR CHF and EONIA in the European Union, respectively, on 1 January and 3 January 2022);
- as a result of the activation of an existing contractual term or condition (example: application of the contractual rate replacement provision, or "Fallback").

If in the context of the IBOR reform there is a change in the basis for determining the contractual cash flows of a financial asset or liability at amortised cost or of a financial asset at fair value through other comprehensive income, the modification is considered a simple forward-looking update of the interest rate applied to determine the interest income or expense and does not generate a modification gain or loss in the income statement.

This treatment depends on compliance with the following conditions:
- a change in the basis for determining the contractual cash flows is required and results directly from the IBOR reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the former basis used before the change.

Cases giving rise to a new basis for determining the contractual cash flows considered economically equivalent to the former basis are, for example:
- the replacement of an existing reference interest rate used to determine the contractual cash flows of a financial asset or liability by an alternative reference interest rate (or by changing the method used to determine the reference interest rate in question) and the addition of a fixed spread necessary to compensate for the difference in the basis between the existing reference interest rate and the alternative one;
- the addition of a "Fallback" provision to the contractual terms and conditions of a financial asset or liability to allow for implementation of the changes described above;
- changes in the determination of the amount of interest resulting from the use of a new reference interest rate (rate revision procedure, number of days between interest payment dates, etc.).

Changes to a financial asset or liability, other than those deriving directly from the application of the IBOR reform, are treated as a modification of financial instruments.

3.5.5.4.1 Loans and debt instruments
Loans and debt instruments are non-derivative financial assets with legally enforceable fixed or determinable payments and fixed maturities.

Classification and subsequent measurement of loans and debt instruments are determined based upon the evaluation of:
- The Group's business model for managing financial assets; and
- The financial asset's contractual cash flow characteristics.

Description of business models
The business model is determined on the level at which the financial assets are managed together to achieve a particular business objective. The business model does not depend upon management's intentions for an individual instrument but reflects the way a certain portfolio of financial assets is managed in order to generate cash flows under standard economic conditions. The Group distinguishes the following business models:
(i) "Hold to collect contractual cash flows";
(ii) "Hold to collect contractual cash flows and sell"; or
(iii) "Held for trading".

(i) "Hold to collect contractual cash flows" business model
Loans and debt instruments that fall into the business model "Hold to collect contractual cash flows" are held in order to collect contractual cash flows over the life of the instrument. In determining whether cash flows are going to be realised by collecting the financial assets' contractual cash flows, the Group considers the frequency, value, and timing of sales in prior periods; the reasons for those sales; and expectations about future sales activity for a given portfolio.

The Group admits the following sales that are consistent with the business model "Hold to collect contractual cash flows":
- Sales due to an increase in the assets' credit risk irrespective of their frequency and value;
- Sales made to manage credit risk concentration if those sales are infrequent (even if significant in value) or insignificant in value (even if frequent);
- Sales made close to the maturity of the asset when the proceeds from the sales approximate the collection of the remaining contractual cash flows; and
- Sales made based on a requirement imposed by a third party, such as regulatory bodies, if those sales are infrequent or insignificant in value.

The financial assets that fall into the business model "Hold to collect contractual cash flows" are: (i) all loans and receivables; (ii) all debt securities that are not part of the liquidity buffer and are not determined for trading; (iii) from 1 January 2018 until 25 March 2021, all new investments in CZK-denominated bonds forming part of the liquidity buffer with residual maturity up to 10 years and partly up to 12 years at the time of purchase; (iv) from 25 March 2021 until 23 September 2021, all new investments in CZK-denominated bonds forming part of the liquidity buffer with residual maturity up to 15 years at the time of purchase and according to the Group's internal rules; and (v) from 23 September 2021 onwards, all new investments in CZK- or EUR-denominated bonds forming part of the liquidity buffer with residual maturity up to 15 years at the time of purchase and according to the Group's internal rules.

(ii) "Hold to collect contractual cash flows and sell" business model
Loans and debt instruments that fall into the business model "Hold to collect contractual cash flows and sell" are held in order to collect contractual cash flows and sell financial assets. In this type of business model, both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model. The objective of this business model is to manage the Group's everyday liquidity needs. The Group expects that in case of a structural deficit of assets and liabilities, sales of these loans and debt instruments will be realised to cover the lack of liquid assets.

As compared to the business model whose objective is to hold financial assets to collect contractual cash flows, the Group expects greater frequency and value of sales. Selling financial assets is not an incidental activity but an integral part of achieving the business model's objective. There is no threshold for the frequency or value of sales that must occur in this business model, however, as both collecting contractual cash flows and selling financial assets are integral to achieving its objective.

The financial assets that fall into the business model "Hold to collect contractual cash flows and sell" are: (i) from 1 January 2018 until 23 September 2021, all EUR-denominated bonds forming part of the liquidity buffer; (ii) from 1 January 2018 until 25 March 2021, all new investments in CZK-denominated bonds forming part of the liquidity buffer and with residual maturity at the time of purchase longer than 12 years or longer than 10 years, according to the Group's internal rules; (iii) from 25 March 2021 until 23 September 2021, all new investments in CZK-denominated bonds forming part of the liquidity buffer with residual maturity above 15 years at the time of purchase; and (iv) from 23 September 2021 onwards, all new investments in CZK- or EUR-denominated bonds forming part of the liquidity buffer with residual maturity above 15 years at the time of purchase.

(iii) "Held for trading" business model
Loans and debt instruments that fall into the business model "Held for trading" are held with the objective of realising cash flows through the sale of those assets. The Group makes decisions based on the assets' fair values and manages the assets to realise those fair values.

The financial assets that fall into the business model "Held for trading" include all other loans and debt instruments that are not part of the business model "Hold to collect contractual cash flows" or "Hold to collect contractual cash flows and sell".

Contractual cash flows characteristics test
Based on an assessment of the contractual cash flow characteristics, the Group ascertains whether the contractual cash flows on loans and debt instruments are solely payments of principal and interest on the principal amount outstanding (SPPI test). Principal is the fair value of the financial asset at initial recognition. Interest consists in particular of consideration for the time value of money and credit risk. It can also include consideration for liquidity risk, administrative costs, or profit margin that is consistent with the basic lending arrangement.

Measurement at amortised costs
After initial recognition, loans and debt instruments are subsequently measured at amortised costs if both the following conditions are met: the financial asset is held within the business model "Hold to collect contractual cash flows" and the contractual cash flows meet the characteristics of payments of principal and interest on the principal amount outstanding.

Amortised cost is the amount at which the financial instruments are measured at initial recognition minus the principal repayments and using the effective interest method plus or minus the fees that are an integral part of the financial asset, and amortisation of the premium or discount (i.e. any difference between the initial amount and the amount at maturity), and further reduced by any loss allowance for expected credit losses. Interest income is recognised in the line *'Interest income'* in the Statement of Income. Impairment losses are recognised in the Statement of Income in the line *'Impairment losses'*.

Measurement at fair value through other comprehensive income
After initial recognition, loans and debt instruments are subsequently measured at fair value with changes being recognised in Other Comprehensive Income if both the following conditions are met: the financial asset is held within the business model "Hold to collect contractual cash flows and sell" and the contractual cash flows meet the characteristics of payments of principal and interest on the principal amount outstanding.

Unrealised gains or losses from fair value changes, as well as gains or losses from changes in fair value resulting from changes in foreign exchange rates are, until their derecognition or reclassification, recognised within Other Comprehensive Income in the line *'Revaluation of debt securities, net of tax'*.

When holding a financial asset, loss allowances are recognised. Unlike in the case of financial assets measured at amortised costs, however, the loss allowances are not presented separately in the Statement of Financial Position and do not reduce the carrying amount of the financial asset. The loss allowances are recognised directly in Other Comprehensive Income and in the Statement of Income in the line *'Impairment losses'*.

Gains or losses from changes in foreign exchange rates on loans and debt instruments are recognised in the Statement of Income in the line *'Net profit/(loss) on financial operations'*, with the exception of exchange rate gains or losses related to fair value revaluation that are recognised within Other Comprehensive Income. Accrued interest income is recognised in the Statement of Income in the line *'Interest income'*.

When a financial asset is derecognised, the cumulative gain or loss previously recognised in Other Comprehensive Income is recognised in the Statement of Income in the line *'Net profit/(loss) on financial operations'*.

Measurement at fair value through profit or loss
After initial recognition, loans and debt instruments are subsequently measured at fair value with changes being recognised in profit or loss if the financial asset falls within the business model "Held for trading" or if the contractual cash flows do not meet the characteristics of payments of principal and interest on the principal amount outstanding.

The category of fair value through profit or loss is a residual category. The Group classifies loans and debt instruments into this category if they do not meet the criteria for measurement at amortised cost or at fair value through other comprehensive income.

Unrealised gains and losses, as well as realised gains or losses arising from the revaluation of these financial assets, interest, and foreign exchange rate differences, are recognised in the Statement of Income in the line *'Net profit/(loss) on financial operations'*. These financial assets are outside the scope of the IFRS 9 impairment requirements, and therefore impairment losses are not recognised.

3.5.5.4.2 Equity instruments
Equity instruments are non-derivative financial assets with the entitlement to participate in the exercise of ownership rights without a defined maturity and without legally enforceable fixed or determinable payments.

Equity instruments are outside the scope of the IFRS 9 impairment requirements, and therefore impairment losses are not recognised. Equity instruments are measured at fair value with changes being recognised in profit or loss, except for when making the election at initial recognition to measure the equity instrument at fair value with changes being recognised in other comprehensive income and without subsequent recycling into profit or loss on disposal. This election is irrevocable and is made on an instrument-by-instrument basis.

The Group may use the option only for instruments that are not held for trading. When using the option, the disposal will not result in realisation and recognition of the disposal's result in the Statement of Income. Instead, it will remain in the Group's Other Comprehensive Income and, following approval by the General Meeting, will eventually be transferred to retained earnings. Dividend income arising from equity instruments is recognised when the right to dividends is established and presented in the Statement of Income in the line *'Dividend income'*.

The Group applies the option (measurement of equity instruments at fair value through other comprehensive income) for investments of a strategic nature and with an equity interest of less than 20%. This approach is based on the Group's intention to continue holding these investments in the long term or on the existence of a long-term restriction against selling these investments.

3.5.5.4.3 Derivatives and hedge accounting

A derivative is a financial instrument or other contract having all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, market prices of securities, or another market variable;
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- It is settled at a future date.

At the inception of a financial derivative contract, the Group designates the derivative instrument as either held for trading or hedging.

Held for trading derivatives are classified into a portfolio of *'Financial assets or financial liabilities held for trading at fair value through profit or loss'* based on whether the fair value is positive or negative.

Hedging derivatives are derivatives that the Group uses to hedge interest rate and foreign exchange rate risks to which it is exposed as a result of its financial market transactions. In accordance with the transitional provisions of IFRS 9, the Group has elected to apply IAS 39 hedge accounting methods. The Group designates a derivative as hedging only if the criteria set out under IFRS are met at the designation date, i.e. if, and only if, all of the following conditions are met:

- It is compliant with the Group's risk management objective and strategy;
- At the inception of the hedge, the hedging relationship is formally documented, which includes identification of the hedging instrument and hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness;
- The hedge is expected to be highly effective at inception and throughout the period;
- The effectiveness of the hedge can be reliably measured; and
- Changes in the fair value or cash flows of the hedging instrument and hedged item or transaction are almost fully offset (within a range of 80% to 125%).

Hedging derivatives are accounted for according to the type of hedging relationship, which can be one of the following:

I. Hedging of an exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability, or firm commitment that is attributable to a particular risk and that could affect profit or loss (fair value hedge); or
II. Hedging of an exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss (cash flow hedge); or
III. Hedging of a net investment in a foreign operation.

Changes in the fair value of a derivative that is designated and qualified as a fair value hedge are recognised in the Statement of Income in the line *'Net profit/(loss) on financial operations'*. Changes in the fair value of a hedged item are recognised in the Statement of Financial Position as a component of the carrying amount of the hedged item and in the Statement of Income in the line *'Net profit/(loss) on financial operations'*.

It is on this basis that the Group hedges the interest rate risk and foreign currency risk of financial assets (loans and debt instruments with fixed interest rates) and interest rate risk of deposits, repos, mortgage bonds issued, as well as selected portfolios of building savings. The effectiveness of a hedge is regularly tested through prospective and retrospective tests on a quarterly basis.

If a hedge no longer meets the criteria for hedge accounting or the hedging instrument expires or is sold, terminated, or exercised, then the entity revokes the designation and an adjustment to the carrying amount of the hedged interest-bearing financial instrument is amortised to profit or loss over the period until the maturity of the hedged item.

The Group also accounts for portfolio fair value hedges (hedging transactions concerning portfolios of financial assets or liabilities), for which interest rate swaps are used. When accounting for these transactions, the Group applies the IAS 39 "carve-out" as adopted by the European Union. The accounting treatment of financial derivatives designated as portfolio fair value hedges is similar to that of other fair value hedging derivatives.

Changes in the fair values of hedging derivatives classified as cash flow hedges that prove to be highly effective in relation to the hedged risks are recognised in the line *'Cash flow hedging'* within Other Comprehensive Income and are transferred to the Statement of Income and classified as income or expense in the periods during which the hedged items affect the Statement of Income.
The ineffective portion of a hedge is charged directly to the Statement of Income in the line *'Net profit/(loss) on financial operations'*.

It is on this basis that the Group hedges the interest rate risk and currency risk associated with the cash flows of selected portfolios of assets or liabilities or individually significant assets or liabilities. The effectiveness of a hedge is regularly tested through prospective and retrospective tests on a quarterly basis.

If a hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated, or exercised, then the entity revokes the designation and the cumulative gain or loss on the hedging instrument that has been recognised in Other Comprehensive Income for the period when the hedge was effective remains in equity until the forecast transaction occurs.

If the forecast transaction is no longer expected to occur, the gain or loss accumulated as other comprehensive income is reclassified to profit or loss.

Using foreign currency deposits as the hedging instrument, the Group additionally hedges the foreign exchange rate risk arising from the net investment in the subsidiaries BASTION EUROPEAN INVESTMENTS S.A. and ESSOX FINANCE, s.r.o. Foreign exchange rate differences arising from its retranslation are included in Other Comprehensive Income.

Financial derivatives constituting economic hedges under the Group's risk management positions but not qualifying for hedge accounting under the specific rules of IAS 39 are treated as derivatives held for trading.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in Note 43(C).

<u>Changes in the basis for determining the contractual cash flows of the components of a hedging relationship – IBOR reform</u>
Continuation of the hedging relationships
The documentation of the existing hedging relationships is regularly updated in order to reflect the changes brought about by the IBOR reform in the basis for determining the contractual cash flows of the hedged item and/or hedging instrument.

These updates resulting from the IBOR reform cause neither discontinuation of the hedging relationship nor designation of a new accounting hedge when they meet the following conditions:
- the change in the basis for determining the contractual cash flows is required and results directly from the IBOR reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the former basis used before the change.

When these conditions are met, the update of the hedging documentation may consist solely in:
- designating the alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;
- updating the description of the hedged item, including a description of the hedged portion of cash flows or the fair value;
- updating the description of the hedging instrument; or
- updating the description of the method used to assess the effectiveness of the hedge.

These updates are performed as and when changes are made to the hedged items or the hedging instruments. An accounting hedge may be updated several successive times.

Changes not directly resulting from application of the IBOR reform and impacting the basis used for determining the contractual cash flows of the hedging relationship components or the hedging documentation are analysed beforehand in order to confirm compliance with the criteria for the continued application of hedge accounting.

Specific accounting treatments
Regarding fair value hedges and cash flow hedges, the applicable accounting requirements remain unchanged for the recognition of gains and losses resulting from reassessment of the hedged item and the hedging instrument while taking into account the changes described above.

For the purpose of the retrospective effectiveness assessment, the cumulative fair value changes may be reset to zero on a case-by-case basis for each hedging relationship modified.

The amounts of gains or losses recognised in other comprehensive income for cash flow hedges that have been discontinued prospectively after a change in the benchmark rate used as a basis for the future cash flows hedged are kept in other comprehensive income until the hedged cash flows are recorded in the Statement of Income.

An alternative reference interest rate used as a risk component not specified by an agreement may be used, provided it is, as reasonably expected, separately identifiable (i.e. quoted on a sufficiently liquid market) in the 24 months after its first use.

3.5.5.4.4 Financial liabilities
The Group classifies financial liabilities into the categories 'Financial liabilities at amortised cost' and 'Financial liabilities held for trading at fair value through profit or loss', depending on the methods of managing the performance of the financial liability.

When the performance of the financial liability is managed based on trading that mostly reflects active and frequent purchases and sales (i.e. financial instruments held for trading are mostly used to generate profit from short-term fluctuations in the price or margin), the Group classifies these financial liabilities after initial recognition as subsequently measured at fair value through profit or loss. Such financial liabilities are only liabilities from disposed securities and trading derivatives with a negative value. They are recognised in the Statement of Financial Position in the line *'Financial liabilities held for trading at fair value through profit or loss'*.

Unrealised as well as realised gains or losses arising from the revaluation of these financial liabilities, interest, and foreign exchange rate differences are recognised in the Statement of Income in the line *'Net profit/(loss) on financial operations'*.

All other financial liabilities are measured subsequent to initial recognition at amortised cost using the effective interest rate method. The Group classifies non-derivative financial liabilities with fixed or determinable payments as subsequently measured at amortised costs. These financial liabilities are recognised depending upon the type of counterparty in the lines *'Amounts due to central banks'*, *'Financial liabilities at amortised cost', or 'Subordinated and senior non-preferred debt'*.

Interest expense is recognised in the Statement of Income in the line *'Interest expense'*.

In the event of repurchasing its own debt securities, the Group derecognises these securities (i.e. the item *'Securities issued'* is decreased). Gains and losses arising as a result of repurchasing the Group's own debt securities are recognised as of the date of their repurchase in the Statement of Income in the line *'Net interest income'* as an adjustment to the interest paid from its own bonds.

3.5.5.4.5 Embedded derivatives
In some cases, a derivative, such as an option for an earlier redemption of a bond, is a component of a hybrid (combined) financial instrument that also includes a non-derivative host contract.

Derivatives embedded in financial assets, loans, and debt instruments within the scope of IFRS 9 are not separated from the host contract. Instead, the entire hybrid instrument is assessed for classification and measurement based on the Group's business model for managing the hybrid instrument and its contractual cash flow characteristics as disclosed in Note 3.5.5.4 Financial assets and liabilities classification and subsequent measurement.

The embedded derivative is separated from the host contract and accounted for separately if, and only if, all of the following conditions are met:
- The host contract is not a financial asset within the scope of IFRS 9;
- The embedded derivative as a separate instrument meets the definition of a derivative;
- The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract; and
- The host contract is not measured at fair value with fair value changes recognised in the Statement of Income.

If the embedded derivative cannot be measured separately, the entire hybrid contract is designated as at fair value through profit or loss.

3.5.5.5 Reclassification of financial assets and liabilities
Reclassification of loans and debt instruments shall arise when, and only when, the objective of the business model changes for the entire portfolio of financial instruments that are jointly managed with the objective "Hold to collect contractual cash flows", "Hold to collect contractual cash flows and sell", and "Held for trading".

Reclassification is not possible:
- If the Group uses the option to designate a financial asset at initial recognition as an instrument measured at fair value through profit or loss (the "Fair Value Option");
- For equity instruments (measured at fair value through profit or loss or through other comprehensive income); or
- For financial liabilities.

If the Group reclassifies loans and debt instruments, the change in classification is applied prospectively from the first day of the next reporting period following the change in the business model.

Measurement of reclassified financial assets at the reclassification date and subsequently:
- When reclassifying a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value and, at the reclassification date, a new effective interest rate is determined. Subsequent changes in fair value are recognised in other comprehensive income. For the purpose of calculating expected credit losses from the reclassification date, the date of reclassification is treated as the date of initial recognition of the asset;

- When reclassifying a financial asset out of the fair value through profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount and a new effective interest rate is determined. For the purpose of calculating expected credit losses from the reclassification date, the date of reclassification is treated as the date of initial recognition of the asset;
- When reclassifying a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date;
- When reclassifying a financial asset out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. The cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification;
- When reclassifying a financial asset out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value is recognised in profit or loss;
- When reclassifying a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

The Group did not reclassify any loans and debt instruments.

3.5.5.6 Determination of a financial instrument's fair value and its hierarchy

For the determination and categorisation of a financial instrument's fair value, the Group treats a security as quoted if quoted market prices are readily and regularly available from a stock exchange, dealers, securities traders, industrial groups, valuation services, or regulatory authorities and if these prices represent current and regular market transactions under ordinary conditions.

If there are no quoted prices in an active market for the financial asset, the Group uses other values that are observable, directly or indirectly, from the markets for its measurement, such as:

I. Quoted prices for similar assets or liabilities in active markets;
II. Quoted prices for identical or similar assets or liabilities in markets that are not active (i.e. there are few recent transactions, prices quotations are not based on current information, etc.);
III. Inputs other than quoted prices (e.g. inputs based on interest rates, yield curves, implied volatilities, credit spreads, etc.); or
IV. Inputs derived principally from, or corroborated by, observable market data.

Where the inputs for the determination of a financial instrument's fair value are not observable in a market due to the fact that there is no or only minimal activity for that asset or liability, the Group uses for fair value measurement inputs that are available but not directly observable within a market and which, in the Group's view, reflect assumptions that market participants take into account when pricing the financial instrument.

The fair value of debt securities for which an observable market price is not available is estimated using an income approach (the present value technique taking into account the future cash flows that a market participant would expect to receive from holding the instrument as an asset) and the fair value of unquoted equity instruments is estimated using an income approach or market approach (using prices and other relevant information generated by a market). The fair values of financial derivatives are obtained from quoted market prices, discounted cash flow models, or option pricing models and are adjusted for the credit risk of the counterparty (CVA) or the Group's own credit risk (DVA), as appropriate.

The existence of published price quotations in an active market is normally the best evidence of fair value. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price and for an asset to be acquired or liability held the ask price.

The Group manages a group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk. It uses mid-market prices as the basis for establishing the fair values of offsetting risk positions and applies the bid or asking price to the net open position, as appropriate.

3.5.5.7 Effective interest rate method

The effective interest rate is that rate which exactly discounts the estimated future cash payments or receipts throughout the expected life of a financial instrument.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument and includes any fees and incremental costs that are directly attributable to the instrument and constitute an integral component of the effective interest rate, but it does not take into consideration future credit losses.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or interest expense over the relevant period.

3.5.5.8 Forborne loans

Forborne exposures are debt contracts in respect of which forbearance measures have been granted to the debtor and for which the discontinuation conditions are not met. Forbearance measures consist of concessions to a debtor facing or about to face difficulties in meeting its financial commitments. The concession refers to either modification of terms and conditions (e.g. changes in the payment schedule, interest rate reductions, penalty interest waivers) or refinancing. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms. Forborne loans are continuously reviewed by the Group to ensure that all criteria are met and that future payments are likely to occur. The forborne loans continue to be subject to impairment assessment, calculated based on their future cash flows as discounted by the loans' original effective interest rates.

3.5.5.9 Modification of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. When the modification occurs, the Group assesses whether or not the new terms are substantially different from the original terms.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a new asset at fair value and recalculates a new effective interest rate for the asset. Differences in the carrying amount are recognised in profit or loss as a gain or loss on derecognition. The date of modification is considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. If the terms are not substantially different, the renegotiation or modification does not result in derecognition.

3.5.5.10 Derecognition of financial assets other than on modification

The Group derecognises all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows from the asset expire or when the Group has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards linked to the ownership of the asset.

The Group also derecognises financial assets in respect of which it has retained the contractual rights to the associated cash flows but is contractually obligated to pass these same cash flows through to a third party and for which it has transferred substantially all risks and rewards.

Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has effectively not retained control of the financial asset, the Group derecognises the financial asset and, as appropriately, recognises a separate asset or liability to cover any rights and obligations created or retained as a result of the asset's transfer. If the Group has retained control of the asset, it continues to recognise it in the balance sheet to the extent of its continuing involvement in that asset.

When a financial asset is derecognised in its entirety, a gain or loss on disposal is recorded in the Statement of Income for an amount equal to the difference between the carrying amount of the asset and the consideration received. In respect of financial assets at fair value through other comprehensive income, and with the exception of equity instruments, the cumulative gain or loss previously reported in Other Comprehensive Income is recorded in the Statement of Income.

The Group only derecognises all or part of a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled, or expired. A financial liability is also derecognised and recognised again in the event of a substantial amendment to its contractual conditions or where an exchange is made with the lender for an instrument whose contractual conditions are substantially different.

3.5.5.11 Impairment of financial assets

The impairment of financial assets is based on the expected credit loss model.

All of the following assets are subject to the Group's impairment requirements:
- Financial assets measured at amortised cost;
- Financial assets duly measured at fair value through other comprehensive income (FVOCI) mentioned in 3.5.5.4.1 Loans and debt instruments held in the business model "Hold to collect contractual cash flows and sell";
- Loan commitments if a present commitment to provide credit exists (except for loan commitments measured at fair value through profit or loss);
- Financial guarantee contracts (to which IFRS 9 applies except for those measured at fair value through profit or loss); and
- Finance lease receivables and operating lease receivables in the scope of IFRS 16 Leases.

The Group does not assess impairment on non-client financial assets constituting insignificant credit risk, such as, in particular, receivables from the CNB arising from obligatory minimum reserves, nostro accounts, contract assets within the scope of IFRS 15 Revenue from Contracts with Customers (i.e. rights to consideration after the transfer of goods or services), intragroup receivables, and others.

In order to determine impairment, financial assets are classified into three stages depending upon the extent of credit deterioration since initial recognition:

- Stage 1 – financial assets are initially recognised in Stage 1, unless they are purchased or originated credit-impaired (subject to a specific treatment). Subsequently, this stage remains unchanged for financial assets for which the credit risk has not increased significantly since initial recognition or that have low credit risk at the reporting date;
- Stage 2 – financial assets with a significant increase in credit risk since initial recognition but in respect of which no objective evidence of impairment exists; or
- Stage 3 – financial assets with objective evidence of impairment at the reporting date.

The Bank implemented a new definition of default at the beginning of the second quarter of 2020 to be compliant with EBA Guidelines EBA/GL/2016/07 in applying the definition of default under Article 178 of Regulation (EU) No. 575/2013. The new definition of default was implemented also in subsidiaries at the end of 2020 with the exception of the subsidiary ESSOX, s.r.o., where the new definition of default was implemented during the first quarter of 2021.

Significant increase in credit risk

Being a trigger for the transfer of an exposure into Stage 2, significant increase in credit risk (SICR) is one of the most important drivers for the resulting ECL. It is evaluated by the Group continuously and at each reporting date in line with IFRS 9 requirements. In compliance with the Group IFRS 9 methodology, SICR is assessed at facility level by comparing the observed increase in the lifetime probability of default since the initial recognition.

The lifetime probability of default is deduced from the result of the internal credit risk assessment (expressed by the client's rating) as well as from the internal IFRS 9 PD curve models reflecting both the history of observed default rates within a given asset class and the forward-looking (macro-) economic development. The lifetime PD is calculated from the corresponding PD curve over the remaining maturity of the deal (annualised). For portfolios with a lack of data for regular statistical modelling (e.g. smaller of the Bank's subsidiaries), SICR is expressed by deterioration of the ratings rather than by PD curves. The thresholds (both relative and absolute) have been assessed by the Group to fulfil the prescribed performance criteria for Stage 2 (default capture rate, default rate in Stage 2).

In addition to the aforementioned criteria, the Group supplements SICR rules with indicators reflecting the current deteriorated situation of the client, such as delay in contractual payments of more than 30 days past due, a worsening financial situation of the issuer or borrower (rating) or granting of forbearance measures.

In the fourth quarter of 2023, the Bank amended, among others, based on recommendations of the CNB, parameters that are inputs into the above-described algorithms for the classification of exposures into Stages 1 and 2.

Credit-impaired financial assets

The Group recognises financial assets as credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flows. Evidence of credit-impairment may include observable data concerning the following events:

- Significant financial difficulty of the issuer or borrower;
- A breach of contract, such as a default or past due event more than 90 days past due;
- Situation indicating the probability of default as defined by a new regulation for evaluating financial assets in default;
- Concession granted by the lender for reasons of the borrower's financial difficulty that the lender would not otherwise consider;
- Increased probability that the borrower will enter bankruptcy;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Measurement of expected credit losses

With the exception of purchased or originated credit-impaired financial assets, the Group recognises expected credit losses (hereafter only "expected losses") in an amount corresponding to:

- 12-month expected losses (expected losses resulting from default events on a financial instrument that may occur within 12 months after the reporting date) – Stage 1; or
- Lifetime expected losses (expected losses resulting from all possible default events over the expected life of a financial instrument) – Stages 2 and 3.

The Group recognises a loss allowance in an amount equal to lifetime expected credit losses for credit exposures where there have been significant increases in credit risk since initial recognition.

If in subsequent reporting periods the credit quality of the financial instrument improves so that there has been no longer a significant increase in credit risk since initial recognition, the Group reverts to recognising a loss allowance based on 12-month expected losses. This does not apply to purchased or originated credit-impaired financial assets.

Basis for estimating expected losses

Expected losses are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and takes into account the time value of money. The Group considers reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions. When measuring the expected losses and taking into account the time value of money, the expected cash flows are discounted as of the reporting date using the original effective interest rate determined at initial recognition (or an approximation thereof).

The Group assesses expected losses for credit-impaired financial assets of significant exposures based on expected cash flows from the client's economic activity or realisation of collateral.

For estimating expected losses for purchased or originated credit-impaired financial assets, the Group applies the credit-adjusted effective interest rate. Unlike the effective interest rate (calculated using the estimated future cash flows not taking into account expected losses), the credit-adjusted effective interest rate incorporates the impact of expected losses of the financial asset.

Purchased or originated credit-impaired financial assets

Purchased or originated credit-impaired financial assets are accounted for differently because the assets are already impaired at initial recognition. For these assets, lifetime expected losses are incorporated into the expected cash flows used to calculate the credit-adjusted effective interest rate at initial recognition. Subsequently, any changes in expected losses are recognised as a loss allowance and as a gain or loss in the Statement of Income. The interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortised cost.

Write-off of financial assets

The Group applies in writing off financial assets the approach of individual write-offs, namely: without further recovery or with further recovery.

Write-offs without further recovery are preceded by a soft or hard collection process based upon an individual assessment of the client's situation. Write-offs are handled individually or for multiple clients in batches based on approval by the relevant authority.

Write-offs with further recovery are managed by a process involving only the hard collection of receivables. Recovery continues for those receivables even though they have been written off.

3.5.5.12 Repurchase agreements

The Group accounts for contracts to sell and buy back financial instruments ("repos" or "reverse repos") according to their substance as the taking or granting of a loan with a corresponding transfer of financial instruments as collateral.

In the case of repurchase transactions ("repos"), the Group only provides debt instruments held in the business models "Hold to collect contractual cash flows and sell" or "Held for sale" recognised as '*Financial assets at fair value through other comprehensive income*' or *'Financial assets held for trading at fair value through profit or loss'*. The corresponding liability arising from a loan taken is recognised in the line *'Financial liabilities at amortised cost'*.

Securities purchased under reverse repurchase agreements ("reverse repos") are recorded in the off-balance sheet, where they are remeasured at fair value. The corresponding receivable arising from the provided loan is recognised as an asset in the Statement of Financial Position in the line *'Financial assets at amortised cost'*.

The Group is entitled to provide those securities received in reverse repo transactions as collateral or sell them even in the absence of default by their owner. These securities continue to be recorded in the off-balance sheet and measured at fair value. The corresponding liability arising from the loan taken is recognised under *'Financial liabilities at amortised cost'*. The Group is nevertheless obliged to return these securities to its counterparties.

The differences between the sale and repurchase prices in respect of repo and reverse repo transactions are treated by the Group as interest, and it is accrued evenly to expenses and income over the life of the repo agreement using the effective interest rate method.

If a security acquired as collateral under a reverse repo transaction is sold, the Group derecognises the security acquired under the reverse repo transaction from the off-balance sheet records and recognises in the Statement of Financial Position an amount payable from a short sale that is remeasured at its fair value. This payable is included in *'Financial liabilities held for trading at fair value through profit or loss'*.

3.5.6 Emission allowances

The Group is not considered a primary producer of greenhouse gas emissions. Trades with emission allowances are carried out in the role of intermediary in order to generate profit based on market price fluctuations. The emission allowances are recognised in the Statement of Financial Position in the line '*Other assets held for trading at fair value through profit or loss*'.

3.5.7 Assets held for sale

The line *'Assets held for sale'* represents assets for which the Group expects that their carrying amounts will be recovered principally through sale transactions rather than through continuing use. For this classification to apply, the assets must be available for immediate sale in their present condition and their sale must be highly probable.

For this to be the case, the Group must be committed to a plan to sell the asset and an active programme to locate a buyer must have been initiated. Furthermore, the assets must be actively marketed for sale at a price that is reasonable in relation to their current fair value. The Group expects that the sale of assets will be completed, the market situation permitting, within 1 year from the date of the assets' classification as *'Assets held for sale'*.

Assets held for sale are measured at the lower of:

- The carrying amount of the respective asset at the date of its classification as *'Assets held for sale'*; or
- Fair value less estimated costs to sell (e.g. cost of expert valuation reports, legal or financial advisory services, the estimates of which are based on historical experience, as well as real estate transfer tax in the case of real estate).

Assets designated as *'Assets held for sale'* are no longer depreciated.

The Group recognises an impairment loss on assets held for sale in the line '*Net profits on other assets*' if their selling price less estimated costs to sell is lower than their carrying amount. Any subsequent increase in the selling price less costs to sell is recognised as a gain but not in excess of the cumulative impairment loss that has been recognised either during the time when the assets were classified as held for sale or before their reclassification into the line '*Assets held for sale*' (i.e. during the period when the asset had been held for supplying the Group's services or for administrative purposes).

3.5.8 Income tax

3.5.8.1 Current income tax

Current tax assets and liabilities for current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those valid as of the Statement of Financial Position date.

Current income tax is recognised in the Statement of Income, or, as the case may be, in the Statement of Other Comprehensive Income if it relates to an item directly taken into other comprehensive income.

The Group does not set off current tax assets and current tax liabilities unless it has a legally enforceable right to set off the recognised amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.5.8.2 Deferred income tax

Using the balance sheet liability method, deferred income tax is recorded for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts presented in the Statement of Financial Position. Deferred income tax is determined using tax rates valid or substantially enacted for the periods in which the Group expects to realise the deferred tax asset or to settle the deferred tax liability. A deferred tax asset is recognised to the extent it is probable that future taxable profit will be available against which the tax asset can be used.

Deferred income tax is recognised in the Statement of Income, or, as the case may be, in the Statement of Other Comprehensive Income if it relates to an item directly taken into other comprehensive income (such as deferred income tax related to changes in the fair value of financial assets measured at fair value through other comprehensive income or in relation to a cash flow hedge).

The Group offsets deferred income tax assets and deferred income tax liabilities only if it has a legally enforceable right to set off current tax assets against current tax liabilities and if deferred tax assets and deferred tax liabilities relate to income tax levied by the same taxation authority and relate to the same taxable entity.

The largest temporary differences relate to tangible and intangible assets, loans and advances, hedging derivatives, and financial assets measured at fair value through other comprehensive income.

3.5.9 Leases

The Group as lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease (as lessee) and the sublease (as lessor) as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Operating leases

The Group presents assets that are the subject of an operating lease in the appropriate lines within the Statement of Financial Position according to the nature of those assets and uses for them the accounting policies applied to the relevant asset class.

Lease payments received from operating leases are recognised as the Group's income on a straight-line basis over the term of the relevant lease under *'Other income'*.

Finance leases

In respect of assets held under finance leases, the net investment in the lease is recognised as *'Financial assets at amortised cost'* while the assets themselves (or their leased part) are not recognised. The difference between the gross receivable and the present value of the receivable is recognised as deferred interest income.

Lease income is recognised over the lease term, reflecting a constant periodic rate of interest on the remaining balance of the receivable, and it is presented in the line *'Interest income'*.

The Group as lessee

In accordance with IFRS 16, from the lessee's point of view, a single on-balance sheet accounting model is used for leases with the optional exceptions for short-term leases and leases of low-value items. The vast majority of lease contracts relates to leases of office buildings and branches.

Initial measurement

At the commencement date of a lease, a right-of-use asset is recognised in the Statement of Financial Position within *'Tangible assets'*, i.e. the line item within which the Group presents underlying assets of the same nature that it owns. Simultaneously, a lease liability is recognised within *'Financial liabilities at amortised cost'* in an amount equal to the present value of the lease payments to be paid over the lease term, discounted at the incremental borrowing rate.

The lease payments considered for the measurement include fixed and variable lease payments based on an index or rate (e.g. inflation indices), plus, where applicable, the funds that are expected to be payable to the lessor under residual value guarantees, purchase options, or early termination penalties. The lease payments are considered net of value-added tax. The lease term determined according to the standard lease contracts comprises the non-cancellable period of a lease, periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. For lease contracts with an indefinite period of time, the lease term is determined as the expected lease term based on the estimated lease duration.

The contracts may contain both lease and non-lease components, such as supply of additional services. As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components and instead account for lease and associated non-lease components as a single lease component. For these contracts in general, the Group has elected not to use this practical expedient.

Subsequent measurement

For the right-of-use asset, the Group uses similar accounting policies as for its own assets of the same nature. The right-of-use asset is measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurements of the lease liability. The right-of-use asset is depreciated on a straight-line basis over the lease term and the depreciation is reported in the Statement of Income in the line *'Depreciation, amortisation, and impairment of operating assets'*. If the legal ownership of the asset held under a lease is transferred to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects the exercise price of a purchase option, however, the asset is depreciated on a straight-line basis over the useful life of the underlying asset.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The Group divides lease payments between amortisation recognised as a reduction of the outstanding lease liability and a finance charge recognised in the Statement of Income as *'Interest expense'*.

The amount of the lease liability may be adjusted if the lease is amended, the lease term is re-estimated, or to account for contractual changes in future lease payments arising from a change in an index or rate. If the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions
In cases of certain short-term leases and leases of low-value items, the lease payments are recognised on a straight-line basis over the lease term and presented in the line *'General and administrative expenses'*. Short-term leases are leases with a lease term of 12 months or less. Leases of low-value items relate to leases for which the underlying asset when new is of low value, defined by the Group using a materiality threshold of CZK 100,000 per unit of the leased asset. The low-value exception is applied especially to leases of printing devices.

The Group uses the option allowed by the standard to not apply the provisions of IFRS 16 to intangible assets leases.

3.5.10 Tangible and intangible assets (except goodwill)
Intangible assets principally include software and internally generated intangible assets (mainly software). Tangible assets include plant, property, and equipment that are used by the Group in supplying its services and for administrative purposes and that are used for longer than one reporting period.

Tangible and intangible assets are measured at the historical acquisition cost less accumulated impairment losses (allowances) and, in the case of depreciated assets, less accumulated depreciation and increased by technical improvements, if any. The historical acquisition cost comprises the purchase price and any costs directly attributable to asset acquisition, such as delivery and handling costs, installation and assembly costs, advisory fees, and administrative charges. The acquisition cost of internally generated intangible assets comprises external expenses and internal personnel expenses related to an internal project's development phase. The Group capitalises no expenses related to the research phase.

Tangible and intangible assets are depreciated from their acquisition costs on a straight-line basis over their useful lives. Cars acquired under finance leases are depreciated from acquisition cost less estimated residual value, which is determined on the basis of the purchase price following the expiration of the lease as established in the lease contract. The Group assumes no residual value for other assets. Depreciation and amortisation are reported in the Statement of Income in the line *'Depreciation, amortisation, and impairment of operating assets'*.

The Group does not depreciate land and works of art. Tangible and intangible assets under construction and technical improvements are depreciated only once they have been brought into a condition fit for use.

During the reporting period, the Group used the following useful lives in years:

	2023	2022
Machinery and equipment	4	4
Information technology – notebooks, servers	4/5	4/5
Information technology – desktop computers	6	6
Fixtures, fittings, and equipment	6	6
Vehicles	6	6
ATMs	10	10
Selected equipment of the Group	8	8
Energy machinery and equipment	12/15	12/15
Distribution equipment	20	20
Buildings and structures	40	40
Buildings and structures – selected components:		
– Heating, air-conditioning, windows, doors	20	20
– Lifts, electrical installations	25	25
– Facades	30	30
– Roofs	20	20
– Other components	15	15
– Residual value of buildings and technical improvements without selected components	50	50
Right-of-use assets (leases)	According to the lease term	According to the lease term
Technical improvements on leasehold assets	According to the lease term	According to the lease term
Intangible results of development activities (assets generated internally as component of internal projects)	According to the useful life, typically 5	According to the useful life, typically 5
Licences – software	5	5
Other intangible assets	According to contract	According to contract

At the end of each reporting period, the Group assesses whether there exists any indication that a tangible or intangible asset can be impaired. Indicators of possible impairment include information about a significant decline in an asset's market value; significant changes within the technological, market, economic, or legal environment; obsolescence or physical damage to an asset; or change in the manner in which the asset is used. Where any such indicator exists, the Group estimates the recoverable amount of the asset concerned (i.e. the higher amount of its fair value less costs to sell and value in use in comparison with the asset's carrying value). If the asset's carrying amount is greater than its recoverable amount, the Group reduces its carrying amount to its recoverable amount and presents the recognised impairment loss in the line *'Depreciation, amortisation, and impairment of operating assets'*.

Repairs and maintenance are charged directly to the Statement of Income when they occur.

3.5.11 Goodwill

Recognised goodwill arises on the acquisition of a subsidiary. For subsidiaries acquired until 2010, it represents the excess of the acquisition cost (including acquisition-related costs) for the interest acquired by the Group over the net fair value of the acquired assets, liabilities and contingent liabilities at the acquisition date. For subsidiaries acquired since 2010, it represents the difference between the fair value of the transferred consideration and the amount of any non-controlling interest measured at the present proportionate share in the recognised amounts of the subsidiary's identifiable net assets at fair value on one side and the net amount of the identifiable assets acquired and the liabilities assumed both at fair value on the other side. Acquisition-related costs are recognised in profit or loss.

Goodwill is initially recognised at the cost of acquisition and subsequently at cost net of possible impairment losses. Once recognised, impairment losses on goodwill are not reversed.

The Group tests goodwill for impairment on an annual basis as of 30 September or more frequently if there is an indication that the goodwill may be impaired. If the recoverable amount of the tested cash-generating unit (typically the acquired enterprise taken as a whole) is lower than its carrying value, the Group recognises impairment of the cash-generating unit that is primarily allocated against the goodwill and subsequently against the value of other assets (against other impaired assets and/or on a pro-rata basis).

For the purpose of calculating the recoverable amount, the Group calculates value in use as the present value of the future cash flow to be generated by a cash-generating unit from its continuing use in the business. The Group estimates future cash flow on the basis of a 3-year financial plan for the cash-generating unit that is approved by management. Cash flows represent income after tax of cash-generating units available for distribution to owners. The discount rate used is the cost of capital calculated using the capital asset pricing model. This method is based on a risk-free interest rate grossed up by a risk premium determined according to the underlying activities of the cash-generating unit. Inasmuch as all respective subsidiaries are located in the Czech Republic and their functional currency is the Czech crown, no other premium is added. For the period beyond the 3-year financial plan, the projected cash flows are calculated in perpetuity based on constant cash flows being the net operating income after taxes and including a steady growth rate derived as an average from the 3-year financial plan. Key assumptions used in the preparation of the financial plan are consistent with market estimations (GDP, interest rate, inflation) and with past experience.

Upon the sale of a subsidiary, the appropriate goodwill balance is reflected in the profit or loss on the sale.

Most acquisitions give rise to positive goodwill. Occasionally, however, the net amount of the identifiable assets acquired and the liabilities assumed both at fair value may exceed the aggregate of the fair value of the transferred consideration and the amount of any non-controlling interest measured at the present proportionate share in the recognised amounts of the subsidiary's identifiable net assets at fair value. The amount is then referred to as gain on bargain purchase (negative goodwill) and the resulting gain is recognised in profit or loss at the acquisition date. Prior to recognising the gain, however, the Group reassesses whether it has correctly identified all of the assets acquired and liabilities assumed and reviews the procedures used for their measurement and the measurement of non-controlling interest in the acquiree and the consideration transferred.

3.5.12 Provisions

Provisions are recognised when and only when:

- The Group has a present obligation (legal or constructive) as a result of a past event;
- It is probable that settlement of the obligation will cause an outflow of resources causing a decrease of economic benefits; and
- A reliable estimate can be made of the amount of the obligation. Provisions for legal disputes are estimated on the basis of the amount sought by the plaintiff, including accrued interest and fees.

Provisions are measured as the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The discount rate is a pre-tax rate reflecting current market assessments and the risks specific to the liability. Provision increases related to the passage of time are recognised as interest expense.

A provision for restructuring is recognised when the Group has approved a detailed, formal plan for restructuring and the restructuring has either commenced or the main features of the restructuring plan have been announced to those affected before the end of the reporting period. The restructuring provision shall include only the direct expenditures arising from the restructuring which are necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

The Group also recognises provisions for credit-related commitments into which the Group enters in the normal course of business. These credit-related commitments do not meet the criteria for recognition in the Statement of Financial Position and are recorded in the off-balance sheet. These commitments primarily include guarantees, avals, uncovered letters of credit, irrevocable commitments to extend credit, undrawn loan commitments, and approved overdraft loans. The provisions represent impairment based on expected losses from any potential financial liabilities arising from these credit-related commitments. Provisions for credit-related commitments are created on the same basis as loss allowances for financial assets.

3.5.13 Employee benefits

3.5.13.1 General

The Group provides its employees with retirement benefits and disability benefits. The employees are entitled to receive retirement or disability benefits if they are employed by the Group until their retirement age or if they are entitled to receive a disability pension, but only if they were employed within the Group for a minimum defined period.

Estimated benefit costs are recognised on an accrual basis through a provision over the employment term using an accounting methodology that is similar to the methodology used in respect of defined benefit pension plans. In determining the parameters of the model, the Group refers to the most recent employee data (the length of employment with the Group, age, gender, average salary) and estimates made on the basis of monitored historical data about the Group's employees (expected reduction of the current staffing levels) and other estimates (the amounts of bonuses, anticipated increase in salaries, estimated amounts of social security and health insurance contributions, discount rate).

These provisions are presented in the line *'Provisions'*. The changes in provisions are disaggregated into three components that are presented as follows:

I. Service cost (i.e. additional liability that arises from employees providing service during the period) is presented in the line *'Personnel expenses'*;
II. The interest expense on the net benefit liability is presented in the line *'Personnel expenses'*; and
III. Other changes in the value of the defined benefit obligation, such as changes in estimates, are presented within Other Comprehensive Income in the line *'Remeasurement of retirement benefits plan, net of tax'*.

The use of a provision is presented in the line *'Personnel expenses'*.

The Group additionally provides short-term benefits to its employees, such as contributions to retirement pension insurance and capital life insurance schemes. The Group recognises the costs of these contributions on an accrual basis in the line *'Personnel expenses'* (refer to Note 10).

The Group has the following share plans and deferred compensation schemes:

3.5.13.2 Deferred bonus payments

For employees with material impact on the Group's risk profile, performance-linked remuneration is split into two components: (i) a non-deferred component that is paid in the following year, and (ii) a deferred component that is spread over the following years. The amounts of the two components are further split into bonuses paid in cash and bonuses paid in cash equivalent of the Komerční banka, a.s. share price (indexed bonuses). Both bonuses are subject to presence and performance conditions.

Indexed bonuses qualify as cash-settled share-based transactions. The liability is measured at the end of each reporting period until settled at the fair value of the shares of Komerční banka, a.s. multiplied by the number of shares granted and it is spread over the vesting period.

Deferred cash bonuses (i.e. bonuses paid to employees more than 12 months after the end of the reporting period in which the employees render the related services) are considered as long-term employee benefits and the related expense is recognised over the vesting period in the line *'Personnel expenses'*.

3.5.13.3 Free share plan

To enhance loyalty and motivation to contribute to long-term growth in the value of the Société Générale Group, the Group can award some of its key employees free shares (deferred share plan). These free shares are subject to a vesting condition (i.e. presence in the Group at the end of the vesting period) and for certain beneficiaries are also subject to the condition that Société Générale Group records positive net income.

Expenses related to the deferred share plan provided by Société Générale to the Group's employees are recognised in the Group's financial statements as equity-settled share-based payment transactions. The fair value of these instruments, measured using the arbitrage model at the granting date, is spread over the vesting period and recorded in the lines *'Personnel expenses'* and *'Share premium, funds, retained earnings, revaluation, and net profit for the period'* under equity. At the end of each accounting period, the number of these instruments is adjusted in order to take into account performance and service conditions and adjust the overall cost of the plan as originally determined. Expenses recognised under the *'Personnel expenses'* from the start of the plan are then adjusted accordingly.

3.5.14 Equity

Dividends on ordinary shares
Dividends on ordinary shares are recognised as a liability and deducted from equity at the time they are approved by the Bank's General Meeting.

Treasury shares
When the Group acquires its own equity instruments, the consideration paid, including any attributable transaction costs, is recognised as a deduction from the line *'Share premium, funds, retained earnings, revaluation, and net profit for the period'* under equity. Gains and losses on sales of treasury shares are also recognised in equity and presented in the line *'Share premium, funds, retained earnings, revaluation, and net profit for the period'*.

3.5.15 Contingent assets, contingent liabilities, and off-balance sheet items
In addition to transactions giving rise to the recognition of assets and liabilities in the Statement of Financial Position, the Group enters into transactions through which it generates contingent assets and liabilities. The Group maintains contingent assets and liabilities as off-balance sheet items. The Group monitors these transactions inasmuch as they constitute a substantial proportion of its activities and materially impact the level of risks to which the Group is exposed (they may increase or decrease other risks, for instance, by hedging assets and liabilities reported in the Statement of Financial Position).

A contingent asset or liability is defined as a possible asset or liability that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the Group's control.

A contingent liability also exists in the case of a present obligation where an outflow of resources embodying economic benefits probably will not be required to settle the obligation or the amount of the obligation cannot be measured reliably. Contingent liabilities include, for example, irrevocable loan commitments, commitments arising from bank guarantees, bank acceptances, letters of credit, and warrants.

In addition to contingent assets and contingent liabilities, the off-balance sheet includes assets arising from valuables and securities custody as well as from fiduciary activities and related obligations to return these to customers (e.g. assets under management).

Off-balance sheet items also include nominal values of interest and foreign currency instruments, such as forwards, swaps, options, and futures. More information regarding derivative operations is presented in Note 3.5.5.4.3 Derivatives and hedge accounting.

3.5.16 Operating segments
Operating segments are reported in accordance with internal reports regularly prepared and presented to the Bank's Board of Directors, which is considered the "chief operating decision maker" (i.e. a person or group of persons that allocates resources and assesses the performance of individual operating segments of the Group).

The Group has the following operating segments:
- *Retail Banking:* includes the provision of products and services to individuals (i.e. predominantly current and savings accounts, term deposits, building savings, pension insurance, overdrafts, credit card loans, personal loans, and mortgages);
- *Corporate Banking:* includes the provision of products and services to corporate entities (i.e. current accounts, term deposits, revolving loans, business loans, mortgages, leases, foreign currency and derivative products, syndicated and export financing, and guarantee transactions);
- *Investment Banking:* involves trading in financial instruments; and
- *Other:* consists of the head office of the Bank.

The Investment Banking segment does not reach quantitative limits for obligatory reporting. The management of the Group nevertheless believes that the information concerning this segment is useful for users of the Financial Statements and thus reports this segment separately.

As the principal activity of the Group is the provision of financial services, the Board of Directors of the Bank assesses the performance of operating segments predominantly according to net interest income. For this reason, interest income and interest expense of individual operating segments are reported not separately but on a net basis.

In addition, the Group monitors net fee and commission income, net profit/(loss) on financial operations, and other income predominantly including income from the lease of non-residential premises by segments. Other profit and loss items are not monitored by operating segments.

The Group does not monitor total assets or total liabilities by segment.

The information on the items of net operating income is provided to the Board of Directors of the Bank using valuations identical to those stated in the Group's financial accounting records.

The Group has no client or group of related parties for which the income from transactions would account for more than 10% of the Group's total income.

3.5.17 Regulatory requirements

The Group is subject to regulatory requirements of the CNB and other institutions. These regulations include limits and other restrictions pertaining to minimum capital adequacy requirements, classification of loans and off-balance sheet commitments, and creation of allowances and provisions to cover credit risk associated with the Group's clients, as well as with its liquidity, interest rate, and foreign currency positions.

3.6 Changes in accounting policies

3.6.1 First-time application of IFRS 17 Insurance Contracts

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 for financial year 2022. The differences resulting from initial application of the standard in relation to the associate Komerční pojišťovna, a.s. have been recognised as of 1 January 2022 (the transition date) in equity in the amount of CZK 781 million. Restating the comparative information of 2022 had a positive impact on Investments in associates in the amount of CZK 1,241 million, on Net profit for the period in the amount of CZK 66 million, on Other comprehensive income in the amount of CZK 394 million and on Retained earnings in the amount of CZK 1,175 million. Due to immaterial effect, the comparative information includes only the financial statements of 2022 after restatement.

4 Segment reporting

	Retail banking		Corporate banking		Investment banking		Other		Total	
(CZKm)	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Net interest income	12,775	15,766	9,460	9,690	2,462	2,473	898	703	25,595	28,632
Net fee and commission income	4,662	4,363	1,820	1,805	22	88	(90)	(135)	6,414	6,121
Net profit/(loss) on financial operations	1,567	1,680	2,396	2,855	(1,702)	(1,526)	1,571	657	3,832	3,666
Dividend income	0	0	0	0	0	0	0	2	0	2
Other income	151	67	(79)	(46)	157	195	129	(5)	358	211
Net operating income	**19,155**	**21,876**	**13,597**	**14,304**	**939**	**1,230**	**2,508**	**1,222**	**36,199**	**38,632**

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 the 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 rate conditions, including a liquidity component reflecting the existing opportunities to acquire and invest financial resources.

The Group's income is primarily – more than 96% (2022: almost 98%) – generated on the territory of the Czech Republic.

5 Net interest income

Net interest income comprises the following:

(CZKm)	2023	2022
Interest income	119,128	93,146
Interest expense	(93,533)	(64,514)
Net interest income	**25,595**	**28,632**
Of which net interest income from		
– Loans and advances at amortised cost	66,139	51,842
– Debt securities at amortised cost	4,407	3,187
– Other debt securities	441	559
– Financial liabilities at amortised cost	(38,798)	(22,194)
– Hedging financial derivatives – income	48,103	37,176
– Hedging financial derivatives – expense	(54,697)	(41,938)

Note: Net interest income is calculated by applying the effective interest rate method, except that in the case of hedging derivatives the contractual interest rate of the corresponding derivative is used.

'Interest income' includes interest on Stage 3 loans due from customers of CZK 589 million (2022: CZK 524 million).

In both 2023 and 2022, the Group recorded as part of *'Net interest income'* also negative interest income and expense from selected clients' deposits in selected currencies, from selected repo transactions, loro and nostro accounts, and margin accounts deposited at banks. The total amount recognised is not material.

'Interest income' includes interest income on the sublease of right-of-use assets in the amount of CZK 0 million (2022: CZK 0 million). *'Interest expense'* includes interest expense on lease liabilities in the amount of CZK 63 million (2022: CZK 39 million).

In 2022, the Group incurred the costs of provisions in the amount of CZK 70 million to cover potential compensations that would be paid to clients as reimbursement of sanctions for early repayment of mortgages (purposefully incurred costs). In 2023, the provisions were used and released in the amount of CZK 24 million.

6 Net fee and commission income

Net fee and commission income comprises the following:

(CZKm)	2023	2022
Deposit product fee and commission income	924	909
Loan fee and commission income	669	665
Transaction fee and commission income	2,372	2,356
Cross-selling fee income	2,385	2,136
Specialised financial services fee and commission income	1,401	1,320
Other fee and commission income	216	189
Total fee and commission income	**7,967**	**7,575**
Deposit product fee and commission expense	(120)	(125)
Loan fee and commission expense	(238)	(250)
Transaction fee and commission expense	(556)	(550)
Cross-selling fee expense	(270)	(223)
Specialised financial services fee and commission expense	(260)	(221)
Other fee and commission expense	(109)	(85)
Total fee and commission expenses	**(1,553)**	**(1,454)**
Total net fee and commission income	**6,414**	**6,121**

'Net fee and commission income' comprises fee income arising from trust and other fiduciary activities and depository services in the amount of CZK 946 million (2022: CZK 807 million) and fee expense for these services in the amount of CZK 148 million (2022: CZK 123 million).

7 Net profit/(loss) on financial operations

Net profit/(loss) on financial operations comprises the following:

(CZKm)	2023	2022
Net realised gains/(losses) on securities held for trading	578	144
Net unrealised gains/(losses) on securities held for trading	(698)	30
Net realised gains/(losses) on debt securities at FVOCI	294	0
Net realised gains/(losses) on disposal of debt securities at amortised cost	4	(5)
Net realised profit/(loss) from own bonds	0	16
Net realised and unrealised gains/(losses) on security derivatives	2	35
Net realised and unrealised gains/(losses) on interest rate derivatives	592	1,802
Net realised and unrealised gains/(losses) on trading commodity derivatives	0	0
Net realised and unrealised gains/(losses) on foreign exchange operations	2,171	552
Net realised gains/(losses) on foreign exchange from payments	889	1,092
Total net profit/(loss) on financial operations	**3,832**	**3,666**

A gain of CZK 5,418 million (2022: loss of CZK 14,481 million) on the fair value of interest rate swaps for interest rate risk hedging is included in *'Net realised and unrealised gains/(losses) on interest rate derivatives'*. This amount matches the loss arising from the revaluation of hedged loan receivables, debt securities, deposits or repos, and issued mortgage bonds reported in the same line.

8 Dividend income

'Dividend income' includes dividends received from other financial investments of CZK 0 million (2022: CZK 2 million).

9 Other income

The Group reports *'Other income'* in the amount of CZK 358 million (2022: CZK 211 million). In both 2023 and 2022, *'Other income'* was predominantly composed of other income from bank products, income from services provided to Société Générale Group entities, as well as income from non-banking activities.

10 Personnel expenses

Personnel expenses comprise the following:

(CZKm)	2023	2022
Wages, salaries, and bonuses	5,942	5,553
Social costs	2,393	2,181
Total personnel expenses	**8,335**	**7,734**
Physical number of employees at the end of the period*	7,744	7,687
Average recalculated number of employees during the period*	7,551	7,503
Average cost per employee (CZK)	**1,103,827**	**1,030,788**

* Calculation according to Czech Statistical Office methodology.

'Social costs' include costs of CZK 128 million (2022: CZK 116 million) paid by the Group to the employees' retirement pension insurance scheme and costs of CZK 24 million (2022: CZK 27 million) incurred in contributing to the employees' capital life insurance scheme.

'Personnel expenses' include net income of CZK 0 million (2022: CZK 41 million) related to the provision for restructuring. In 2022, the Bank fully used the remaining balance. Further information is presented in Note 32.

Indexed bonuses

In 2023, the total amount relating to bonuses indexed on the Komerční banka and the Société Générale share price recognised in *'Personnel expenses'* was CZK 47 million (2022: CZK 32 million) and the total amount of CZK 108 million (2022: CZK 105 million) was recognised as a liability. These amounts do not include the costs of social and health insurance and retirement pension insurance paid by the Group. Net profit from hedging indexed bonuses by fair value hedge and cash flow hedge derivatives was CZK 12 million (2022: net loss of CZK 31 million). The total number of Komerční banka and the Société Générale shares according to which bonuses indexed on the Komerční banka and the Société Générale share price are calculated is 221,367 shares (2022: 185,715 shares).

Changes in the numbers of Komerční banka and Société Générale shares were as follow:

	2023		2022	
(in shares)	KB shares	SG shares	KB shares	SG shares
Balance as of 1 January	**185,715**	**0**	**180,404**	**0**
Paid out during the period	(49,672)	0	(28,918)	0
Presumed number of newly guaranteed shares	83,139	2,185	34,229	0
Balance as of 31 December	**219,182**	**2,185**	**185,715**	**0**

Free shares and deferred share plans

For 2023, the total amount relating to the free shares programme and deferred share plans recognised in *'Personnel expenses'* was CZK 21 million (2022: CZK 18 million).

Changes in the numbers of Société Générale shares were as follow:

	2023		2022	
(in shares; EUR)	Number of shares	Average price	Number of shares	Average price
Balance as of 1 January	**130,551**	**16.57**	**146,943**	**17.49**
Granted during the year	45,696	23.97	42,303	18.99
Forfeited during the year	(3,200)	20.19	(9,858)	16.68
Exercised during the year	(39,207)	11.26	(48,837)	21.40
Balance as of 31 December	**133,840**	**20.57**	**130,551**	**16.57**

11 General and administrative expenses

General and administrative expenses comprise the following:

(CZKm)	2023	2022
Insurance	94	91
Marketing and representation	661	576
Selling and banking products expenses	328	306
Other employees' expenses and travelling	137	130
Real estate expenses	685	651
IT support	1,553	1,408
Equipment and supplies	99	84
Telecommunications, postage, and data transfer	218	200
External consultancy and other services	430	435
Resolution and similar funds	1,292	1,292
Other expenses	96	84
Total general and administrative expenses	**5,593**	**5,257**

'General and administrative expenses' include the expenses related to leases for which the exemptions from IFRS 16 were applied and also variable lease payment expenses which are not included in the lease liabilities.

Lease payment expenses were as follow:

	2023				2022			
(CZKm)	Properties	Hardware	Other	Total	Properties	Hardware	Other	Total
Short-term leases	34	0	0	34	23	0	0	23
Low-value assets (excluding short-term leases)	0	19	2	21	0	15	0	15
Variable lease payment expenses not included in lease liabilities	0	0	0	0	0	0	0	0

12 Depreciation, amortisation, and impairment of operating assets

Depreciation, amortisation, and impairment of operating assets comprise the following:

(CZKm)	2023	2022
Depreciation and amortisation of tangible and intangible assets (refer to Notes 25 and 26)	3,393	3,023
Impairment of operating assets	0	0
Total depreciation, amortisation, and impairment of operating assets	**3,393**	**3,023**

Depreciation of right-of-use assets according to the underlying asset:

(CZKm)	2023	2022
Real estate *	402	384
Hardware	3	1
Other	28	26
Total depreciation of right-of-use assets	**433**	**411**

* The item 'Real estate' includes also ATMs.

13 Cost of risk

The net loss in *'Cost of risk'* totalling CZK 14 million (2022: CZK 1,181 million) includes a net loss from allowances and provisions in the amount of CZK 120 million (2022: CZK 1,109 million) and a net gain from loans and advances transferred and written off in the amount of CZK 106 million (2022: net loss CZK 72 million).

The balances and movements of allowances and provisions for loans and advances and for debt securities as of 31 December 2023 were as follow:

(CZKm)	As of 1 Jan 2023	Increase due to origin	Decrease due to derecognition*	Change of credit risk (net)	Change of estimation (net)***	Decrease due to write-off	Other**	As of 31 Dec 2023
Allowances for financial assets (Stage 1)	(1,611)	(874)	636	274	43	0	(12)	(1,544)
– Debt securities	(26)	0	0	(1)	0	0	0	(27)
– Loans and advances	(1,585)	(874)	636	275	43	0	(12)	(1,517)
Allowances for financial assets (Stage 2)	(3,020)	0	147	(1,185)	(73)	1	(16)	(4,146)
– Debt securities	(49)	0	0	(704)	0	0	0	(753)
– Loans and advances	(2,971)	0	147	(481)	(73)	1	(16)	(3,393)
Allowances for financial assets (Stage 3)	(9,389)	0	832	(16)	0	1,418	(45)	(7,200)
– Debt securities	0	0	0	0	0	0	0	0
– Loans and advances	(9,389)	0	832	(16)	0	1,418	(45)	(7,200)
Total allowances for financial assets (refer to Notes 22 and 42)	**(14,020)**	**(874)**	**1,615**	**(927)**	**(30)**	**1,419**	**(73)**	**(12,890)**
Provisions for guarantees and other credit-related commitments (Stage 1)	(325)	(197)	12	288	5	0	(1)	(218)
Provisions for guarantees and other credit-related commitments (Stage 2)	(176)	0	4	15	(17)	0	(2)	(176)
Provisions for guarantees and other credit-related commitments (Stage 3)	(430)	0	9	167	0	0	1	(253)
Total provisions for guarantees and other credit-related commitments (refer to Note 32)	**(931)**	**(197)**	**25**	**470**	**(12)**	**0**	**(2)**	**(647)**

* This item includes changes in allowances due to full derecognition of financial assets for reasons other than write-offs (e.g. transfers to third parties or expiration of contractual rights; only full and partial repayments are presented in the item 'Change of credit risk (net)'). For off-balance sheet exposures, this item also includes decreases in impairment due to an off-balance sheet item's becoming an on-balance sheet asset.

** This item includes mainly changes in allowances as a result of FX translation.

*** This item includes changes in allowances due to a parametric adjustments of staging rules.

The balances and movements of allowances and provisions for loans and advances and for debt securities as of 31 December 2022 were as follow:

(CZKm)	As of 1 Jan 2022	Increase due to origin	Decrease due to derecognition*	Change of credit risk (net)	Change of estimation (net)	Decrease due to write-off	Other**	As of 31 Dec 2022
Allowances for financial assets (Stage 1)	(1,454)	(1,144)	930	36	0	0	21	(1,611)
– Debt securities	(21)	0	1	(6)	0	0	0	(26)
– Loans and advances	(1,433)	(1,144)	929	42	0	0	21	(1,585)
Allowances for financial assets (Stage 2)	(2,463)	0	313	(890)	0	2	18	(3,020)
– Debt securities	0	0	0	(49)	0	0	0	(49)
– Loans and advances	(2,463)	0	313	(841)	0	2	18	(2,971)
Allowances for financial assets (Stage 3)	(9,409)	0	335	(854)	0	478	61	(9,389)
– Debt securities	0	0	0	0	0	0	0	0
– Loans and advances	(9,409)	0	335	(854)	0	478	61	(9,389)
Total allowances for financial assets (refer to Notes 22 and 42)	**(13,326)**	**(1,144)**	**1,578**	**(1,708)**	**0**	**480**	**100**	**(14,020)**
Provisions for guarantees and other credit-related commitments (Stage 1)	(288)	(333)	10	281	0	0	5	(325)
Provisions for guarantees and other credit-related commitments (Stage 2)	(203)	0	9	18	0	0	0	(176)
Provisions for guarantees and other credit-related commitments (Stage 3)	(626)	0	0	188	0	0	8	(430)
Total provisions for guarantees and other credit-related commitments (refer to Note 32)	**(1,117)**	**(333)**	**19**	**487**	**0**	**0**	**13**	**(931)**

* This item includes changes in allowances due to full derecognition of financial assets for reasons other than write-offs (e.g. transfers to third parties or expiration of contractual rights; only full and partial repayments are presented in the item 'Change of credit risk (net)'). For off-balance sheet exposures, this item also includes decreases in impairment due to an off-balance sheet item's becoming an on-balance sheet asset.

** This item includes mainly changes in allowances as a result of FX translation.

14 Net profits on other assets

Net profits on other assets comprise the following:

(CZKm)	2023	2022
Net profits/(losses) from sale of buildings	(6)	153
Net profits/(losses) from impairment on assets held for sale	13	1
Net profits/(losses) from sale-and-lease-back transactions	0	(3)
Net profits/(losses) from sale/disposal of other assets	(94)	(40)
Total net profits on other assets	**(87)**	**111**

15 Income tax

The major components of corporate income tax expense are as follow:

(CZKm)	2023	2022
Tax payable – current year, reported in profit or loss	(3,479)	(3,983)
Tax from previous years	22	186
Deferred tax (refer to Note 33)	169	(201)
Total income tax	**(3,288)**	**(3,998)**

The tax receivable/payable is presented in the Statement of Financial Position in assets on line *'Income tax'* and in liabilities on line *'Income tax'*.

The items explaining the difference between the Group's theoretical and effective tax rates are as follow:

(CZKm)	2023	2022
Profit before income tax	**19,107**	**21,771**
Theoretical tax calculated at a tax rate of 19% (2022: 19%)	3,630	4,136
Tax on pre-tax profit adjustments	105	73
Non-taxable income (tax effect)	(2,072)	(2,026)
Expenses not deductible for tax purposes (tax effect)	1,907	1,871
Use of tax losses carried forward	(4)	(3)
Tax allowance	(3)	(3)
Tax credit	0	0
Movement in deferred tax	(169)	201
Tax losses	0	2
Other	(11)	(28)
Impact of various tax rates of subsidiary undertakings	(11)	(11)
Tax effect of share of profits of associated undertakings	(62)	(28)
Income tax expense	**3,310**	**4,184**
Tax from previous years	(22)	(186)
Total income tax	**3,288**	**3,998**
Effective tax rate	17.21%	18.37%

Non-taxable income primarily includes tax-free dividends, tax-free government securities, and the release of tax non-deductible allowances and provisions. Expenses not deductible for tax purposes include primarily the recognition of tax non-deductible allowances and provisions and tax non-deductible operating expenses. Tax on pre-tax profit adjustments primarily represents an adjustment of the IFRS result to Czech Accounting Standards (CAS).

The corporate tax rate for the year ended 31 December 2023 is 19% (2022: 19%). The Group's tax liability is calculated based upon the accounting profit while taking into account tax non-deductible expenses and tax-exempt income or income subject to a final withholding tax rate.

In relation to the interpretation of IFRIC 23, the Group considers it probable that the relevant authority will accept each tax treatment that the Group used or plans to use in its income tax filing.

Further information about deferred tax is presented in Note 33.

As of 1 January 2024, there came into effect the new Act No. 416/2023 Coll. on compensatory taxes for large multinational groups and large national groups. On the basis of this new legislation, the Group becomes a payer of the compensatory tax. Submission of the first information overview and possible filing for this tax to the tax administrator for the year 2024 will take place in 2025. The tax liability of the accounting unit in connection with the compensatory tax for the year 2024 is assumed to be zero. In assessing the impacts, the Group considered the results for 2023, estimates and budgeted indicators for 2024, as well as the increase in the corporate income tax rate from 1 January 2024 to 21% from the current 19%.

16 Distribution of net profit

For the year ended 31 December 2023, the Group generated a net profit of CZK 15,819 million (2022: CZK 17,839 million). Distribution of the net profit for the year ended 31 December 2023 will be approved by the general meetings of Group companies. The Bank's Board of Directors will propose to the Supervisory Board a dividend payment for 2023 in the amount of CZK 82.66 per share (2022: CZK 60.42 per share), which means a total amount of CZK 15,709 million (2022: CZK 11,483 million). The proposal is subject to the Supervisory Board's approval and subsequently to approval of the General Shareholders' Meeting.

In accordance with a resolution of the General Shareholders' Meeting held on 20 April 2023, the aggregate balance of the net profit of CZK 17,839 million for the year ended 31 December 2022 was allocated as follows: CZK 11,483 million was paid out in dividends and the remaining balance of the net profit was allocated to retained earnings. The dividends were paid out in Czech crowns.

At the General Meeting held per rollam from 6 to 21 November 2022, the shareholders approved a dividend from retained earnings of CZK 55.50 per share before tax. The total dividend recognised in 2022 was CZK 99.30 per share before tax.

Moreover, the Group paid out CZK 56 million in dividends to non-controlling owners of ESSOX s.r.o. (2022: CZK 101 million) and CZK 161 million to non-controlling owners of SG Equipment Finance Czech Republic s.r.o. (2022: CZK 154 million).

17 Earnings per share

Earnings per share of CZK 82.67 (2022: CZK 92.96 per share) have been calculated by dividing the net profit attributable to the Group's equity holders of CZK 15,612 million (2022: CZK 17,556 million) by the number of shares in issue, that is, 190,049,260, decreased by the average number of treasury shares held by the Group during the period, which was 1,193,360 (2022: 1,193,360 shares).

18 Cash and current balances with central banks

Cash and current balances with central banks comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Cash and cash values	8,305	8,023
Current balances with central banks	4,530	6,167
Total cash and current balances with central banks (refer to Note 36)	**12,835**	**14,190**

Obligatory minimum reserves in the amount of CZK 3,819 million (2022: CZK 5,137 million) are included in *'Current balances with central banks'*. As of 31 December 2023, the interest rate was 0.00% (2022: 7.00%) in the Czech Republic and 0.00% (2022: 2.50%) in the Slovak Republic. With effect from 5 October 2023 in the Czech Republic and from 20 September 2023 in the Slovak Republic, obligatory minimum reserves no longer earn interest.

19 Financial assets and other assets held for trading at fair value through profit or loss

Financial assets held for trading at fair value through profit or loss comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Trading debt securities	19,621	9,968
Trading derivatives	28,843	47,301
Total financial assets held for trading at fair value through profit or loss	**48,464**	**57,269**

As of 31 December 2023 and 2022, the *'Financial assets held for trading at fair value through profit or loss'* portfolio included only securities and positive fair values of derivative financial instruments held for trading. Upon initial recognition, the Group has not designated any financial assets as *'Financial assets held for trading at fair value through profit or loss'*.

For detailed information on *'Trading debt securities'*, allocated by sector and currency, refer to Note 43(A).

For detailed information on derivative financial instruments included in the held for trading portfolio, refer to Note 43(C).

As of 31 December 2023, the portfolio of trading securities included securities at fair value of CZK 19,621 million (2022: CZK 9,968 million) that are publicly traded on stock exchanges and securities at fair value of CZK 0 million (2022: CZK 0 million) that are not publicly traded on stock exchanges (rather are traded on the interbank market).

'Trading debt securities' include securities used as collateral for borrowing securities at fair value of CZK 11,345 million (2022: CZK 278 million).

'Trading debt securities' include securities eligible for refinancing with central banks at fair value of CZK 8,264 million (2022: CZK 9,624 million).

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

As of 31 December 2023, the '*Non-trading financial assets at fair value through profit or loss*' portfolio includes financial assets at fair value of CZK 0 million (2022: CZK 132 million) provided to non-financial corporations, which were fully repaid during 2023.

21 Financial assets at fair value through other comprehensive income

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

(CZKm)	31 Dec 2023	31 Dec 2022
Equity instruments at FVOCI	53	52
Debt securities at FVOCI	16,730	30,119
Total financial assets at fair value through other comprehensive income	**16,783**	**30,171**

In 2023, the Group decided to divest part of its Hold to Collect and Sale portfolio in order to improve stability and predictability of the capital adequacy ratio over time.

As of 31 December 2023, the *'Financial assets at fair value through other comprehensive income'* portfolio included the equity interest in Bankovní identita, a.s. at fair value of CZK 44 million (2022: CZK 43 million).

For more-detailed information on *'Debt securities'*, allocated by sector and currency, refer to Note 43(A).

As of 31 December 2023, the *'Financial assets at fair value through other comprehensive income'* portfolio included securities at fair value of CZK 16,731 million (2022: CZK 30,120 million) that are publicly traded on stock exchanges.

'Debt securities at FVOCI' include securities eligible for refinancing with central banks at fair value of CZK 16,730 million (2022: CZK 30,119 million).

As of 31 December 2023, the *'Financial assets at fair value through other comprehensive income'* portfolio included bonds at fair value of CZK 746 million (2022: CZK 730 million) that are used as collateral for intraday facilities in central banks.

As of 31 December 2023, the *'Financial assets at fair value through other comprehensive income'* portfolio included bonds at fair value of CZK 4,673 million (2022: CZK 4,838 million) that are used as collateral for derivative deals with a central counterparty. The central counterparty is LCH.Clearnet SA. The Group uses Société Générale International Limited as a related broker.

22 Financial assets at amortised cost

Financial assets at amortised cost comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Loans and advances to banks	411,644	233,398
Loans and advances to customers	833,542	781,463
Debt securities	152,237	139,277
Total financial assets at amortised cost	**1,397,423**	**1,154,138**

For detailed information on *'Debt securities'*, allocated by sector and currency, refer to Note 43(A).

As of 31 December 2023, the *'Financial assets at amortised cost'* portfolio includes debt securities in the amount of CZK 152,104 million (2022: CZK 139,115 million) that are publicly traded on stock exchanges and debt securities in the amount of CZK 133 million (2022: CZK 162 million) that are not publicly traded.

'Debt securities' include securities eligible for refinancing with central banks in the amount of CZK 148,562 million (2022: CZK 135,687 million).

As of 31 December 2023, the *'Financial assets at amortised cost'* portfolio includes mortgage loans, which are allocated in the cover pool of mortgage bonds (refer to Note 30) with the identifier "Komerční_banka_HZL_0000" in the amount of CZK 8,091 million (2022: CZK 11,381 million) and in the cover pool with the identifier "Komerční_banka_HZL_EUR_0001" in the amount of CZK 15,323 million (2022: CZK 14,832 million). The cover pool "Komerční_banka_HZL_EUR_0001" includes a government bond with a nominal value of CZK 200 million (2022: CZK 200 million).

As of 31 December 2023, 'Financial assets at amortised cost' comprise the following, as broken down by Staging:

	Gross carrying value				Allowances				Carrying value
(CZKm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Central banks	369,296	0	0	369,296	0	0	0	0	369,296
General governments	33,233	0	52	33,285	(8)	0	(17)	(25)	33,260
Credit institutions	42,174	178	0	42,352	0	(4)	0	(4)	42,348
Other financial corporations	74,711	293	121	75,125	(133)	(39)	(9)	(181)	74,944
Non-financial corporations	279,640	26,533	8,839	315,012	(1,088)	(2,282)	(4,199)	(7,569)	307,443
Households*	322,557	93,396	6,273	422,226	(288)	(1,068)	(2,975)	(4,331)	417,895
Total loans	**1,121,611**	**120,400**	**15,285**	**1,257,296**	**(1,517)**	**(3,393)**	**(7,200)**	**(12,110)**	**1,245,186**
Central banks	0	0	0	0	0	0	0	0	0
General governments	148,689	0	0	148,689	(24)	0	0	(24)	148,665
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	1,796	0	0	1,796	0	0	0	0	1,796
Non-financial corporations	764	1,765	0	2,529	0	(753)	0	(753)	1,776
Total debt securities	**151,249**	**1,765**	**0**	**153,014**	**(24)**	**(753)**	**0**	**(777)**	**152,237**

* 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:

	Gross carrying value				Allowances				Carrying value
(CZKm)	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
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.

For the year ended 31 December 2023, the transfers between Stages were as follow:

(CZKm)	Gross carrying value					
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
Central banks	0	0	0	0	0	0
General governments	0	0	0	0	0	0
Credit institutions	0	0	0	31	0	0
Other financial corporations	10	2	0	0	1	0
Non-financial corporations	8,624	6,518	934	974	760	142
Households*	29,814	7,737	1,001	570	997	98
Total loans	**38,448**	**14,257**	**1,935**	**1,575**	**1,758**	**240**
Central banks	0	0	0	0	0	0
General governments	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0
Total debt securities	**0**	**0**	**0**	**0**	**0**	**0**
Total guarantees and other credit-related commitments	**8,048**	**1,493**	**31**	**68**	**78**	**20**

* This item also includes loans granted to individual entrepreneurs.
Note: Reported are exposures that are in a Stage as of the date of the financial statements different from that where they were initially staged (i.e. from the Stage as of the beginning of the period or at their initial recognition). Exposures that had changed Stage multiple times are reported as having been transferred from their initial Stage to the Stage in which they are reported as of the date of the financial statements.

For the year ended 31 December 2022, the transfers between Stages were as follow:

(CZKm)	Gross carrying value					
	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
Central banks	0	0	0	0	0	0
General governments	0	14	0	0	0	0
Credit institutions	62	0	0	0	41	0
Other financial corporations	2	233	0	0	0	0
Non-financial corporations	7,146	7,039	1,505	309	1,543	69
Households*	61,086	7,747	654	983	869	144
Total loans	**68,296**	**15,033**	**2,159**	**1,292**	**2,453**	**213**
Central banks	0	0	0	0	0	0
General governments	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0
Non-financial corporations	1,698	0	0	0	0	0
Total debt securities	**1,698**	**0**	**0**	**0**	**0**	**0**
Total guarantees and other credit-related commitments	**6,325**	**5,640**	**309**	**28**	**167**	**11**

* This item also includes loans granted to individual entrepreneurs.
Note: Reported are exposures that are in a Stage as of the date of the financial statements different from that where they were initially staged (i.e. from the Stage as of the beginning of the period or at their initial recognition). Exposures that had changed Stage multiple times are reported as having been transferred from their initial Stage to the Stage in which they are reported as of the date of the financial statements.

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

(CZKm)	31 Dec 2023	31 Dec 2022
Agriculture, forestry, and fishing	14,529	13,258
Mining and quarrying	926	2,900
Manufacturing	73,346	74,524
Electricity, gas, steam, and air conditioning supply	22,652	18,047
Water supply, sewerage, waste management, and remediation activities	4,376	4,266
Construction	15,931	15,339
Wholesale and retail	61,124	57,002
Transportation and storage	17,742	17,276
Accommodation and food service activities	1,890	1,980
Information and communication	6,003	8,338
Real estate activities	65,740	58,519
Professional, scientific, and technical activities	8,621	9,146
Administrative and support service activities	9,099	8,920
Public administration and defence, compulsory social security	479	182
Education	328	533
Health care and social work activities	3,601	3,368
Arts, entertainment, and recreational activities	5,000	2,430
Other activities	3,625	4,422
Total loans and advances to non-financial corporations	**315,012**	**300,450**

Exposure to the automotive industry and related suppliers is CZK 15,723 million (2022: CZK 18,078 million).

The majority of loans – more than 93% (2022: more than 95%) – were provided to entities on the territory of the Czech Republic.

As of 31 December 2023, loans and advances to customers included accrued interest of CZK 2,389 million (2022: CZK 1,792 million), of which CZK 365 million (2022: CZK 382 million) relates to interest from overdue advances.

'Financial assets at amortised cost' includes CZK 33,180 million (2022: CZK 41,638 million) provided as cash collateral linked to derivative operations.

The total amount of loans due from the CNB and other banks under reverse repurchase transactions was CZK 366,364 million (2022: CZK 181,388 million).

Loans due from the CNB and other banks under reverse repurchase transactions are collateralised by treasury bills issued by the CNB and other debt securities, the fair values of which are as follow:

(CZKm)	31 Dec 2023	31 Dec 2022
Treasury bills	361,216	178,157
Debt securities issued by state institutions	0	0
Emission allowances	0	0
Investment certificates	0	0
Total	**361,216**	**178,157**

As of 31 December 2023, loans provided to customers under reverse repurchase transactions in the amount of CZK 0 million (2022: CZK 0 million) are collateralised by securities with a fair value of CZK 0 million (2022: CZK 0 million).

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 2023:

(CZKm)	Applied loans and advances to customers collateral value* Loans collateralised by residential property	Loans collateralised by commercial property	Other loans collateralised by cash instruments	Other loans collateralised by other collateral	Financial guarantees received
Loans and advances to customers	**341,943**	**26,819**	**8,723**	**12,983**	**37,563**
of which:					
– Other financial corporations	32	780	0	2,362	11,531
– Non-financial corporations	3,583	22,552	2,694	10,236	22,315
– Households**	338,320	3,456	6,022	324	557

* 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, and similar factors and then further 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)	Applied loans and advances to customers collateral value* Loans collateralised by residential property	Loans collateralised by commercial property	Other loans collateralised by cash instruments	Other loans collateralised by other collateral	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, and similar factors and then further reduced to the actual balance of the collateralised exposure.
** This item also includes loans granted to individual entrepreneurs.

Pledges on industrial real estate comprise 9% of total pledges on real estate (2022: 8%).

Forborne loans and advances to customers

Forborne loans and advances to customers as of 31 December 2023

(CZKm)	Neither past due nor impaired	Past due not impaired	Impaired	Total forborne	Allowances	Collateral applied
General governments	1	0	0	1	0	1
Other financial corporations	0	0	0	0	0	0
Non-financial corporations	571	0	1,728	2,299	942	512
Households*	938	120	2,287	3,345	787	2,364
Total	**1,510**	**120**	**4,015**	**5,645**	**1,729**	**2,877**

* This item also includes loans granted to individual entrepreneurs.

Forborne loans and advances to customers as of 31 December 2022

(CZKm)	Neither past due nor impaired	Past due not impaired	Impaired	Total forborne	Allowances	Collateral applied
General governments	176	0	0	176	0	0
Other financial corporations	0	0	0	0	0	0
Non-financial corporations	5,266	16	3,075	8,357	1,329	2,349
Households*	7,329	171	2,117	9,617	755	7,788
Total	**12,771**	**187**	**5,192**	**18,150**	**2,084**	**10,137**

* This item also includes loans granted to individual entrepreneurs.

The carrying value of forborne assets in comparison with the loan portfolio of the Group (excluding Debt securities and Other amounts due from customers):

	31 Dec 2023			31 Dec 2022		
(CZKm)	Gross receivable	Forborne assets	Share in gross receivable	Gross receivable	Forborne assets	Share in gross receivable
General governments	33,285	1	0.00%	30,769	176	0.57%
Other financial corporations	75,125	0	0.00%	59,453	0	0.00%
Non-financial corporations	315,012	2,299	0.73%	300,450	8,357	2.78%
Households*	422,226	3,345	0.79%	404,729	9,617	2.38%
Total	**845,648**	**5,645**	**0.67%**	**795,401**	**18,150**	**2.28%**

* This item also includes loans granted to individual entrepreneurs.

Finance leases

Within the Group, ESSOX, ESSOX FINANCE (Slovakia) and SGEF provide lease services. In 2023, the lease contracts with ESSOX were redeemed and essentially fully repaid. At ESSOX FINANCE (Slovakia), leased assets primarily include passenger and utility vehicles with an average lease instalment period of 55 months (2022: 54 months). At SGEF, leased assets primarily include vehicles, including trucks, tractors, and buses with an average lease instalment period of 75 months (2022: 75 months); agricultural vehicles and machines with an average lease instalment period of 56 months (2022: 56 months); machine technology with an average lease instalment period of 70 months (2022: 70 months); hardware and software technology with an average lease instalment period of 52 months (2022: 52 months); and real estate with an average lease instalment period of 8 years (2022: 8 years).

Loans and advances to customers – leasing:

(CZKm)	31 Dec 2023	31 Dec 2022
Due less than 1 year	5,209	4,754
Due from 1 to 2 years	3,562	3,525
Due from 2 to 3 years	2,695	2,653
Due from 3 to 4 years	1,886	1,704
Due from 4 to 5 years	1,008	972
Due longer than 5 years	1,184	1,306
Total	**15,544**	**14,914**

Future interest (the difference between gross and net investment in the lease) on lease contracts is:

(CZKm)	31 Dec 2023	31 Dec 2022
Due less than 1 year	656	398
Due from 1 to 2 years	360	275
Due from 2 to 3 years	234	179
Due from 3 to 4 years	136	107
Due from 4 to 5 years	70	61
Due longer than 5 years	100	101
Total	**1,556**	**1,121**

As of 31 December 2023, the provisions recognised against uncollectible lease receivables totalled CZK 421 million (2022: CZK 328 million).

Loans and advances to customers – subleasing of real estate:

(CZKm)	31 Dec 2023	31 Dec 2022
Due less than 1 year	5	6
Due from 1 to 2 years	5	7
Due from 2 to 3 years	2	6
Due from 3 to 4 years	0	3
Due from 4 to 5 years	0	0
Due longer than 5 years	0	1
Total	**12**	**23**

Future interest (the difference between gross and net investment in the lease) on lease contracts is:

(CZKm)	31 Dec 2023	31 Dec 2022
Due less than 1 year	0	0
Due from 1 to 2 years	0	0
Due from 2 to 3 years	0	0
Due from 3 to 4 years	0	0
Due from 4 to 5 years	0	0
Due longer than 5 years	0	0
Total	**0**	**0**

23 Prepayments, accrued income, and other assets

Prepayments, accrued income, and other assets comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Prepayments and accrued income	1,153	1,211
Settlement balances	488	391
Receivables from securities trading	39	6
Other assets	4,599	4,189
Total prepayments, accrued income, and other assets	**6,279**	**5,797**

'Other assets' include allowances for operating receivables for other debtors in the amount of CZK 208 million (2022: CZK 213 million), and in particular also advances provided and receivables for other debtors.

24 Investments in associates and non-controlling interests in subsidiaries

Investments in associates comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022 restated
Investments in subsidiary undertakings	410	400
Investments in associated undertakings	2,637	2,252
Total investments in associates	**3,047**	**2,652**

Note: Restated figures due to first-time application of IFRS 17 (refer to Note 3.6.1) .

The following companies were subsidiary undertakings of the Group which are non-consolidated entities as of 31 December 2023:

(CZKm)	31 Dec 2023	31 Dec 2022
My Smart Living, s.r.o. v likvidaci	1	1
KB Advisory, s.r.o.	2	2
Finbricks, s.r.o.	22	12
upvest s.r.o.	318	318
ENVIROS GLOBAL LIMITED	67	67
Total investments in subsidiary undertakings	**410**	**400**

The following companies were associated undertakings of the Group as of 31 December 2023 and 2022:

(CZKm) Associates	(%)	31 Dec 2023 Cost of investment	Share of net assets*	(%)	31 Dec 2022 Cost of investment	Share of net assets
Komerční pojišťovna, a.s.**	49.00	1,327	2,469	49.00	1,327	2,116
CBCB - Czech Banking Credit Bureau, a.s.***	20.00	0	4	20.00	0	3
Platební instituce Roger a.s.	24.83	71	71	24.83	71	71
MonkeyData s.r.o.	33.17	93	93	24.99	62	62
Total investments in associates		**1,491**	**2,637**		**1,460**	**2,252**
Associates classified in held for sale portfolio						
Worldline Czech Republic s.r.o.****	1.00	0	9	1.00	0	9
Total investments in associates*****		**1,491**	**2,646**		**1,460**	**2,261**

* Unaudited amounts.
** Restated figures for 2022 due to first-time application of IFRS 17 (refer to Note 3.6.1).
*** The cost of investment for CBCB - Czech Banking Credit Bureau, a.s. is CZK 240 thousand.
**** The cost of investment for Worldline Czech Republic s.r.o. is CZK 418 thousand.
***** Including associates classified in the held for sale portfolio.

(CZKm) Associates	31 Dec 2023 Assets	Liabilities	Operating income	Profit
Komerční pojišťovna, a.s.	51,982	46,942	756	668
CBCB - Czech Banking Credit Bureau, a.s.*	39	13	139	14
Platební instituce Roger a.s.*	55	17	31	1
MonkeyData s.r.o.*	27	15	1	(39)
Worldline Czech Republic s.r.o.*	744	415	134	68

* Companies operate in accordance with Czech Accounting Standards.
Note: Amounts shown in this table are unaudited values from the individual companies.

(CZKm) Associates	31 Dec 2022 Assets	Liabilities	Operating income	Profit
Komerční pojišťovna, a.s.*	50,222	45,904	542	435
CBCB - Czech Banking Credit Bureau, a.s.**	42	18	130	13
Platební instituce Roger a.s.**	49	18	32	0
MonkeyData s.r.o.**	24	4	1	(28)
Worldline Czech Republic s.r.o.**	1,234	986	1,378	(59)

* Restated figures for 2022 due to first-time application of IFRS 17 (refer to Note 3.6.1).
** Figures for 2022 were corrected in accordance with the final audited financial statements. Companies operate in accordance with Czech Accounting Standards.

Movements in share in associated undertakings:

(CZKm)	Komerční pojišťov-na, a.s.*	CBCB - Czech Banking Credit Bureau, a.s.	Worldline Czech Republic s.r.o.	Platební instituce Roger a.s.**	MonkeyData s.r.o.**	Total
As of 31 December 2021 restated	1,448	3	9	71	0	1,531
Acquiring/Establishing/Increasing shareholders' equity	490	0	0	0	39	529
Deconsolidation	0	0	0	0	0	0
Transfer from FVOCI	0	0	0	0	22	22
Dividend payment	0	(3)	0	0	0	(3)
Share of profit	214	3	0	0	0	217
Sale of shares	0	0	0	0	0	0
Revaluation of investment	0	0	0	0	1	1
Share of the other comprehensive income	(36)	0	0	0	0	(36)
As of 31 December 2022 restated	2,116	3	9	71	62	2,261
Acquiring/Establishing/Increasing shareholders' equity	0	0	0	0	31	31
Deconsolidation	0	0	0	0	0	0
Transfer from FVOCI	0	0	0	0	0	0
Dividend payment	0	(2)	0	0	0	(2)
Share of profit	327	3	0	0	0	330
Sale of shares	0	0	0	0	0	0
Revaluation of investment	0	0	0	0	0	0
Share of the other comprehensive income	26	0	0	0	0	26
As of 31 December 2023	**2,469**	**4**	**9**	**71**	**93**	**2,646**

* Restated figures due to first-time application of IFRS 17 (refer to Note 3.6.1) .
** The equity method is not applied for this company due to its insignificant impact on the consolidated financial statements.

Main financial information about subsidiaries within which the Group holds non-controlling interests:

	31 Dec 2023			31 Dec 2022		
(CZKm)	Assets	Liabilities	Profit	Assets	Liabilities	Profit
SG Equipment Finance Czech Republic s.r.o.*	35,760	32,460	381	33,825	30,582	323
ESSOX s.r.o.**	18,826	15,620	30	17,432	14,144	114
ESSOX FINANCE, s.r.o.***	2,748	2,475	5	1,865	1,604	1

* Non-controlling interest in SG Equipment Finance Czech Republic s.r.o. is 49.9%. Amounts shown in this table are unaudited values for 2023. Company complies with Czech Accounting Standards.
** Non-controlling interest in ESSOX s.r.o. is 49.1%. Amounts shown in this table are unaudited values for 2023. Company complies with Czech Accounting Standards.
*** Non-controlling interest in ESSOX FINANCE, s.r.o. is 49.1%. Amounts shown in this table are unaudited values for 2023. Company complies with Slovak Accounting Standards.

Movements in non-controlling interests:

(CZKm)	SG Equipment Finance Czech Republic s.r.o.	ESSOX s.r.o.	ESSOX FINANCE, s.r.o.	Total
As of 31 December 2021	1,611	1,658	4	3,273
Dividend payment	(154)	(101)	0	(255)
Profit / loss	161	55	1	217
Share-based payment	0	1	0	1
Revaluation of equity securities in equity	0	0	0	0
Hedge of a foreign net investment	0	0	(4)	(4)
Cash flow hedging	0	0	0	0
As of 31 December 2022	1,618	1,613	1	3,232
Dividend payment	(161)	(56)	0	(217)
Profit / loss	190	15	2	207
Share-based payment	0	1	0	1
Revaluation of equity securities in equity	0	0	0	0
Hedge of a foreign net investment	0	0	3	3
Cash flow hedging	0	0	0	0
As of 31 December 2023	**1,647**	**1,573**	**6**	**3,226**

Additional information about the Group's equity investments is presented in Notes 1 and 2.

25 Intangible assets

Movements in intangible assets were as follow:

(CZKm)	Internally generated assets*	Software	Other intangible assets	Acquisition of assets	Total
Acquisition cost					
As of 1 January 2022	18,892	4,053	7	2,379	25,331
Effect of acquisition of companies	0	0	0	0	0
Reallocation from/to assets held for sale	0	0	0	0	0
Additions	1,950	219	0	3,016	5,185
Disposals/transfers	(254)	(146)	0	(2,166)	(2,566)
Foreign exchange rate difference	0	(2)	0	0	(2)
As of 31 December 2022	20,588	4,124	7	3,229	27,948
Effect of acquisition of companies	0	0	0	0	0
Reallocation from/to assets held for sale	0	0	0	0	0
Additions	3,091	889	0	3,435	7,414
Disposals/transfers	(544)	(21)	(3)	(3,970)	(4,537)
Foreign exchange rate difference	0	2	0	0	2
As of 31 December 2023	**23,135**	**4,994**	**4**	**2,694**	**30,827**
Accumulated amortisation and allowances					
As of 1 January 2022	(14,176)	(3,271)	(6)	0	(17,453)
Effect of acquisition of companies	0	0	0	0	0
Reallocation of accumulated amortisation of assets held for sale	0	0	0	0	0
Additions	(1,597)	(255)	0	0	(1,852)
Disposals	245	141	0	0	386
Impairment	0	0	0	0	0
Foreign exchange rate difference	0	1	0	0	1
As of 31 December 2022	(15,528)	(3,384)	(6)	0	(18,918)
Effect of acquisition of companies	0	0	0	0	0
Reallocation of accumulated amortisation of assets held for sale	0	0	0	0	0
Additions	(1,921)	(279)	0	0	(2,200)
Disposals	485	20	2	0	506
Impairment	0	(21)	0	(2)	(22)
Foreign exchange rate difference	0	(1)	0	0	(1)
As of 31 December 2023	**(16,964)**	**(3,665)**	**(4)**	**(2)**	**(20,635)**
Net book value					
As of 31 December 2022	5,060	740	1	3,229	9,030
As of 31 December 2023	**6,171**	**1,329**	**0**	**2,692**	**10,192**

* Internally generated assets comprise mainly software.

During the year ended 31 December 2023, the Group spent CZK 239 million (2022: CZK 162 million) on research and development through a charge to *'Operating expenses'*.

As of 31 December 2023, the Group recognised allowances against intangible assets of CZK 44 million (2022: CZK 21 million). These allowances primarily included allowances charged in respect of internally generated assets (software).

26 Tangible assets

Movements in tangible assets were as follow:

(CZKm)	Land	Buildings	Machinery, furniture and fixtures, and other	Acquisition of assets	Right-of-use assets	Total
Acquisition cost						
As of 1 January 2022	203	11,126	5,167	260	3,645	20,401
Effect of acquisition of companies	0	0	0	0	0	0
Reallocation from/to assets held for sale	0	0	0	0	0	0
Additions	0	14	410	738	487	1,649
Disposals/transfers	0	(15)	(250)	(576)	(375)	(1,216)
Foreign exchange rate difference	0	0	0	0	(3)	(3)
As of 31 December 2022	203	11,125	5,327	422	3,754	20,831
Effect of acquisition of companies	0	0	0	0	0	0
Reallocation from/to assets held for sale	(11)	(2,352)	(94)	0	0	(2,457)
Additions	0	199	429	686	693	2,007
Disposals/transfers	0	(1)	(300)	(706)	(221)	(1,228)
Foreign exchange rate difference	0	0	0	0	2	2
As of 31 December 2023	**192**	**8,971**	**5,362**	**402**	**4,228**	**19,155**
Accumulated depreciation and allowances						
As of 1 January 2022	0	(6,187)	(4,076)	0	(1,155)	(11,418)
Effect of acquisition of companies	0	0	0	0	0	0
Reallocation of accumulated depreciation of assets held for sale	0	0	0	0	0	0
Additions	0	(381)	(385)	0	(436)	(1,202)
Disposals	0	129	240	0	180	549
Impairment	0	0	1	0	0	1
Foreign exchange rate difference	0	0	0	0	1	1
As of 31 December 2022	0	(6,439)	(4,220)	0	(1,410)	(12,069)
Effect of acquisition of companies	0	0	0	0	0	0
Reallocation of accumulated depreciation of assets held for sale	0	1,618	91	0	0	1,709
Additions	0	(370)	(390)	0	(429)	(1,189)
Disposals	0	73	297	0	59	429
Impairment	0	0	0	0	0	0
Foreign exchange rate difference	0	0	0	0	(1)	(1)
As of 31 December 2023	**0**	**(5,118)**	**(4,222)**	**0**	**(1,781)**	**(11,121)**
Net book value						
As of 31 December 2022	203	4,686	1,107	422	2,344	8,762
As of 31 December 2023	**192**	**3,853**	**1,140**	**402**	**2,447**	**8,034**

As of 31 December 2023, the Group recognised allowances against tangible assets of CZK 0 million (2022: CZK 0 million).

For detailed quantitative disclosures about lease contracts refer to Notes 5, 11, 12, 14, 22, 30, 38, 43(D), 43(E), 43(F), and 43(I).

Net book values of right-of-use assets were as follow:

(CZKm)	31 Dec 2023	31 Dec 2022
Real estate*	2,299	2,206
Hardware	3	5
Other	145	133
Total net value of right-of-use assets	**2,447**	**2,344**

* The item 'Real estate' includes also ATMs.

27 Goodwill

Goodwill by individual companies as of 31 December 2023 and 2022 was as follows:

(CZKm)	31 Dec 2023	31 Dec 2022
Modrá pyramida stavební spořitelna, a.s.	3,388	3,388
ESSOX s.r.o.	163	163
SG Equipment Finance Czech Republic s.r.o.	201	201
Total goodwill	**3,752**	**3,752**

For the purposes of calculating the recoverable amount, the Group calculates the value in use as the present value of the future cash flows to be generated by a cash-generating unit from its continuing business operations. To calculate the present value of future cash flows, a discount rate of 8.1%, or 10% in the case of discounting cash flows before tax, has been used (the same discount rates were used in 2022). In calculating the terminal value, a 3% growth rate has been used (again, the same as in 2022).

In testing goodwill for impairment in the case of Modrá pyramida stavební spořitelna, a.s., the Group considered substantial changes that have occurred within the building savings sector, in particular, the reduction in state support, expansion of activities permitted to building savings societies, and broadening of the interpretation as to the purposes of building savings. At the same time, the Group took into account also the position of Modrá pyramida stavební spořitelna, a.s. within the Group and that it will become the sole place for providing housing financing within Komerční banka Group. All Group products related to housing, including mortgages, will be administered by Modrá pyramida for Komerční banka Group from a single place with the goals of simplifying processes while boosting both efficiency and speed.

The calculated value in use is inversely sensitive to the discount rate, which is the key assumption in the calculation. In the case of Modrá pyramida stavební spořitelna, a.s., an increase or decrease of 1.0% in the discount rate used in discounting the cash flows after tax would result in a decrease or increase in the recoverable amount of the cash-generating unit of ca CZK 1,300 million, or CZK 1,900 million. That potential change in the fundamental parameter of the calculation would not lead to impairment of the goodwill.

Based on the result of the test and the fact that the value in use is higher than the carrying amount of the cash-generating unit, the impairment of the goodwill of Modrá pyramida stavební spořitelna, a.s. is considered improbable.

In the case of the goodwill of the two remaining companies, the Group follows a similar approach. For these companies, too, the value in use is greater than the carrying amount of the cash-generating unit. Impairment of the goodwill is regarded as improbable.

28 Assets held for sale

As of 31 December 2023, the Group reported assets held for sale at a carrying amount of CZK 844 million (2022: CZK 94 million). This comprised mainly buildings and land owned by the Group that management had decided to sell as part of a plan to optimise the distribution network, equipment obtained by taking possession of leasing collateral, and also confiscated cars. Depreciation of these assets has been discontinued since their classification as assets held for sale. As of 31 December 2023, the Group recognised allowances against assets held for sale of CZK 43 million (2022: CZK 57 million).

In September 2023, the Group reclassified assets in subsidiary VN 42, s.r.o., valued at CZK 929 million, as '*Assets held for sale*' due to expected sale of this company.

As of 31 December 2023, *'Assets held for sale'* also included investments in associates classified as assets held for sale at a carrying amount of CZK 0 million (2022: CZK 0 million). For detail, refer to Note 24.

29 Financial liabilities held for trading at fair value through profit or loss

As of 31 December 2023 and 2022, the *'Financial liabilities held for trading at fair value through profit or loss'* portfolio included only liabilities arising from short sales of securities and negative fair values of financial derivative instruments held for trading. Upon initial recognition, the Group has not designated any financial liabilities as *'Financial liabilities held for trading at fair value through profit or loss'*.

(CZKm)	31 Dec 2023	31 Dec 2022
Short sales	25,890	11,600
Derivative financial instruments	34,316	55,349
Total financial liabilities held for trading at fair value through profit or loss	**60,206**	**66,949**

For detailed information on financial derivative instruments included in the portfolio for trading, refer to Note 43(C).

30 Financial liabilities at amortised cost

Financial liabilities at amortised cost comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Amounts due to banks	105,694	85,176
Amounts due to customers	1,127,227	950,693
Securities issued	12,431	12,156
Lease liabilities	2,421	2,312
Total financial liabilities at amortised cost	**1,247,773**	**1,050,337**

'Financial liabilities at amortised cost' include CZK 2,230 million (2022: CZK 6,478 million) received as cash collateral linked to derivative operations.

The total amount of loans from banks and customers received under repurchase transactions was CZK 121,499 million (2022: CZK 34,106 million).

The fair values of securities and treasury bills used as collateral for repurchase transactions are as follow:

	31 Dec 2023		31 Dec 2022	
(CZKm)	Carrying value	Fair value	Carrying value	Fair value
Financial assets held for trading at fair value through profit or loss	0	0	0	0
Other assets held for trading at fair value through profit or loss	0	0	0	0
Financial assets at fair value through other comprehensive income	0	0	0	0
Financial assets at amortised cost	0	0	0	0
Securities received as collateral	119,282	119,282	33,774	33,774
Total	**119,282**	**119,282**	**33,774**	**33,774**

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

(CZKm)	31 Dec 2023	31 Dec 2022
Central banks	0	0
General governments	164,201	127,558
Credit institutions	105,694	85,176
Other financial corporations	162,121	59,545
Non-financial corporations	348,323	318,124
Households*	452,582	445,466
Total amounts due to banks and customers	**1,232,921**	**1,035,869**

* This item also includes amounts due to individual entrepreneurs.

Securities issued

Securities issued comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Mortgage bonds	12,431	12,156
Depository bills of exchange	0	0
Total securities issued	**12,431**	**12,156**

The Group issues mortgage bonds to fund its mortgage activities.

The following table shows a summary of cash and non-cash changes in the balance of securities issued:

			Non-cash changes			
(CZKm)	31 Dec 2022	Cash flow*	Amortisation and accrued interest	Change of FV hedge of interest rate risk	Foreign exchange difference	31 Dec 2023
Mortgage bonds	12,156	0	(32)	0	307	12,431
Depository bills of exchange	0	0	0	0	0	0
Total securities issued	**12,156**	**0**	**(32)**	**0**	**307**	**12,431**

* The item includes the cash flow from principal and interest paid.

			Non-cash changes			
(CZKm)	31 Dec 2021	Cash flow*	Amortisation and accrued interest	Change of FV hedge of interest rate risk	Foreign exchange difference	31 Dec 2022
Mortgage bonds	13,567	(1,009)	(25)	0	(377)	12,156
Depository bills of exchange	99	(99)	0	0	0	0
Total securities issued	**13,666**	**(1,108)**	**(25)**	**0**	**(377)**	**12,156**

* The item includes the cash flow from principal and interest paid.

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

(CZKm)	31 Dec 2023	31 Dec 2022
In less than one year	0	0
In one to five years	12,431	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	**12,431**	**12,156**

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

Name	Interest rate	Currency	Issue date	Maturity date	31 Dec 2023 (CZKm)	31 Dec 2022 (CZKm)
HZL Komerční banky, a.s., XS2289128162	0.01%	EUR	20 Jan 2021	20 Jan 2026	12,431	12,156
Total mortgage bonds					**12,431**	**12,156**

31 Accruals and other liabilities

Accruals and other liabilities comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Accruals and deferred income	290	266
Settlement balances and outstanding items	857	646
Payables from securities trading and issues of securities	2,688	3,203
Payables from payment transactions	6,822	5,573
Other liabilities	6,664	7,143
Total accruals and other liabilities	**17,321**	**16,831**

Deferred fees from banking guarantees are reported in *'Accruals and deferred income'* in the amount of CZK 24 million (2022: CZK 24 million).

'Other liabilities' consist mainly of various estimated items, including, among others, liabilities to employees.

32 Provisions

Provisions comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Provisions for contracted commitments (refer to Note 37)	202	219
Provisions for other credit commitments (refer to Notes 13 and 37)	652	932
Provisions for restructuring	0	0
Total provisions	**854**	**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 those for ongoing contracted contingent commitments, legal disputes, self-insurance, 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 2021	68	114	41	223
Charge	16	97	0	113
Release	(11)	(29)	(41)	(81)
Use	(2)	(25)	0	(27)
Accrual	2	0	0	2
Remeasurement	(9)	0	0	(9)
Foreign exchange difference	0	(2)	0	(2)
Balance as of 31 December 2022	64	155	0	219
Charge	17	30	0	47
Release	(10)	(3)	0	(13)
Use	(5)	(54)	0	(59)
Accrual	3	0	0	3
Remeasurement	4	0	0	4
Foreign exchange difference	0	1	0	1
Balance as of 31 December 2023	**73**	**129**	**0**	**202**

The provisions for contracted commitments include provisions to cover potential compensation that would be paid to clients to reimburse sanctions for early repayment of mortgages (purposefully incurred costs). In 2022, the Bank created these provisions in the amount of CZK 70 million. In 2023, the Bank used and released the provisions in the amount of CZK 24 million.

33 Deferred tax

Deferred tax is calculated from temporary differences between the tax base and carrying value using the tax rates applicable in the periods when the application of the temporary tax difference is estimated to occur. The increase in the corporate income tax rate as of 1 January 2024, from the current 19% to 21%, also has an impact on the deferred tax calculations in the Statement of Income and in the Statement of Comprehensive Income for the year 2023.

The tax rates in the years 2024–2025 are affected by the tax on windfall profits and are set as a weighted average of the rates of 21% and 81% according to the expected proportion of the tax base subject to the 21% income tax rate and the expected proportion of the tax base subject to the 81% (21% + 60%) income tax rate. For the period 2026 and beyond, a rate of 21% is used in the calculations. The change in tax rates during 2024–2025 due to the introduction of a tax on windfall profits led to an increase in the deferred tax liability for 2023 by the amount of CZK 84 million.

Net deferred tax assets are as follow:

(CZKm)	31 Dec 2023	31 Dec 2022
Banking provisions and allowances	6	8
Allowances for assets	0	0
Non-banking provisions	107	81
Difference between accounting and tax net book value of assets	(15)	(19)
Leases	0	0
Remeasurement of retirement benefits plan – equity impact (refer to Note 39)	0	0
Revaluation of equity securities at FVOCI – equity impact (refer to Note 40)	0	0
Revaluation of hedging derivatives – equity impact (refer to Note 41)	1	1
Revaluation of debt securities at FVOCI – equity impact (refer to Note 42)	105	110
Other temporary differences	19	21
Net deferred tax assets	**223**	**202**

Net deferred tax liabilities are as follow:

(CZKm)	31 Dec 2023	31 Dec 2022
Banking provisions and allowances	65	87
Allowances for assets	23	24
Non-banking provisions	63	101
Difference between accounting and tax net book value of assets	(984)	(1,224)
Leases	(45)	61
Remeasurement of retirement benefits plan – equity impact (refer to Note 39)	57	51
Revaluation of equity securities at FVOCI – equity impact (refer to Note 40)	0	0
Revaluation of hedging derivatives – equity impact (refer to Note 41)	(58)	(145)
Revaluation of debt securities at FVOCI – equity impact (refer to Note 42)	(112)	(101)
Other temporary differences	209	66
Net deferred tax liabilities	**(782)**	**(1,080)**

Movements in the net deferred tax assets/(liabilities) were as follow:

(CZKm)	2023	2022
Balance as of the beginning of the period	**(878)**	**(1,084)**
Changes in accounting policies	0	0
Movement in the net deferred tax – profit and loss impact (refer to Note 15)	169	(201)
Movement in the net deferred tax – equity impact (refer to Notes 39, 40, 41, and 42)	150	407
Balance as of the end of the period	**(559)**	**(878)**

34 Subordinated and senior non-preferred debt

Subordinated and senior non-preferred debt comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Subordinated debt	5,005	2,440
Senior non-preferred debt	59,555	36,254
Subordinated and senior non-preferred debt	**64,560**	**38,694**

As of 31 December 2023, the Bank reports subordinated debt of CZK 5,005 million (2022: CZK 2,440 million). The Bank increased subordinated debt in 2023 by a new tranche of nominal volume EUR 100 million. The subordinated debt is a part of Tier 2 regulatory capital, it is euro-denominated in order to better align the currency structure of the Bank's regulatory capital with its risk-weighted assets, and it was issued by the Bank's parent company, Société Génerale S.A.

Subordinated debt	Nominal (EUR mil.)	Issued	Call option	Maturity	Interest rate
10Y5NC	100	October 2022	5 years	10 years	3M EURIBOR plus 3.79%
10Y5NC	100	November 2023	5 years	10 years	3M EURIBOR plus 2.82%
Total	**200**				

As of 31 December 2023, the Bank reports senior non-preferred ("SNP") debt of CZK 59,555 million (2022: CZK 36,254 million). The Bank accepted this debt to meet the minimum requirement for own funds and eligible liabilities (MREL). During 2023, the Bank increased the volume of its SNP debt gradually through several tranches with total nominal value of EUR 900 million. SNP debt is euro-denominated and was drawn from the Bank's parent company (Société Générale S.A.) in accordance with Société Générale Group's preferred resolution strategy.

SNP debt	Nominal (EUR mil.)	Issued	Call option	Maturity	Interest rate
6Y5NC	250	June 2022	5 years	6 years	3M EURIBOR plus 2.05%
5Y4NC	250	September 2022	4 years	5 years	1M EURIBOR plus 1.82%
8Y7NC	250	September 2022	7 years	8 years	1M EURIBOR plus 2.13%
4Y3NC	250	November 2022	3 years	4 years	1M EURIBOR plus 2.05%
6Y5NC	250	November 2022	5 years	6 years	1M EURIBOR plus 2.23%
7Y6NC	250	November 2022	6 years	7 years	3M EURIBOR plus 2.28%
4Y3NC	250	June 2023	3 years	4 years	3M EURIBOR plus 1.70%
6Y5NC	200	June 2023	5 years	6 years	3M EURIBOR plus 2.01%
4Y3NC	250	November 2023	3 years	4 years	3M EURIBOR plus 1.51%
5Y4NC	200	November 2023	4 years	5 years	3M EURIBOR plus 1.61%
Total	**2,400**				

35 Share capital

The Bank's share capital, entered in the Register of Companies on 11 February 2000, totals CZK 19,004,926,000 and consists of 190,049,260 ordinary bearer shares issued as uncertificated securities with nominal value of CZK 100 each (ISIN: CZ0008019106). The number of shares authorised is the same as the number of shares issued. The share capital is fully paid up.

The Bank's shares are publicly traded on stock markets in the Czech Republic managed by the market organisers Burza cenných papírů Praha, a.s. (the Prague Stock Exchange) and RM-SYSTÉM, česká burza cenných papírů a.s. (the Czech Stock Exchange). Their transferability is not restricted.

All ordinary shares carry the same rights and together constitute 100% of the share capital. No special rights are attached to these shares. Shareholders' voting rights are governed by the nominal value of their shares. The voting rights can only be eliminated on statutory grounds. The Bank cannot exercise voting rights attached to its own shares.

Shareholders are entitled to the share in the Bank's profits and in other of its resources as have been approved for distribution by the Annual General Meeting based on the Bank's financial results and the payment of which was decided upon by the Board of Directors subject to compliance with the conditions stipulated by generally binding legal regulations.

The right to payment of the share in the profits and in other of its resources is time-barred from 3 years after its declared payment date. Pursuant to a resolution of the Annual General Meeting held in 2009, the Board of Directors will not plead the statute of limitations in order to bar by lapse of time the payment of shares in profits and in other of its resources for the duration of 10 years from the date of dividend payment. After the lapse of 10 years from the date of dividend payment, the Board of Directors is obliged to plead the statute of limitations and to transfer the unpaid shares in profits and in other of its resources to the retained earnings account.

In the event of a shareholder's death, his or her legal heir shall be entitled to exercise all rights attached to the shares. Upon the Bank's liquidation and dissolution, the means of liquidation are governed by the relevant generally binding legal regulations. A proposal for distribution of the liquidation balance among shareholders is approved by the Annual General Meeting in proportion to the nominal values of the shares held by the Bank's shareholders.

Set out below is a summary of the entities holding more than 1% of the Bank's issued share capital as of 31 December 2023:

Name of the entity	Ownership percentage
Société Générale S.A.	60.35%
CHASE NOMINEES LIMITED	2.62%
CLEARSTREAM BANKING S.A.	1.57%
NORTRUST NOMINEES LIMITED	1.43%

Société Générale S.A., being the only entity with a qualified holding in the Group and, moreover, as the ultimate parent company, is a French company limited by shares incorporated by a Deed approved through the issuance of a Decree on 4 May 1864 and is licensed as a bank. Under the legislative and regulatory provisions relating to financial institutions, notably the articles of the Monetary and Financial Code, the company is subject to commercial laws, in particular Articles 210-1 et seq. of the French Commercial Code, as well as its Articles of Association.

As of 31 December 2023, the Bank held 1,193,360 of its own shares in treasury at a cost of CZK 726 million (2022: 1,193,360 treasury shares at a cost of CZK 726 million).

Capital management

Bank regulatory requirements in the European Union are established through Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR – the Capital Requirements Regulation) and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD – the Capital Requirements Directive). According to the valid rules for capital regulation, an additional Pillar 2 buffer of 2.9% was applied to the Group in 2023 beyond the minimum required capital ratio of 8.0%. That means the total SREP (Supervisory Review and Evaluation Process) capital requirement (TSCR) was 10.9% for the year 2023. On top of the TSCR capital ratio, a combined capital buffer of final value 6.5% was applied, consisting of the capital conservation buffer of 2.5%, the buffer for Other Systemically Important Institution (O-SII) of 2.0%, and the countercyclical capital buffer of 2.0% for exposures in the Czech Republic (the countercyclical capital buffer was stepwise decreased by the CNB from the level of 2.5% valid since 1 April 2023 to 2.25% valid since 1 July 2023 and then to 2.0% valid from 1 October 2023). The required overall capital ratio (OCR) was thus approximately 17.4% from 1 October 2023 (an increase by 0.8 percentage points in comparison with the previous year). As its capital ratio stands well above the minimum required level, the Group meets the overall capital ratio measurement with an adequate reserve.

The required overall capital ratio (OCR) declines to approximately 17.1% as of 1 January 2024 (dropping by 0.3 percentage points compared to 2023, due to a decrease of the additional Pillar 2 buffer by 0.3 percentage points to the level of 2.6%).

The Group manages its capital adequacy to ensure its sufficient level in an environment of changing regulatory requirements while allowing organic business growth and for potentially adverse macroeconomic development. Under capital adequacy regulation, in addition to the usual reporting of the capital ratio (Pillar 1), the Group must meet the requirements for evaluating required economic capital, stress testing, and capital planning (Pillar 2). To determine the required economic capital, the Group has selected methods mostly close to the regulatory procedures applied for Pillar 1. Consequently, the necessary levels of economic and regulatory capital are very similar.

The Group regularly simulates future developments under Pillar 2 based on the assumption of possible adverse external macroeconomic conditions that may either directly affect the Group's profit or have implications resulting in deterioration in the Group's transaction risk profile.

The Group compiles hypothetical macroeconomic scenarios on the basis of which it estimates medium-term impacts on earnings and on transaction risk profiles. On this basis, the Group acquires views concerning the changing volume of the risk-weighted assets (i.e. capital requirements) and the financial results while also taking into account the outlook for dividend payments and the level of the Group's capital adequacy ratio.

The results of such stress testing are among those factors considered in determining the Group's dividend policy, which is the primary tool for capital adequacy management in such a situation that the Group's capital is largely classified as Common Equity Tier 1 capital.

The Group's capital consists principally of the following balances: share capital, reserve funds, retained earnings, and Tier 2 subordinated debt (which was increased by EUR 100 million during 2023 to reach total nominal value of EUR 200 million, i.e. CZK 4,945 million).

The Group did not purchase its own shares into treasury during 2023. As of 31 December 2023, the Group held in total 1,193,360 treasury shares at a total cost of CZK 726 million purchased in previous years (2022: 1,193,360 treasury shares at a total cost of CZK 726 million). The acquisition of treasury shares had been approved by the Bank's General Meeting especially for the purpose of managing the Group's capital adequacy.

In view of the facts that the capital requirements can vary over time and the regulation itself and its corresponding implementing regulatory rules are still under development, the Group is continuously monitoring and evaluating the forthcoming changes in regulatory requirements affecting the capital and capital adequacy. It analyses their potential impacts as part of the Group's capital planning process.

The CNB, as the local regulatory authority, oversees the Group's capital adequacy compliance on both separate and consolidated bases. During the past year, the Group was in compliance with all regulatory requirements. The Group also regularly prepares the regulatory report on Pillar 2 (i.e. internal capital adequacy assessment process) and submits it to the CNB.

At the same time, the CNB is the local resolution authority that defines the most appropriate crisis resolution strategies for institutions and, among other things, sets the minimum requirement for own funds and eligible liabilities (MREL). The Bank received the CNB's decision dated 24 July 2023, setting a minimum MREL requirement. According to this decision, the Bank is required to maintain its own funds and eligible liabilities on a sub-consolidated basis at no less than 21.2% of the total risk exposure (i.e. risk-weighted exposure) and 5.91% of the total exposure from 1 January 2024. In fulfilling the ongoing targets valid in previous years and the final target valid from 1 January 2024, the Bank gradually accepted eligible liabilities in the form of senior non-preferred debt totalling EUR 1,500 million in 2022 and EUR 900 million in 2023, i.e. in a total nominal volume of EUR 2,400 million (CZK 59,340 million). These eligible liabilities were drawn from the Bank's parent company (Société Générale S.A.) in accordance with the Société Générale Group's preferred resolution strategy. During the past year, the Bank fulfilled all regulatory MREL requirements and the amount of eligible liabilities drawn in previous years is sufficient to meet the MREL requirements applicable from 1 January 2024.

36 Composition of cash and cash equivalents as reported in the Statement of Cash Flows

(CZKm)	31 Dec 2023	31 Dec 2022	Change in the year
Cash and current balances with central banks (refer to Note 18)	12,835	14,190	(1,355)
Loans and advances to banks – current accounts with other banks	578	1,011	(433)
Amounts due to central banks	0	0	0
Amounts due to banks – current accounts	(4,821)	(5,065)	244
Cash and cash equivalents at the end of the year	**8,592**	**10,136**	**(1,544)**

The total cash outflow on leases in 2023 was CZK 575 million (2022: CZK 496 million).

37 Commitments and contingent liabilities

Legal disputes

The Group conducted a review of legal proceedings outstanding against it as of 31 December 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 9 million (2022: CZK 9 million) for these legal disputes (refer to Note 32). The Group has also recorded a provision of CZK 1 million (2022: CZK 1 million) for costs associated with a potential payment of appurtenances on the pursued claims.

As of 31 December 2023, the Group conducted a review of legal proceedings it had 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.

Commitments arising from the issuance of guarantees

Commitments from guarantees represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. These assurances carry the same credit risk as do loans, and therefore the Group makes provisions for these instruments (according to a customer's creditworthiness) on the same basis as is applicable to loans.

Capital commitments

As of 31 December 2023, the Group had capital commitments of CZK 486 million (2022: CZK 386 million), which include capital commitments in respect of current capital investment activities in the amount of CZK 321 million (2022: CZK 320 million).

Commitments arising from the issuance of letters of credit

Documentary letters of credit are written, irrevocable commitments by the Group on behalf of a customer (the mandatory) authorising a third party (the beneficiary) to draw drafts on the Group up to a stipulated amount under specific terms and conditions. The Group records provisions for these instruments (according to a customer's creditworthiness) on the same basis as is applicable to loans.

Commitments to extend credit, undrawn loan commitments, overdrafts, and approved overdraft loans

Principal off-balance sheet exposures include undrawn limits under framework agreements to provide financial services, approved overdraft loans, undrawn loan commitments, issued commitments to extend credit, and unutilised facilities. The primary purpose of commitments to extend credit and framework agreements is to ensure that funds are available to a customer as and when required. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees. In accordance with the IFRS definition of a conditional commitment, the Group distinguishes between irrevocable and revocable commitments to extend credit and framework agreements. The irrevocability of commitments, framework agreements of undrawn loan commitments, unutilised overdrafts, and approved overdraft loans ensues from contractual terms and conditions of the credit agreements (i.e. their use is not contingent upon customers' maintaining other specific credit standards). For irrevocable commitments or framework agreements, undrawn loan commitments, unutilised overdrafts, and approved overdraft loans, the Group recognises a provision when required (according to a customer's creditworthiness) in accordance with the same algorithm as for loans.

The risk associated with off-balance sheet credit commitments and contingent liabilities is assessed on the same basis as is that of loans to customers while taking into account the financial position and activities of the entity to which the Group issued a given guarantee and the collateral obtained.

As of 31 December 2023, the financial commitments and contingencies of the Group were comprised of the following, as broken down by classification:

	Carrying value				Provisions			
(CZKm)	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	21,567	9	0	21,576	2	0	0	2
Credit institutions	3,792	0	0	3,792	0	0	0	0
Other financial corporations	17,780	1	0	17,781	27	0	0	27
Non-financial corporations	128,046	8,339	828	137,213	160	127	226	513
Households*	31,939	4,794	85	36,818	24	49	27	100
Total commitments and contingencies	**203,124**	**13,143**	**913**	**217,180**	**213**	**176**	**253**	**642**

* 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:

	Carrying value				Provisions			
(CZKm)	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	227	104	389	720
Households*	48,566	4,927	115	53,608	43	54	23	120
Total commitments and contingencies	**250,951**	**9,537**	**1,225**	**261,713**	**303**	**159**	**412**	**874**

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

Financial commitments and contingencies comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Non-payment guarantees including commitments to issued non-payment guarantees	52,608	50,195
Payment guarantees including commitments to issued payment guarantees	20,980	23,423
Committed facilities and unutilised overdrafts	13,862	12,361
Undrawn credit commitments	86,864	125,790
Unutilised overdrafts and approved overdraft loans	28,151	27,402
Unutilised limits under framework agreements to provide financial services	11,439	19,439
Open customer/import letters of credit not covered	478	466
Standby letters of credit not covered	2,180	2,024
Confirmed supplier/export letters of credit	618	613
Total commitments and contingencies	**217,180**	**261,713**

The risk associated with off-balance sheet credit commitments and contingent liabilities is assessed on the same basis as is that of loans to customers while taking into account the financial position and activities of the entity to which the Group issued a given guarantee and the collateral obtained. As of 31 December 2023, the Group recorded provisions for these risks in the amount of CZK 652 million (2022: CZK 932 million). Refer to Note 32.

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

(CZKm)	31 Dec 2023	31 Dec 2022
Agriculture, forestry, and fishing	3,226	4,382
Mining and quarrying	2,020	1,040
Manufacturing	26,048	33,783
Electricity, gas, steam, and air conditioning supply	17,380	27,213
Water supply, sewerage, waste management, and remediation activities	1,001	881
Construction	41,606	39,232
Wholesale and retail trade, repair of motor vehicles and motorcycles	15,785	27,350
Transportation and storage	6,013	7,771
Accommodation and food service activities	641	730
Information and communication	3,576	2,666
Real estate activities	6,961	6,064
Professional, scientific, and technical activities	9,741	10,182
Administrative and support service activities	1,495	1,038
Public administration and defence, compulsory social security	212	305
Education	46	47
Human health and social work activities	248	422
Arts, entertainment, and recreation	1,102	940
Other service activities	112	274
Total commitments and contingencies to non-financial corporations	**137,213**	**164,320**

Exposure to the automotive industry and related suppliers is CZK 3,095 million (2022: CZK 3,064 million).

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

The collateral held in support of financial commitments and contingencies is broken out below by type as of 31 December 2023:

	Applied commitments and contingencies collateral value*				
(CZKm)	Loans collateralised by residential property	Loans collateralised by commercial property	Other loans collateralised by cash instruments	Other loans collateralised by other collateral	Financial guarantees received
Commitments and contingencies	**5,914**	**4,672**	**2,480**	**13,742**	**13,680**
of which:					
– Other financial corporations	12	16	0	1,011	4,026
– Non-financial corporations	550	4,581	2,444	10,913	9,581
– Households**	5,352	75	36	18	73

* 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, and similar factors and then further reduced to the actual balance of the collateralised exposure.

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

The collateral held in support of financial commitments and contingencies is broken out below by type as of 31 December 2022:

	Applied commitments and contingencies collateral value*				
(CZKm)	Loans collateralised by residential property	Loans collateralised by commercial property	Other loans collateralised by cash instruments	Other loans collateralised by other collateral	Financial guarantees received
Commitments and contingencies	**8,102**	**4,699**	**2,179**	**15,439**	**12,690**
of which:					
– Other financial corporations	15	14	1	278	4,371
– Non-financial corporations	395	4,606	2,132	12,801	5,206
– Households**	7,692	79	46	1	82

* 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, and similar factors and then further reduced to the actual balance of the collateralised exposure.

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

In accordance with Act No. 427/2011 Coll., on Supplementary Pension Savings, and in accordance with the statutes of the Transformovaný fond KB Penzijní společnost, a.s. (hereafter only the “Fund”) created after 1 January 2013, KB Penzijní společnost, a.s. guarantees at least a zero return for clients on an annual basis and must ensure that the value of assets in the Fund is always equal to or greater than the value of liabilities. Otherwise, KB Penzijní společnost, a.s. is required to contribute to the Fund assets necessary to make up the difference at the latest within 30 days after the end of the quarter in which such circumstance was identified. These transferred assets constitute a special capital fund of the Fund and are primarily used to cover losses of the current year or accumulated losses from prior periods.

As a result of capital market developments, KB Penzijní společnost, a.s. contributed in 2021 to the Fund assets to offset the value of liabilities in excess of the value of assets. The excess was caused by negative revaluation differences of bonds classified by the Fund as financial assets in the “Hold to collect contractual cash flows and sell” business model attributable to a sharp rise in the Czech National Bank’s key interest rates and their corresponding effects across the entire yield curve. This capital injection was gradually increased during 2021 and 2022. Recent developments in interest rates indicate that payback of the injected capital to KB Penzijní společnost, a.s. may occur rather soon and reinforces the circumstances demonstrated already as of 31 December 2020 that the negative revaluation differences have been correctly regarded as temporary and will be fully offset no later than upon maturity of the bonds.

According to the current stress scenario, no contribution to the Fund’s assets is expected for the forthcoming period. The capital adequacy is strong, and KB Penzijní společnost, a.s. has sufficient capital to cover all stress and adverse scenarios which are regularly projected.

38 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 31 December 2023, the Group was controlled by Société Générale S.A., which owns 60.35% of its 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 are carried out on an arm’s length basis.

Amounts due to and from the Group companies
As of 31 December 2023, the Group had deposits of CZK 5,154 million (2022: CZK 3,318 million) due to the associate Komerční pojišťovna, a.s. and the Bank had provided it with a subordinated loan in the amount of CZK 446 million (2022: CZK 446 million). The positive fair value of financial derivatives in relation to the associate Komerční pojišťovna, a.s. totalled CZK 92 million (2022: CZK 230 million) and the negative fair value CZK 434 million (2022: CZK 467 million). The book value of mortgage bonds issued by the Bank was CZK 0 million (2022: CZK 0 million) and interest expense from mortgage bonds was CZK 0 million (2022: CZK 3 million).

Interest income from financial derivatives of Komerční pojišťovna, a.s. to the Group totalled CZK 346 million (2022: CZK 449 million) and interest expense on financial derivatives totalled CZK 305 million (2022: CZK 394 million). Interest expense from deposits amounted to CZK 249 million (2022: CZK 183 million), fee income of the Group arising from intermediation totalled CZK 591 million (2022: CZK 521 million), fee expense amounted to CZK 157 million (2022: CZK 140 million), insurance expenses totalled CZK 8 million (2022: CZK 8 million), and other income totalled CZK 35 million (2022: CZK 26 million).

As of 31 December 2023, deposits received by the Group from other associated companies come to CZK 2 million (31 December 2022: CZK 0 million) and loans granted to these companies total CZK 227 million (31 December 2022: CZK 186 million). Related interest income amounted to CZK 14 million (2022: CZK 6 million).

Amounts due to and from Société Générale Group entities

Principal balances due from Société Générale Group entities include the following:

	31 Dec 2023		31 Dec 2022	
(CZKm)	Total	Of which derivatives	Total	Of which derivatives
ALD Automotive s.r.o.	9,101	0	7,465	0
ALD Automotive Slovakia s. r. o.	71	0	36	0
BRD - Groupe Société Générale SA	63	0	109	0
SG Bruxelles	2	0	1	0
SG Zurich	245	0	0	0
Société Générale International Limited	0	0	2	0
Société Générale oddzial w Polsce	47	47	2	1
Société Générale Paris	32,462	9,609	30,189	19,592
Total	**41,991**	**9,656**	**37,804**	**19,593**

Principal balances owed to Société Générale Group entities include the following:

	31 Dec 2023		31 Dec 2022	
(CZKm)	Total	Of which derivatives	Total	Of which derivatives
ALD Automotive s.r.o.	1,267	0	379	0
BRD - Groupe Société Générale SA	2	0	3	0
Crédit du Nord	0	0	20	0
SG Amsterdam	2	0	4	0
SG Frankfurt	0	0	15	0
Société Générale Luxembourg	1,122	0	43	0
SG Milan	2	0	6	0
SG Private Banking (Suisse)	0	0	45	0
SG Zurich	0	0	1	0
SGEF SA	3	0	3	0
Société Générale Factoring	0	0	8	0
Société Générale Londres	4	0	138	0
Société Générale New York	4	0	37	0
Société Générale oddzial w Polsce	21	12	3	2
Société Générale Paris	149,890	12,646	104,825	15,774
SOGEPROM Czech Republic s.r.o.	0	0	4	0
Total	**152,317**	**12,658**	**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 the counterparty, and fair values of derivatives.

As of 31 December 2023, the Group also carried off-balance sheet exposures to the Société Générale Group entities, of which off-balance sheet nominal assets and liabilities totalled CZK 596,055 million (2022: CZK 585,700 million) and CZK 500,328 million (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 31 December 2023 and 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 year ended 31 December 2023, the Group generated net operating revenues due to Société Générale Group of CZK (4,584) million (2022: CZK 12,849 million). The total 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 the SG Group products, and providing services in areas of infrastructure, information technology, and business intelligence services. Net interest income of CZK (3,483) million (2022: CZK (646) 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 totalled CZK 334 million (2022: CZK 266 million), mostly for the use of services in the area of operation and management of hardware and software and assistance services. The operating result in relation to the SG Group reached CZK (4,918) million (2022: CZK 12,583 million).

In connection with lease contracts, the Group records:

	31 Dec 2023				31 Dec 2022			
(CZKm)	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.	143	43	27	0	127	52	23	1
ALD Automotive Slovakia s. r. o.	2	1	0	0	1	0	0	0
Total	**145**	**44**	**27**	**0**	**128**	**52**	**23**	**1**

As of 31 December 2023, the Group reported a loss of CZK 2 million (2022: CZK 0 million) on terminated contracts.

Remuneration and amounts due from members of the Board of Directors and Supervisory Board

Remuneration paid to the members of the Board of Directors and Supervisory Board during the years was as follows:

(CZKm)	2023	2022
Remuneration to members of the Board of Directors*	84	78
Remuneration to members of the Supervisory Board**	7	7
Total	**91**	**85**

* **Remuneration paid to members of the Board of Directors** includes wages paid and other compensation and benefits provided during the year ended 31 December 2023 to current and former directors for the duration of their memberships. It also includes a part of bonuses awarded in 2023. The remuneration includes as well benefits arising to the Bank's employees under the collective agreement.

** **Remuneration paid to members of the Supervisory Board** includes amounts paid during the year ended 31 December 2023 to current and former members of the Supervisory Board for the duration of their memberships. Amounts for members of the Supervisory Board elected by employees additionally include income paid to them under their employment arrangements with the Bank for the duration of their memberships. The remuneration also includes benefits arising to the Bank's employees under the collective agreement.

	31 Dec 2023	31 Dec 2022
Number of the Board of Directors members at the end of the period	6	6
Number of the Supervisory Board members at the end of the period	9	9

In respect of loans and guarantees as of 31 December 2023, the Group recorded receivables from loans granted to members of the Board of Directors and Supervisory Board totalling CZK 46 million (2022: CZK 50 million). During 2023, drawdowns of CZK 1 million (2022: CZK 3 million) were made under the loans granted. Loan repayments during 2023 amounted to CZK 1 million (2022: CZK 4 million). The increase of loans in 2023 is affected by new members already having loans totalling CZK 7 million. Loans to resigning members amounted to CZK 11 million as of 31 December 2022.

39 Movements in the remeasurement of retirement benefits plan in the equity

(CZKm)	2023	2022
Remeasurement of retirement benefits plan as of 1 January	(267)	(276)
Deferred tax asset/(liability) as of 1 January	51	52
Balance as of 1 January	**(216)**	**(224)**
Movements during the year		
Gains/(losses) from remeasurement of retirement benefits plan	(4)	9
Deferred tax	6	(1)
	2	**8**
Remeasurement of retirement benefits plan as of 31 December	(271)	(267)
Deferred tax asset/(liability) as of 31 December (refer to Note 33)	57	51
Balance as of 31 December	**(214)**	**(216)**

40 Movements in the revaluation of equity securities at FVOCI in the equity

(CZKm)	2023	2022
Revaluation of equity securities at FVOCI as of 1 January	5	4
Deferred tax asset/(liability) as of 1 January	0	0
Balance as of 1 January	**5**	**4**
Movements during the year		
Gains/(losses) from changes in fair value	(9)	1
Deferred tax	0	0
	(9)	**1**
Revaluation of equity securities at FVOCI as of 31 December	(4)	5
Deferred tax asset/(liability) as of 31 December (refer to Note 33)	0	0
Balance as of 31 December	**(4)**	**5**

41 Movements in the revaluation of hedging instruments in the equity

In accordance with IAS 39, certain derivatives were designated as hedges. The changes in fair values of cash flow hedges are recorded in a separate line of equity in the hedging reserve.

(CZKm)	2023	2022
Cash flow hedge fair value as of 1 January	740	1,544
Deferred tax asset/(liability) as of 1 January	(144)	(296)
Balance as of 1 January	**596**	**1,248**
Movements during the year		
Gains/(losses) from changes in fair value (refer to Note 43(C))	550	236
Deferred tax	(108)	(46)
	442	**190**
Transferred to interest income/expense	(720)	(1,430)
Deferred tax	137	272
	(583)	**(1,158)**
Transferred to net profit/loss on financial operations	(305)	373
Deferred tax	58	(71)
	(247)	**302**
Transferred to personnel expenses	(6)	16
Deferred tax	1	(3)
	(5)	**13**
Transferred to general and administrative expenses	6	1
Deferred tax	(1)	0
	5	**1**
Cash flow hedge fair value as of 31 December	265	740
Deferred tax asset/(liability) as of 31 December (refer to Note 33)	(57)	(144)
Balance as of 31 December	**208**	**596**

42 Movements in the revaluation of debt securities at FVOCI in the equity

(CZKm)	2023	2022
Reserve from fair value revaluation as of 1 January	350	1,687
Deferred tax asset/(liability) as of 1 January	(64)	(321)
Impairment as of 1 January	5	5
Balance as of 1 January	**291**	**1,371**
Movements during the year		
Gains/(losses) from changes in fair value	(332)	(1,337)
Deferred tax	57	257
	(275)	**(1,080)**
Impairment	(2)	0
	(2)	**0**
Reserve from fair value revaluation as of 31 December	18	350
Deferred tax asset/(liability) as of 31 December (refer to Note 33)	(7)	(64)
Impairment as of 31 December	3	5
Balance as of 31 December	**14**	**291**

43 Risk management and financial instruments

(A) Credit risk

Assessment of client's credit rating
The assessment of credit risk is based on quantitative and qualitative criteria and leads to a rating assignment. The Group uses several types of rating models, depending on the type and profile of the counterparty and the types of transactions. As a result, individual ratings are assigned to both the Group's clients and to specific client transactions. The same process of rating assignment is applied in relevant cases to respective guarantors and sub-debtors, which enables a better assessment of the quality of accepted guarantees and collaterals.

The Group focuses on updating selected credit risk models in order to optimally reflect the current macroeconomic situation and goals set by the Group, as well as on increasing effectiveness in monitoring the risk profiles of individual client portfolios and the quality of tools and models for credit risk management. The Bank also continued in harmonising governance, usage of rating models, and the monitoring process within the Group.

The results of regular stress testing play an important role, allowing more precise estimates of the expected intensity of credit risk for the tested periods and thus optimisation of the Group's credit risk management tools and more accurate estimation of expected future losses.

(a) Business clients and municipalities
For entrepreneurs, corporate clients, and municipalities, the Group uses the obligor rating (expressed on the 22-grade Société Générale rating master scale) with the aim to evaluate the counterparty's Probability of Default (PD) and the Loss Given Default (LGD) rating that reflects the quality of available guarantees and collateral and evaluates the potential loss from counterparty transactions. These models are also used for regular estimation of expected loss and unexpected loss for all client exposures reported in accordance with the Basel III requirements.

For large and medium-sized clients, the obligor rating is a combination of the financial rating based primarily on data in the financial statements and a qualitative rating obtained through the evaluation of non-financial information relating to a particular client.

In the entrepreneurs and small companies segment, the client's obligor rating is a combination of financial, non-financial and personal data, data on client behaviour within the Group, and information from external credit bureaus. When clients are funded via simple products, the setting of the rating is alternatively limited to the evaluation of data on clients' behaviour within the Group (behavioural rating).

In the municipalities segment, the obligor rating is a combination of the financial rating based on data in the financial statements and of a qualitative rating acquired through the assessment of non-financial information relating to a specific municipality.

The Group is also using a dedicated rating model for housing co-operatives and associations of owners and a special model for real estate developers and investors.

(b) Ratings for banks and sovereigns

For banks, other financial corporations (namely insurance companies, brokers, and funds) and for sovereigns (central banks and central governments), the Group uses rating models developed by Société Générale.

(c) Ratings for individual clients

The Group uses two types of ratings with the aim of evaluating default risk for individuals: (1) the application rating, which is derived from an evaluation of clients' personal data, data on the behaviour within the Group, and data available from external credit bureaus; and (2) a behavioural rating that is based on evaluating the information on the clients' behaviour within the Group. The application rating is primarily used for active clients' applications for new funding transactions, while the behavioural rating (which includes the calculation of indicative limits for simple products with low exposure) is used for active offers of funding by the Group to its existing clients.

(d) Internal register of negative information

The Group maintains an internal register of negative information. The register integrates the maximum quantity of available internal and external negative information on subjects related to the credit process. It includes algorithms for evaluating the negative information and contributes substantially to protecting the Group from risky entities.

(e) Credit bureaus

The evaluation of data from credit bureaus is one of the principal factors influencing the assessment of applications for client funding, especially in the retail client segments (individuals and small business).

(f) Credit fraud prevention

In the individuals and small business segment, the Group uses an automated system for the detection of credit frauds and also for co-ordinated reactions to credit fraud attacks. The system is fully integrated with the Group's main applications and is regularly updated to reflect current market trends. In 2021, the Group implemented the first version of the credit anti-fraud system for the corporate segment.

(g) Granting process

Because default rates of the credit portfolio remained rather low during 2023, the Group did not fundamentally change its financing conditions. Nevertheless, the Group responded to energy price and inflation developments by increasing the expenditure and cost of living minimums entering into the creditworthiness assessment for individuals. Throughout the year, the Group continued to focus on simplifying its processes and accelerating credit granting to all client segments (with the gradual introduction of digital processes).

(h) Environmental, social, and governance

Climate change is recognised as a major threat to humanity having direct consequences for many activities. Regulatory initiatives from the Czech government, EU authorities, and banking regulators require universal banks like the Group to take into consideration ESG risks in their credit underwriting policies and generally risk management procedures.

In the area of risk management, the Group is gradually implementing principles and procedures that take environmental risk into account within the parent company's ESG by Design programme. In 2023, the Group focused on upgrading the climate risk assessment (ability to adapt to the new "green" economy) of its clients, and this assessment is mandatory for business entities with a financing limit of a connected group above EUR 5 million. The evaluation of climate risks is subsequently taken into account in the overall credit risk evaluation, and the client's ability to adapt may have an impact on the client's internal rating and the Group's decision to grant a loan.

The Group is gradually increasing its ability to collect, measure, and disclose ESG data to reflect the regulatory and other initiatives. The ultimate goal is to apply a holistic approach to ESG regulation and to further embed ESG impacts into its core operations and policies (in all relevant areas such as onboarding of clients, transaction/financing validation, and others).

The implementation of changes in the ESG area is closely co-ordinated with SG and takes place within the group SG programme (ESG by Design).

Credit concentration risk

Credit concentration risk is actively managed as a part of overall credit risk management utilising standard tools: credit risk assessment, setting of internal limits, use of risk mitigation techniques, regular reporting, producing of sector analyses, and stress testing. The Group maintains its objective not to take on any excessive credit concentration risk. Credit concentration risk management procedures cover individual counterparties as well as economically connected groups, countries, selected industry sectors, and collateral providers. A system of internal limits has been established so that the Group complies with the regulatory limits set by the law in respect of concentration risk. Refer to Notes 22 and 37 for quantitative information about this type of risk.

Loan portfolio breakdown by risk class based on an internal rating scale:

	31 Dec 2023 Gross carrying value			31 Dec 2022 Gross carrying value		
(CZKm)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Unrated	18,132	1,787	0	15,714	2,041	0
PD 1 (0.0% – 0.1%)	618,038	1,159	0	394,285	1,547	0
PD 2 (0.1% – 0.2%)	119,004	12,914	0	137,671	12,753	0
PD 3 (0.2% – 0.4%)	114,394	20,704	0	110,424	14,203	0
PD 4 (0.4% – 0.8%)	130,964	21,457	0	132,407	18,165	0
PD 5 (0.8% – 1.6%)	107,159	19,648	0	102,435	15,973	0
PD 6 (1.6% – 3.2%)	94,194	8,355	0	91,188	9,779	0
PD 7 (3.2% – 6.4%)	60,517	7,787	0	51,918	9,386	0
PD 8 (6.4% – 12.8%)	9,394	16,511	0	8,905	11,810	0
PD 9 (>12.8%)	1,064	11,843	0	168	8,954	0
Stage 3 (default)	0	0	15,285	0	0	18,429
Total	**1,272,860**	**122,165**	**15,285**	**1,045,114**	**104,610**	**18,429**

The Group's maximum credit exposure as of 31 December 2023:

	Total exposure			Collateral applied		
(CZKm)	Statement of financial position	Off-balance sheet*	Total credit exposure	Statement of financial position	Off-balance sheet*	Total collateral
Current balances with central banks	**4,530**	**x**	**4,530**	**0**	**x**	**0**
Financial assets held for trading at fair value through profit or loss	**48,464**	**x**	**48,464**	**0**	**x**	**0**
Non-trading financial assets at fair value through profit or loss	**0**	**x**	**0**	**0**	**x**	**0**
Positive fair value of hedging financial derivatives	**8,598**	**x**	**8,598**	**0**	**x**	**0**
Financial assets at fair value through other comprehensive income	**16,783**	**x**	**16,783**	**0**	**x**	**0**
Financial assets at amortised cost	**1,410,310**	**217,180**	**1,627,490**	**428,031**	**40,488**	**468,519**
of which:						
– Other financial corporations	76,921	17,781	94,702	14,705	5,065	19,770
– Non-financial corporations	317,541	137,213	454,754	61,380	28,069	89,449
– Households*	422,226	36,818	459,044	348,679	5,554	354,233
Revaluation differences on portfolios hedge items	**(815)**	**x**	**(815)**	**0**	**0**	**0**
Total	**1,487,870**	**217,180**	**1,705,050**	**428,031**	**40,488**	**468,519**

* This item also includes loans provided to individual entrepreneurs.

The maximum credit exposure is presented on a gross basis (i.e. without the impact of allowances).

The Group's maximum credit exposure as of 31 December 2022:

	Total exposure			Collateral applied		
(CZKm)	Statement of financial position	Off-balance sheet*	Total credit exposure	Statement of financial position	Off-balance sheet*	Total collateral
Current balances with central banks	**6,167**	**x**	**6,167**	**0**	**x**	**0**
Financial assets held for trading at fair value through profit or loss	**57,269**	**x**	**57,269**	**0**	**x**	**0**
Non-trading financial assets at fair value through profit or loss	132	x	132	0	x	0
Positive fair value of hedging financial derivatives	**21,582**	**x**	**21,582**	**0**	**x**	**0**
Financial assets at fair value through other comprehensive income	**30,171**	**x**	**30,171**	**0**	**x**	**0**
Financial assets at amortised cost	**1,168,153**	**261,713**	**1,429,866**	**408,445**	**43,109**	**451,554**
of which:						
– Other financial corporations	60,606	14,483	75,089	9,727	4,679	14,406
– Non-financial corporations	302,813	164,320	467,133	66,069	25,140	91,209
– Households*	404,729	53,608	458,337	330,323	7,900	338,223
Revaluation differences on portfolios hedge items	**(2,550)**	**x**	**(2,550)**	**0**	**0**	**0**
Total	**1,280,924**	**261,713**	**1,542,637**	**408,445**	**43,109**	**451,554**

* This item also includes loans provided to individual entrepreneurs.

The maximum credit exposure is presented on a gross basis (i.e. without the impact of allowances).

The Group's debt securities, allocated by sector and currency, comprised the following as of 31 December 2023:

	Fair value through profit or loss			Fair value through other comprehensive income			Amortised cost		
(CZKm)	CZK	Other	Total	CZK	Other	Total	CZK	Other	Total
Central banks	0	0	0	0	0	0	0	0	0
General governments	19,120	489	19,609	7,476	9,254	16,730	147,075	1,590	148,665
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	9	0	9	0	0	0	1,796	0	1,796
Non-financial corporations	3	0	3	0	0	0	1,442	334	1,776
Total debt securities	**19,132**	**489**	**19,621**	**7,476**	**9,254**	**16,730**	**150,313**	**1,924**	**152,237**

The Group's debt securities, allocated by sector and currency, comprised the following as of 31 December 2022:

	Fair value through profit or loss			Fair value through other comprehensive income			Amortised cost		
(CZKm)	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**

Classification of loans and advances
The Group classifies its loans and advances arising from financial activities into three categories: Stage 1, Stage 2, and Stage 3. Performing exposures are classified as Stages 1 or Stage 2 while non-performing or defaulted exposure are classified as Stage 3. The classification reflects both quantitative criteria (e.g. payment discipline, financial data) and qualitative criteria (e.g. in-depth knowledge of the client). In case of retail individual clients, the classification also reflects the default sharing principle for co-debtors and guarantors

The structure of the credit portfolio according to staging is regularly reported to the CNB and to investors.

New definition of default
The Group implemented a new definition of default at the beginning of the second quarter of 2020 to be compliant with EBA Guidelines in applying the definition of default under Article 178 of Regulation (EU) No. 575/2013.

Forbearance (for the definition of forborne loans, refer to Note 3.5.5.8)

1. Forbearance measures granted to a client with financial difficulties result in the related exposure's being classified as Stage 3 (non-performing). This designation is discontinued once the following conditions are met:
   (a) Termination of defaulted (Stage 3) status, which is possible 12 months after the approval of forbearance measures.
   (b) Termination of a 2-year grace period following the termination of defaulted status, during which repayment discipline must be properly maintained (i.e. payables overdue must not exceed the materiality threshold of 30 days past due used for default identification). If the repayment discipline condition during the grace period is breached, then the exposure is reclassified back to Stage 3 (non-performing status) and the 2-year grace period starts again (from the time that zero overdue amount is reported).

2. The Group utilises a concept of forbearance measures granted to clients with financial difficulties that do not lead to the exposure being classified as Stage 3 (non-performing) only in cases of such measures being granted under the Covid-19 private payment moratorium that was applied prior to the state's payment moratorium.

During 2023, the Group worked on the introduction of a new methodology for management and classification of forbearance and renegotiation that will be launched at the beginning of 2024.

Characteristics of financial assets at amortised costs that are not rated
The Group does not rate other amounts due from customers. These amounts consist of non-credit receivables that principally originated from the payment system, fraudulent withdrawals, bank cheques, receivables associated with purchases of securities (on behalf of clients) that have not been settled, and receivables that arise from business arrangements that do not constitute financial activities, specifically receivables arising from outstanding rental payments on non-residential premises, sale of real estate, and prepayments made.

Allowances for loans and advances
The Group uses IFRS 9 in the area of allowances for loans and advances. Depending on the client segment, materiality, risk profile, and characteristics of the loans and advances, allowances are created either:
(a) individually (for selected non-performing clients, exceptionally for performing clients) while taking into account the present value of expected future cash flows and considering all available information, including the estimated value of collateral foreclosure and the expected duration of the recovery process; or
(b) using expected credit loss statistical models based on the observed history of defaults and losses and forward-looking information.

During 2023, the Group updated and recalibrated its IFRS 9 models for the performing portfolio (Stages 1 and 2) and for retail non-performing portfolio (Stage 3), considering:
(a) new macroeconomic forecasts in line with the IFRS 9 forward-looking approach (in terms of sensitivity, GDP and unemployment remain the main predictors in forward-looking models);
(b) adjustments of methodological rules for PD and LGD curves; and
(c) parametric adjustments of Staging rules for Stages 1 and 2.

These updates of IFRS 9 models led to the release of allowances for the performing portfolio in the amount of CZK 125 million and to the creation of allowances for the non-performing portfolio in the amount of CZK 16 million.

In accordance with the IFRS 9 methodology, the Group uses a prediction founded on a so-called multi-scenario approach, which as of the end of 2023 proceeded from three scenarios:

(a) a baseline scenario with probability of 62%,
(b) a stress scenario with probability of 28%, and
(c) an optimistic scenario with probability of 10%.

The baseline scenario anticipates a year-on-year GDP growth of 2% in 2024, with average unemployment at 3%. The stress scenario expects a 3% decrease in GDP for 2024 and average unemployment at 6.4%.

By comparison, at the end of 2022, the Group assumed three scenarios:
(a) Baseline scenario with a probability of 60%;

(b) Stress scenario with a probability of 30%; and

(c) Optimistic scenario with a probability of 10%.

The baseline scenario anticipates year-on-year increase in GDP of 0.4% in 2023 and GDP growth of 2% in 2024, with average unemployment at 2.7% in 2023 and at 2.8% in 2024. The stress scenario expects 4.6% year-on-year decrease in GDP in 2023 and 1% decrease in 2024, with average unemployment at 5.7% in 2023 and at 5.3% in 2024.

The scenarios were developed internally using the best estimates and following forecasts published by government, regulatory, and other authorities.

In the subsequent period, the Group will carefully monitor future macroeconomic development and adjust its IFRS 9 models in case new macroeconomic forecasts differ from current ones. The Group uses internal forecasts for its IFRS 9 models, but it also carefully monitors external forecasts (CNB, Ministry of Finance, ECB, among others). In particular, the Group uses the macroeconomic forecasts published by CNB to benchmark its IFRS 9 models.

In line with the forward-looking concept, the Group continued with a specific approach using post-model adjustments for the following portfolios with deteriorating credit profile that, as of 31 December 2023, is not fully reflected in the clients' individual credit ratings:
Exposures in retail segments of individuals and small business, within which the Group expects clients' ability to repay their liabilities to be negatively influenced by high inflation, costs, or interest rates. As of 31 December 2023, the exposure of this portfolio totalled CZK 70.4 billion. In the individuals segment, the rating of these clients was downgraded by one notch and in the segment of small business by two notches for the purpose of allowance calculation. In addition, exposures of the aforementioned clients granted up to the end of 2021 are reclassified into Stage 2 (due to the deteriorated macroeconomic situation since initial recognition, which can influence the future credit profile of the exposures). The level of additional allowances was at CZK 658 million as of 31 December 2023. The Group is considering to begin gradually releasing these additional allowances once the currently heightened default intensity observed in consumer finance and small business declines to levels observed prior to the Covid-19 period.

In 2023, the Group continued with a specific approach using post-model adjustments for the whole performing non-retail portfolio because the Group expects that the ability of clients in this segment to repay their liabilities will be negatively influenced by high inflation, costs, or interest rates. The level of additional allowances was at CZK 1,653 million as of 31 December 2023.

The Group used the approach via additional allowances for the whole non-retail segment, as it does not yet observe significant differences in risk profiles among sectors. Nevertheless, the Group is closely monitoring the situation of sectors that it considers to be potentially sensitive to high inflation or with a deteriorated outlook for the future. The Group is considering starting the gradual release of these additional allowances in the second half of 2024 if the clients' financial statements for 2023 confirm the generally good financial situation of its clients. Furthermore, the Group assumes that it will simultaneously introduce additional allowances for selected sectors that the Group considers to be those with a potentially deteriorated outlook for the future.

Sensitivity tests were conducted on the Group's portfolio to measure the impact of potential adjustments in weightings on the IFRS 9 models. The potential impact in the event of a 100% weighting (i) of the stress scenario would be additional creation of allowances at medium hundreds of millions of CZK, (ii) of the baseline scenario would be release of low hundreds of millions of CZK allowances, and (iii) of the optimistic scenario would be release low hundreds of millions of CZK in allowances.

The following table breaks out non-performing loans and advances in gross carrying amount to banks and customers (Stage 3) according to the assessment used:

	31 Dec 2023		31 Dec 2022	
(CZKm)	Individually	Statistical model	Individually	Statistical model
Central banks	0	0	0	0
General governments	52	0	73	0
Credit institutions	0	0	41	0
Other financial corporations	117	4	137	7
Non-financial corporations	6,655	2,184	10,105	2,115
Households*	1,024	5,249	1,100	4,851
Total	**7,848**	**7,437**	**11,456**	**6,973**

* This item also includes loans granted to individual entrepreneurs.

Loans and advances collateral management

The Group uses collateralisation as one of its techniques for credit risk mitigation. The risk management related to collaterals is performed by departments within the Risk Management Arm independently of the Group's business lines.

The Group has fully implemented within its internal system the rules for assessing collateral's eligibility according to Regulation (EU) No. 575/2013 and CNB Regulation No. 163/2014. In compliance with the CNB validation, the Group uses the Advanced Internal Ratings-Based (A-IRB) approach. For clients of the Slovak branch, the Group uses the Standardised (STD) approach for assessing collateral eligibility.

The recognised value of the collateral is set based on the Group's internal rules for collateral valuation and discounting. The methods used in defining values and discounts take into account all relevant risks; the expected cost of collateral sale; length of the sales process; historical experience of the Group; as well as collateral eligibility according to the CNB regulation, bankruptcy/insolvency rules, and other regulations. Specifically, for all real estate collateral, which is the most common type of collateral, the Group uses independent valuations performed or supervised by the Group's dedicated specialised internal department. Collateral values reflected in the calculation of capital requirements and other processes (regulatory exposure management, granting process, creation of allowances and provisions) involve the fulfilment of collateral eligibility according to Regulation (EU) No. 575/2013 and CNB Regulation No. 163/2014.

The Group (except for the Slovak branch) uses an online connection to the Land Register for reviewing and acquiring data on pledged real estate in granting mortgages or other loans secured by real estate and for regular monitoring of selected events that may put the Group's pledge right to real estate at risk.

Real estate collateral valuation

Activities related to the valuation of real estate obtained as collateral for corporate and retail loans and advances are independent of the Group's business processes. The valuation process is managed and controlled by a specialised internal department that co-operates with various external valuation experts. Since 2019, the Group has started to use statistical valuation models for limited numbers (maximum 20%) of residential real estate valuations.

In 2023, together with the principal activity of real estate valuation, the Group focused mainly on ongoing monitoring of the real estate market with the aim to promptly identify any adverse development and to take appropriate measures as required. The Group monitors both the residential and commercial real estate markets. An integral component of that monitoring is the revaluation of selected real estate in accordance with the Basel III requirements. The Group regularly adjusts these values, based upon the result from statistical monitoring of market prices for residential real estate.

Recovery of loans and advances from defaulted clients

In 2023, albeit with a certain delay, the effects of the shock development of energy prices, increasing inflation, and the sharp increase of the basic repo interest rate in 2022 were already visible, especially among those individual clients who had already been past due with their debt repayments in the previous periods and among entrepreneurs. In particular, there is an increase in the time needed to "cure" clients in the first stage of recovery up to 90 days after the due date and a more moderate but observable growth in the value of loans each month entering this stage of recovery. In the second half of the year, the effects of the economic slowdown are clearly visible, especially among clients in the business segment, who more often enter longer-lasting delays with the payment of their credit claims and also more often end up in the next phase (i.e. out-of-court) of recovery.

During 2023, the Group observed a slightly higher intensity of requests for repayment relief. Nevertheless, in the 3rd and 4th quarters, the number of requests for relief stabilises. The number and volume of requests for repayment relief are still within normal limits and do not exceed the customary levels.

The Group assumes that delayed effects of the current macroeconomic situation on the credit portfolio quality may be seen in future.

Therefore, the Group is continuing to boost the efficiency of processes by digitising and automating certain activities in the out-of-court, and judicial retail collection so that it would be able to absorb any possible rise in the number of clients affected by the deteriorating economic situation.

During 2023, the Group continued in regular sales of uncollateralised and collateralised retail non-performing loans and receivables to selected qualified investors so that the maximum achievable recovery rate is obtained. The Group has not carried out any mass sales of non-performing loans secured by real estate collateral.

The Group continuously responded to the changing legal environment, newly adopted legislation, and their possible impacts on the recovery of loans and other receivables. Increased attention continued to be given especially to the collection of claims under the Insolvency Act regime, that being the predominant method of resolving payment claims from retail and corporate clients in the judicial collection phase. The Group plays an active role in the insolvency process from the position of a secured creditor, member of the creditors' committee, or representative of creditors, whether in bankruptcy proceedings or in reorganisations, both of which are used by the Group depending upon a given debtor's circumstances and the attitudes of other creditors. In 2023, the Group observed an increasing number of client reorganisation solutions in the form of the entry of a new investor. In debt relief, the Group focuses mainly on monitoring the fulfilment of debt relief conditions by those clients who are paying off their debts.

Credit risk hedging instruments
The Group has not entered into any credit derivative transactions to hedge or reallocate its credit exposures.

Credit risk of financial derivatives
The daily calculation of counterparty risk associated with financial derivatives is based on the Credit Value at Risk (CVaR) indicator. This indicator projects potential adverse development in the market value of a derivative and the potential loss that the Group may incur if a counterparty fails to fulfil its obligations. The maximum potential exposure is calculated at the 99% probability level and depends on the current market value and type of derivative product, the time remaining until maturity of the derivative transaction, as well as the nominal value and volatility of the underlying assets.

As of 31 December 2023, the Group had a credit exposure of CZK 392,504 million (2022: CZK 195,219 million) on financial derivative instruments and repo operations, including those with central banks (expressed in CVaR). This amount represents the gross replacement cost at market prices for all outstanding agreements to this date. The netting agreements and parameters of the collateral agreements are taken into account where applicable.

The Group puts limits on exposures to counterparties from financial derivatives in order to avoid excessive credit exposures to individual clients that could arise from movements in market prices. The Group monitors compliance with limits on a daily basis. If these are exceeded, an appropriate alert is triggered and action is taken when relevant. In the event that a limit breach is triggered by the deliberate action of a dealer ("active limit breach"), such behaviour is penalised. The Board of Directors is informed about active limit breaches on a regular basis.

Geopolitical situation
The Group is continuously monitoring and evaluating effects of the war in Ukraine on its activities and on its clients (which in the overwhelming majority of cases are secondary and indirect impacts, mainly due to clients' dependence on strategic raw materials). The Group believes that the geopolitical risk is correctly reflected in the rating of the clients concerned and considers the clients' situations to be stable. An exception is a sensitive exposure in the amount of CZK 4.1 billion to clients who operate gas pipelines and whose situation the Group specifically monitors. If necessary, the Group will respond to the changing situation with measures on the part of its policies and accounting estimates, including adjustments to its provisioning models according to IFRS 9.

(B) Market risk

Segmentation of the Group's financial operations
For market risk management purposes, the Group's activities are internally separated into two books: the Market Book and the Structural Book. The Market Book consists of transactions initiated by investment banking activities and the treasury desk (interbank and individually priced deposits/loans, repos/reverse repos, securities classified as held for trading, and derivatives originated by investment banking). The Structural Book consists principally of business transactions (lending, accepting deposits, amounts due to and from customers), hedging transactions relevant to the Structural Book, and other transactions not included in the Market Book.

Products generating market risk in the Market Book
Products that are traded by the Group and generate market risk include interbank loans and deposits, currency transactions (spots, swaps, forwards), interest rate instruments (interest rate swaps, cross currency swaps, forward rate agreements, interest rate futures, and futures on debt securities), government and corporate bonds, and bills of exchange programmes.

More complex derivatives (options, commodity derivatives, structured derivatives) which are sold to clients are immediately offset on the market by doing "back-to-back" trades in the interbank market, mostly with Société Générale. The market risks associated with these derivatives (e.g. forex risk, interest risk, volatility risk, correlation risk) arises between closing transactions with Société Générale and client transactions where we either do not have a CSA collateral agreement with the particular client or the collateral currency differs from the agreed collateral currency under the CSA agreement with Société Générale.

Market risk management in the Market Book

The Group uses a system of market risk limits with the objective of limiting potential losses due to movements in market prices by limiting the size of the risk exposure.

The Group monitors compliance with all limits on a daily basis. If these are exceeded, it takes corrective action to reduce the risk exposure. The Board of Directors is informed on a monthly basis about developments in the exposure to market risk.

In order to measure the extent of market risk inherent in the activities of the Market Book, the Group uses the one-day historical 99% Value-at-Risk (hereafter only "VaR") concept. VaR is calculated using full revaluation of the position by means of historical market price scenarios. This method reflects correlations between various financial markets and underlying instruments on a non-parametric basis, as it uses scenarios simulating one-day variations of relevant market parameters over a period of time limited to the past 260 business days. The resulting 99% VaR indicator captures the loss that would be incurred after eliminating the 1% of the most unfavourable occurrences. This estimate is calculated as the average of the second- and third-largest potential losses out of the 260 scenarios considered.

The VaR for a one-day horizon with a confidence level of 99% was CZK (19) million as of 31 December 2023 (2022: CZK (56) million). The average VaR was CZK (34) million in 2023 (2022: CZK (57) million).

The accuracy of the VaR model is validated through a back-testing calculation, whereby actual trading results and hypothetical results (i.e. results excluding deals closed during the day) are compared with the VaR results. The actual results should not exceed VaR more frequently than on 1% of the days within a given period. There were three P&L vs. VaR breaches in 2023, which is in line with the methodological assumptions of the model.

In addition, the Group performs stress tests on a daily basis which capture losses potentially generated by larger shocks. These stress events have a lower probability of occurrence than VaR scenarios, and they measure potential losses relevant to the risk exposure in the Market Book. Several types of stress tests for foreign exchange and interest rate exposures are used. These are developed either based upon actual crisis situations in the past (such as the Lehman bankruptcy in 2008) or from a hypothetical crisis that could negatively influence the performance of the Market Book.

Such additional specific metrics as sensitivities to market parameters or size of exposure are used to obtain a detailed picture of risks and strategies.

The Group uses Société Générale Group's VaR and stress tests methodology and the Group's software for market risk management.

Market risk in the Structural Book

The Group manages foreign exchange risk so as to minimise risk exposures. In order to achieve this, the foreign exchange position of the Structural Book is measured on a daily basis and subsequently hedged according to established rules. For the purpose of hedging foreign exchange positions within the Structural Book, the Group uses standard currency instruments in the interbank market, such as currency spots and forwards.

Interest rate risk within the Structural Book is monitored and measured using a static gap analysis, sensitivity of net present value to a parallel shift of the yield curve, and sensitivity of net interest income to a parallel shift of the yield curve.

The indicators are monitored separately for CZK, USD, EUR, and the sum of other foreign currencies.

The indicator of the Group's sensitivity to a change in market interest rates is measured based upon the assumption of an instantaneous, one-off, and adverse parallel shift of the market yield curve by 0.1% p.a. It is determined as the present value of the costs of closing out the Group's open interest rate position after the adverse change of interest rates has occurred. As of 31 December 2023, for the hypothetical assumption of a 0.1% change in market interest rates, the CZK interest rate risk sensitivity was CZK (27) million (2022: CZK (149) million), the EUR sensitivity was CZK (12) million (2022: CZK 10 million), the USD sensitivity was CZK 3 million (2022: CZK 3 million), and for other currencies, it was CZK (1) million (2022: CZK (0.2) million).

In order to hedge against interest rate risk within the Structural Book, the Group uses both standard derivative instruments available in the interbank market (such as forward rate agreements and interest rate swaps) and appropriate investments in securities or a favourable selection of interest rate parameters for other assets and liabilities.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 in the context of the IBOR reform

Interest rate benchmark reform
The reform of interbank interest rate benchmarks (IBOR: InterBank Offered Rates), initiated by the Financial Stability Board in 2014, aimed at replacing these benchmarks with alternative rates, in particular, the Risk-Free Rates (RFR). This reform was accelerated on 5 March 2021, when the Financial Conduct Authority, which is in charge of supervising LIBOR, announced its end dates:
- USD LIBOR: The publication of the main settings ceased at the end of June 2023;
- GBP, CHF, JPY, and EUR LIBOR: The publication of these benchmarks ceased at the end of 2021.

At the same time, regarding the major benchmarks of the euro area:
- EURIBOR: Although there was uncertainty regarding the prospective use and existence of EURIBOR in the beginning phase of the reform, currently EMMI (the European Money Markets Institute), which administers the interest rate benchmarks, does not contemplate discontinuing its publication. EURIBOR will thus continue to be used in the coming years;
- EONIA: EONIA ceased its publication at the end of 2021. The replacement reference rate recommended by the working group on risk-free euro rates established by the European Central Bank is €STR/ESTER.

The IBOR reform currently does not include the CZK main interest rate benchmark – PRIBOR.

Reflection of changes
Despite the fact that the main currencies and benchmarks in the Group's financing and interest-rate hedging business remain CZK/PRIBOR and EUR/EURIBOR, the Group performed an upgrade of its tools and processes to be able to deal in RFR-based products and, thereby, to ensure its post-LIBOR and post-EONIA business continuity.

In the area of investment banking:
- RFRs ESTER, SOFR, SARON and SONIA were implemented in trading and risk management tools, and relevant valuation curves were set up;
- New RFR-linked products and related processes and methodological guidelines were prepared and approved;
- The production of EONIA- and LIBOR-referencing products gradually ceased in spring 2021 and the Group's Investment Banking has been providing its clients with alternate solutions;
- Accession has been made to the ISDA 2020 IBOR Fallbacks Protocol, which covers all ISDA Master Agreement and Credit Support Annex (CSA) transactions;
- All original transactions referencing the EONIA and LIBOR reference rates (terminated at the end of 2021) were renegotiated in 2021; the existing 1M and 3M USD LIBOR transactions (i.e. those with reference rates expired on 30 June 2023) were renegotiated in the first half of 2023;
- As for the implementation of Term-RFR rates, only CME Term-SOFR rate, approved by the regulator and Société Générale Group management, was introduced within our business systems and the risk management systems;
- All concerned CSAs and CMAs containing collateral management on terminated benchmarks, were either amended or agreed with counterparties on applying the fallback rates without a need for formal amendment of the contract; these changes were also reflected into instruments evidencing the provided/accepted collateral, so-called Call Accounts.

In the area of commercial banking:
- The RFRs needed for the transitions from the discontinued benchmarks were implemented in the Group's central system, namely: ESTER, SOFR, SARON, TONAR, and SONIA. Furthermore, the Group implemented Term SOFR (provided by CME) derived from RFR SOFR, which were supported by regulators as suitable for replacing USD LIBOR term rates;
- Contracts referencing to reference interest rates ending on 30 June 2023 (USD LIBOR) were renegotiated with reference to RFR or linked to RFR based on statutory or contractual "fallback" rules.

(C) Financial derivatives

The Group operates a system of market risk and counterparty limits designed to restrict disproportionate exposures due to movements in market prices and counterparty concentrations. The Group also monitors adherence to all limits on a daily basis. It follows up on any breaches of these limits and takes corrective action to reduce the risk exposure.

The following tables set out nominal and fair values of financial derivative instruments categorised as held for trading and hedging.

Financial derivative instruments designated as held for trading are as follow:

(CZKm)	31 Dec 2023 Nominal value		31 Dec 2022 Nominal value		31 Dec 2023 Fair value		31 Dec 2022 Fair value	
	Assets	Liabilities	Assets	Liabilities	Positive	Negative	Positive	Negative
Interest rate instruments								
Interest rate swaps	2,265,694	2,265,694	1,948,676	1,948,676	14,049	14,881	25,691	28,806
Interest rate forwards and futures*	1,603,318	1,603,318	447,215	447,215	10	0	1	0
Interest rate options	116,176	116,176	113,293	113,293	840	840	1,258	1,258
Total interest rate instruments	**3,985,188**	**3,985,188**	**2,509,184**	**2,509,184**	**14,899**	**15,721**	**26,950**	**30,064**
Foreign currency instruments								
Currency swaps	553,382	553,720	565,147	565,191	4,507	4,587	8,590	8,083
Cross currency swaps	232,729	233,703	249,738	249,271	6,888	8,112	9,352	8,994
Currency forwards	80,791	84,992	151,937	160,919	452	3,798	1,295	7,094
Purchased options	77,409	77,274	56,636	58,842	2,089	0	1,090	0
Sold options	77,274	77,410	58,842	56,637	0	2,090	0	1,090
Total currency instruments	**1,021,585**	**1,027,099**	**1,082,300**	**1,090,860**	**13,936**	**18,587**	**20,327**	**25,261**
Other instruments								
Forwards on debt securities	6	6	32	32	0	0	0	0
Purchased share options	988	988	988	988	8	0	24	0
Sold share options	988	988	988	988	0	8	0	24
Total other instruments	**1,982**	**1,982**	**2,008**	**2,008**	**8**	**8**	**24**	**24**
Total	**5,008,755**	**5,014,269**	**3,593,492**	**3,602,052**	**28,843**	**34,316**	**47,301**	**55,349**

* Fair values include only forwards. Regarding futures, the Group places funds on a margin account that is used on a daily basis to settle fair value changes. Receivables arising from these margin accounts are reported within other assets.

Financial derivative instruments designated as held for trading are shown below at nominal values by remaining contractual maturity as of 31 December 2023:

(CZKm)	Up to 1 year	1 to 5 years	Over 5 years	Total
Interest rate instruments				
Interest rate swaps	496,909	1,250,669	518,116	2,265,694
Interest rate forwards and futures*	1,319,310	284,008	0	1,603,318
Interest rate options	1,807	89,918	24,451	116,176
Total interest rate instruments	**1,818,026**	**1,624,595**	**542,567**	**3,985,188**
Foreign currency instruments				
Currency swaps	520,446	32,936	0	553,382
Cross currency swaps	52,122	133,690	46,917	232,729
Currency forwards	55,011	25,780	0	80,791
Purchased options	38,394	39,015	0	77,409
Sold options	38,447	38,827	0	77,274
Total currency instruments	**704,420**	**270,248**	**46,917**	**1,021,585**
Other instruments				
Forwards on debt securities	6	0	0	6
Purchased share options	0	988	0	988
Sold share options	0	988	0	988
Total other instruments	**6**	**1,976**	**0**	**1,982**
Total	**2,522,452**	**1,896,819**	**589,484**	**5,008,755**

* The remaining contractual maturity of forward rate agreements (FRA) and futures covers the period to the fixing date when off-balance sheet exposures are reversed.

Financial derivative instruments designated as held for trading are shown below at nominal values by remaining contractual maturity as of 31 December 2022:

(CZKm)	Up to 1 year	1 to 5 years	Over 5 years	Total
Interest rate instruments				
Interest rate swaps	370,381	1,113,538	464,757	1,948,676
Interest rate forwards and futures*	362,085	85,130	0	447,215
Interest rate options	4,592	83,702	24,999	113,293
Total interest rate instruments	**737,058**	**1,282,370**	**489,756**	**2,509,184**
Foreign currency instruments				
Currency swaps	532,947	32,200	0	565,147
Cross currency swaps	54,660	147,650	47,428	249,738
Currency forwards	100,386	51,551	0	151,937
Purchased options	29,824	26,812	0	56,636
Sold options	31,389	27,453	0	58,842
Total currency instruments	**749,206**	**285,666**	**47,428**	**1,082,300**
Other instruments				
Forwards on debt securities	32	0	0	32
Purchased share options	0	988	0	988
Sold share options	0	988	0	988
Total other instruments	**32**	**1,976**	**0**	**2,008**
Total	**1,486,296**	**1,570,012**	**537,184**	**3,593,492**

* The remaining contractual maturity of forward rate agreements (FRA) and futures covers the period to the fixing date when off-balance sheet exposures are reversed.

Financial derivative instruments designated as hedging are as follow:

	31 Dec 2023 Nominal value		31 Dec 2022 Nominal value		31 Dec 2023 Fair value		31 Dec 2022 Fair value	
(CZKm)	Assets	Liabilities	Assets	Liabilities	Positive	Negative	Positive	Negative
Interest rate swaps for fair value hedging	1,089,493	1,089,493	1,081,670	1,081,670	6,695	30,090	17,488	55,266
Interest rate swaps for portfolio fair value hedging	20,350	20,350	31,150	31,150	450	479	1,114	880
Cross currency swaps for cash flow hedging	34,326	34,287	47,302	46,059	877	672	2,526	596
Cross currency swaps for fair value hedging	13,080	12,363	13,080	12,058	553	0	444	0
Forwards on stocks for cash flow hedging	71	71	69	69	17	0	8	2
Forwards on stocks for fair value hedging	48	47	45	45	6	0	2	2
Total	**1,157,368**	**1,156,611**	**1,173,316**	**1,171,051**	**8,598**	**31,241**	**21,582**	**56,746**

Remaining contractual maturities of derivatives designated as hedging are shown below as of 31 December 2023:

(CZKm)	Up to 1 year	1 to 5 years	Over 5 years	Total
Interest rate swaps for fair value hedging	167,820	542,326	379,347	1,089,493
Interest rate swaps for portfolio fair value hedging	5,200	11,850	3,300	20,350
Cross currency swaps for cash flow hedging	11,352	22,892	82	34,326
Cross currency swaps for fair value hedging	0	13,080	0	13,080
Forwards on stocks for cash flow hedging	15	56	0	71
Forwards on stocks for fair value hedging	27	21	0	48
Total	**184,414**	**590,225**	**382,729**	**1,157,368**

Remaining contractual maturities of derivatives designated as hedging are shown below as of 31 December 2022:

(CZKm)	Up to 1 year	1 to 5 years	Over 5 years	Total
Interest rate swaps for fair value hedging	143,440	513,494	424,736	1,081,670
Interest rate swaps for portfolio fair value hedging	12,900	13,500	4,750	31,150
Cross currency swaps for cash flow hedging	15,765	29,556	1,981	47,302
Cross currency swaps for fair value hedging	0	13,080	0	13,080
Forwards on stocks for cash flow hedging	13	56	0	69
Forwards on stocks for fair value hedging	29	16	0	45
Total	**172,147**	**569,702**	**431,467**	**1,173,316**

Shown below are the undiscounted cash flows from derivatives designated for cash flow hedging according to the periods within which they are expected to affect profit or loss:

	31 Dec 2023			31 Dec 2022		
(CZKm)	Up to 1 year	1 to 5 years	Over 5 years	Up to 1 year	1 to 5 years	Over 5 years
Floating cash flows from cash flow hedging derivatives	434	447	0	1,230	1,037	5

The Group treats as hedges only those contracts for which it is able to demonstrate that all criteria set out in IAS 39 for recognising the transactions as hedges have been met. The Group's strategy remains unchanged in line with IAS 39.

During 2023, the Group recorded the following hedges:

1. Interest rate risk hedging:
   a. The fair values of long-term loans provided and of investments in long-term government securities classified into the "Hold to collect contractual cash flows and sell" business model and investments in long-term securities classified into the "Hold to collect contractual cash flows" business model are hedged by interest rate swaps and cross currency swaps, respectively;
   b. The fair values of issued long-term mortgage bonds classified into the *'Securities issued'* portfolio are hedged by interest rate swaps;
   c. The fair values of fixed-rate deposits, loans taken, or repos are hedged by interest rate swaps;
   d. Future cash flows from a portfolio of current assets traded on the interbank market and from loans to clients are hedged by a portfolio of interest rate swaps or cross currency swaps (cash flows will materialise on an ongoing basis and will also affect the Group's Statement of Income on an ongoing basis);

e. Future cash flows from a portfolio of short-term liabilities traded on the interbank market and liabilities to clients are hedged by a portfolio of interest rate swaps or cross currency swaps (cash flows will materialise on an ongoing basis and will also affect the Group's Statement of Income on an ongoing basis);
f. The fair values of a portfolio of current and savings accounts from clients are hedged by a portfolio of interest rate swaps and cross currency swaps.

2. Foreign exchange risk hedging:
   a. In selected material cases, the Group hedges the future cash flows of firm commitments arising from the Group's contractual obligations (e.g. contractual payments to third parties in a foreign currency) or receivables of the Group (e.g. receivables from contractual partners). The hedging instrument consists of foreign currency assets (e.g. short-term loans on the interbank market) or foreign currency liabilities (e.g. short-term client liabilities), respectively;
   b. Foreign currency flows arising from the issue of mortgage-backed bonds are hedged by cross currency swaps.

3. Share price risk hedging:

   a. A portion of the bonus of selected Group employees is paid in cash equivalents of the Komerční banka, a.s. share price. The Group hedges the risk of change in the Komerční banka, a.s. share price. Hedging instruments are forwards on stocks.

4. Hedging of an investment in foreign subsidiaries:
   a. The foreign exchange risk associated with investments in subsidiaries is hedged by selected foreign currency liabilities (e.g. short-term client liabilities).

The Group does not report any instance of hedge accounting being applied to a highly probable forecasted transaction that is no longer anticipated to be effected.

In 2023, the loss from the ineffectiveness of hedging relationships was in the amount of CZK 1 million (2022: gain of CZK 8 million).

Further information on hedges is provided in Notes 3, 5, and 7 to these Consolidated Financial Statements.

(D) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent that instrument is exposed to interest rate risk. Market developments have led to a situation where interest rates are negative in certain currencies. This fact does not change the essence of interest rate risk measurement and management because the principle of recognising changes in interest rates over time remains unchanged just as the concept of hedging against interest rate risk by matching volumes with changing values within the given period remains valid. Due to legal and technical limitations, methods to prevent negative rates from being applied at the client's level can be applied with the objective of maintaining accordance between a transaction's contractual and economic natures. With respect to ongoing market practice, client deposits are seeing the introduction of deposit fees, which constitute a specific response to the existence of negative market interest rates and also comply with the requirements given by limitations ensuing from the existing legal framework.

The Group uses internal models for managing interest rate risk. The objective of these models is to describe the expected economic behaviour of the Group's clients when market interest rates fluctuate. It is the policy of the Group's management to manage the exposure to fluctuations in net interest income arising from changes in interest rates through a gap analysis of assets and liabilities in individual groups. Further information about interest rate risk management is provided in Section (B) of this Note.

The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that reprice to a market rate of interest before maturity, the next repricing date. Those assets and liabilities that do not have contractual maturities or repricing dates were grouped into the *'Undefined'* category.

The table includes a breakout of other assets and liabilities not within the scope of financial instruments as defined in IAS 32.

(CZKm)	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unde-fined****	Total
Assets						
Cash and current balances with central banks	12,835	0	0	0	0	12,835
Financial assets and other assets held for trading at fair value through profit or loss	19,621	0	0	0	28,843	48,464
Non-trading financial assets at fair value through profit or loss	0	0	0	0	0	0
Positive fair values of hedging financial derivatives	0	0	0	0	8,598	8,598
Financial assets at fair value through other comprehensive income	993	3,244	3,369	10,618	(1,441)	16,783
Financial assets at amortised cost	739,209	105,401	350,890	171,143	30,780	1,397,423
– Loans and advances to banks	406,088	4,290	130	882	254	411,644
– Loans and advances to customers	334,137	79,456	306,212	81,752	31,985	833,542
– Debt securities	(1,016)	21,655	44,548	88,509	(1,459)	152,237
Revaluation differences on portfolios hedge items	0	0	0	0	(815)	(815)
Current tax assets	0	0	0	0	643	643
Deferred tax assets	0	0	0	0	223	223
Prepayments, accrued income, and other assets	0	0	0	0	6,279	6,279
Investments in subsidiaries and associates	0	0	0	0	3,047	3,047
Intangible assets	0	0	0	0	10,192	10,192
Tangible assets	0	0	0	0	8,034	8,034
Goodwill	0	0	8	8	3,736	3,752
Assets held for sale	0	0	0	0	844	844
Total assets	**772,658**	**108,645**	**354,267**	**181,769**	**98,963**	**1,516,302**
Liabilities						
Amounts due to central banks	0	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss	25,890	0	0	0	34,316	60,206
Negative fair values of hedging financial derivatives	0	0	0	0	31,241	31,241
Financial liabilities at amortised cost	351,296	60,923	47,696	7,055	780,803	1,247,773
– Amounts due to banks	80,550	1,999	5,237	883	17,025	105,694
– Amounts due to customers*	270,563	58,643	28,934	5,323	763,764	1,127,227
– Securities issued	68	0	12,363	0	0	12,431
– Lease liabilities	115	281	1,162	849	14	2,421
Revaluation differences on portfolios hedge items	0	0	0	0	(34,944)	(34,944)
Current tax liabilities	0	8	0	0	217	225
Deferred tax liabilities	0	0	0	0	782	782
Accruals and other liabilities	0	0	0	0	17,321	17,321
Provisions	0	0	0	0	854	854
Subordinated and senior non-preferred debt	64,560	0	0	0	0	64,560
Total liabilities	**441,746**	**60,931**	**47,696**	**7,055**	**830,590**	**1,388,018**
Statement of Financial Position interest rate gap as of 31 December 2023	**330,912**	**47,714**	**306,571**	**174,714**	**(731,627)**	**128,284**
Nominal value of derivatives**	3,482,281	1,180,565	482,869	229,451	0	5,375,166
Total off-balance sheet assets	**3,482,281**	**1,180,565**	**482,869**	**229,451**	**0**	**5,375,166**
Nominal value of derivatives**	3,582,161	1,154,340	493,668	145,215	0	5,375,384
Undrawn portion of loans***	(7,844)	(6,924)	9,480	5,288	0	0
Undrawn portion of revolving loans***	0	0	0	0	0	0
Total off-balance sheet liabilities	**3,574,317**	**1,147,416**	**503,148**	**150,503**	**0**	**5,375,384**
Net off-balance sheet interest rate gap as of 31 December 2023	**(92,036)**	**33,149**	**(20,279)**	**78,948**	**0**	**(218)**
Cumulative interest rate gap as of 31 December 2023	**238,876**	**319,739**	**606,031**	**859,693**	**128,066**	**x**

* In column Undefined are principally included client deposits for which there is no information about contractual maturity or repricing date.
** Assets and liabilities arising from derivatives include interest rate swaps, interest rate forwards and futures, interest rate options, and cross currency swaps.
*** Undrawn loans and revolving loans are reported on a net basis (i.e. the Group reports both the expected drawings and repayments within one line). This line does not reflect commitments for which no interest rate has been set.
**** The column Undefined also contains a revaluation to fair value of financial assets and financial liabilities.

(CZKm)	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unde-fined****	Total
Assets						
Cash and current balances with central banks	14,190	0	0	0	0	14,190
Financial assets and other assets held for trading at fair value through profit or loss	9,968	0	0	0	47,301	57,269
Non-trading financial assets at fair value through profit or loss	139	0	0	0	(7)	132
Positive fair values of hedging financial derivatives	0	0	0	0	21,582	21,582
Financial assets at fair value through other comprehensive income	3,307	133	7,277	26,005	(6,551)	30,171
Financial assets at amortised cost	526,001	89,829	310,568	202,955	24,785	1,154,138
– Loans and advances to banks	231,310	955	450	0	683	233,398
– Loans and advances to customers	294,528	72,744	275,490	108,407	30,294	781,463
– Debt securities	163	16,130	34,628	94,548	(6,192)	139,277
Revaluation differences on portfolios hedge items	0	0	0	0	(2,550)	(2,550)
Current tax assets	0	0	0	0	83	83
Deferred tax assets	0	0	0	0	202	202
Prepayments, accrued income, and other assets	0	0	0	0	5,797	5,797
Investments in subsidiaries and associates	0	0	0	0	2,652	2,652
Intangible assets	0	0	0	0	9,030	9,030
Tangible assets	0	0	0	0	8,762	8,762
Goodwill	0	0	0	0	3,752	3,752
Assets held for sale	0	13	0	0	81	94
Total assets	**553,605**	**89,975**	**317,845**	**228,960**	**114,919**	**1,305,304**
Liabilities						
Amounts due to central banks	0	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss	11,600	0	0	0	55,349	66,949
Negative fair values of hedging financial derivatives	0	0	0	0	56,746	56,746
Financial liabilities at amortised cost	168,219	35,939	53,407	12,062	780,710	1,050,337
– Amounts due to banks	60,052	1,620	4,094	2,197	17,213	85,176
– Amounts due to customers*	107,961	34,034	36,031	9,183	763,484	950,693
– Securities issued	99	0	12,057	0	0	12,156
– Lease liabilities	107	285	1,225	682	13	2,312
Revaluation differences on portfolios hedge items	0	0	0	0	(52,689)	(52,689)
Current tax liabilities	0	9	0	0	1,520	1,529
Deferred tax liabilities	0	0	0	0	1,080	1,080
Accruals and other liabilities	0	0	0	0	16,831	16,831
Provisions	0	0	0	0	1,151	1,151
Subordinated and senior non-preferred debt	38,694	0	0	0	0	38,694
Total liabilities	**218,513**	**35,948**	**53,407**	**12,062**	**860,698**	**1,180,628**
Statement of Financial Position interest rate gap as of 31 December 2022	**335,092**	**54,027**	**264,438**	**216,898**	**(745,779)**	**124,676**
Nominal value of derivatives**	1,568,009	780,430	1,071,386	512,299	0	3,932,124
Total off-balance sheet assets	**1,568,009**	**780,430**	**1,071,386**	**512,299**	**0**	**3,932,124**
Nominal value of derivatives**	1,692,006	790,324	1,027,700	419,362	0	3,929,392
Undrawn portion of loans***	(8,878)	(13,567)	7,369	15,076	0	0
Undrawn portion of revolving loans***	0	0	0	0	0	0
Total off-balance sheet liabilities	**1,683,128**	**776,757**	**1,035,069**	**434,438**	**0**	**3,929,392**
Net off-balance sheet interest rate gap as of 31 December 2022	**(115,119)**	**3,673**	**36,317**	**77,861**	**0**	**2,732**
Cumulative interest rate gap as of 31 December 2022	**219,973**	**277,673**	**578,428**	**873,187**	**127,408**	**x**

* In column Undefined are principally included client deposits for which there is no information about contractual maturity or repricing date.
** Assets and liabilities arising from derivatives include interest rate swaps, interest rate forwards and futures, interest rate options, and cross currency swaps.
*** Undrawn loans and revolving loans are reported on a net basis (i.e. the Group reports both the expected drawings and repayments within one line). This line does not reflect commitments for which no interest rate has been set.
**** The column Undefined also contains a revaluation to fair value of financial assets and financial liabilities.
Note: Restated figures for 2022 due to first-time application of IFRS 17 (refer to Note 3.6.1).

Average interest rates as of 31 December 2023 and 2022 were as follow:

	31 Dec 2023			31 Dec 2022		
	CZK	USD	EUR	CZK	USD	EUR
Assets						
Cash and current balances with central banks	4.13%	x	x	0.35%	x	x
Financial assets at fair value through other comprehensive income	1.93%	x	1.56%	1.79%	x	1.52%
Financial assets at amortised cost	4.88%	6.74%	4.42%	4.56%	5.16%	2.45%
– Loans and advances to banks	6.30%	6.13%	3.58%	6.19%	4.29%	1.81%
– Loans and advances to customers	4.35%	7.39%	4.71%	4.26%	6.04%	2.76%
– Debt securities	3.01%	0.00%	3.79%	2.84%	0.00%	4.23%
Total assets	**4.70%**	**6.33%**	**4.21%**	**4.20%**	**4.97%**	**2.30%**
Total interest-earning assets	**4.79%**	**6.52%**	**4.24%**	**4.37%**	**4.98%**	**2.31%**
Liabilities						
Amounts due to central banks	0.00%	x	x	0.00%	x	x
Financial liabilities at amortised cost	1.39%	3.72%	1.38%	0.85%	1.44%	0.47%
– Amounts due to banks	1.89%	5.48%	3.23%	(3.03%)	4.08%	1.38%
– Amounts due to customers	1.38%	0.70%	0.34%	0.90%	0.64%	0.04%
– Securities issued	2.10%	x	x	2.22%	x	x
– Lease liabilities	2.82%	x	2.55%	2.33%	x	1.20%
Subordinated and senior non-preferred debt	x	x	5.96%	x	x	3.93%
Total liabilities	**1.39%**	**3.67%**	**2.55%**	**0.84%**	**1.35%**	**1.08%**
Total interest-bearing liabilities	**1.51%**	**3.72%**	**2.59%**	**0.88%**	**1.44%**	**1.13%**
Off-balance sheet assets						
Nominal value of derivatives (interest rate swaps, options, etc.)	1.73%	3.30%	0.75%	1.46%	2.58%	0.44%
Undrawn portion of loans	7.96%	x	4.78%	4.34%	x	2.89%
Undrawn portion of revolving loans	9.09%	6.32%	4.13%	8.86%	5.52%	2.07%
Total off-balance sheet assets	**1.93%**	**3.27%**	**0.88%**	**1.65%**	**2.57%**	**0.49%**
Off-balance sheet liabilities						
Nominal value of derivatives (interest rate swaps, options, etc.)	1.73%	2.84%	0.67%	1.42%	2.21%	0.36%
Undrawn portion of loans	7.96%	x	4.78%	4.34%	x	2.89%
Undrawn portion of revolving loans	9.09%	6.32%	4.13%	8.86%	5.52%	2.07%
Total off-balance sheet liabilities	**1.93%**	**2.82%**	**0.79%**	**1.61%**	**2.20%**	**0.40%**

Note: The table above sets out the average interest rates for December 2023 and 2022 calculated as a weighted average for each asset and liability category.

The 2W repo rate announced by the CNB decreased during 2023 from 7.00% to 6.75%. Czech crown money market rates (PRIBOR) fell by 0.31% (1M) and by 1.56% (12M). Rates on interest rate swaps decreased by 1.30% (10Y) and by 2.09% (2Y).

Euro money market rates increased during 2023 by 1.96% (1M) and by 0.22% (12M), and the rates on interest rate swaps decreased by 0.57% (2Y) and by 0.67% (10Y).

The dollar money market rate SOFR increased during 2023 by 1.10% (ON) and the rate on interest rate swaps decreased by 0.38% (10Y) and by 0.61% (2Y).

Following is a breakdown of financial assets and liabilities by their exposure to interest rate fluctuations:

	31 Dec 2023				31 Dec 2022			
(CZKm)	Fixed interest rate	Floating interest rate	No interest	Total	Fixed interest rate	Floating interest rate	No interest	Total
Assets								
Cash and current balances with central banks	0	0	12,835	12,835	0	5,137	9,053	14,190
Financial assets and other assets held for trading at fair value through profit or loss	19,547	74	28,843	48,464	9,118	851	47,300	57,269
Non-trading financial assets at fair value through profit or loss	0	0	0	0	0	132	0	132
Positive fair values of hedging financial derivatives	6	0	8,592	8,598	4	0	21,578	21,582
Financial assets at fair value through other comprehensive income	16,730	0	53	16,783	30,119	0	52	30,171
Financial assets at amortised cost	755,190	635,004	7,229	1,397,423	669,558	477,341	7,239	1,154,138
– Loans and advances to banks	43,502	366,929	1,213	411,644	938	231,378	1,082	233,398
– Loans and advances to customers	570,843	256,683	6,016	833,542	544,215	231,091	6,157	781,463
– Debt securities	140,845	11,392	0	152,237	124,405	14,872	0	139,277
Revaluation differences on portfolios hedge items	0	0	(815)	(815)	0	0	(2,550)	(2,550)
Liabilities								
Amounts due to central banks	0	0	0	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss	0	0	60,206	60,206	0	0	66,949	66,949
Negative fair values of hedging financial derivatives	0	0	31,241	31,241	0	0	56,746	56,746
Financial liabilities at amortised cost	93,417	1,151,042	3,314	1,247,773	91,596	956,539	2,202	1,050,337
– Amounts due to banks	28,571	77,075	48	105,694	24,043	60,941	192	85,176
– Amounts due to customers*	49,994	1,073,967	3,266	1,127,227	53,085	895,598	2,010	950,693
– Securities issued	12,431	0	0	12,431	12,156	0	0	12,156
– Lease liabilities	2,421	0	0	2,421	2,312	0	0	2,312
Revaluation differences on portfolios hedge items	0	0	(34,944)	(34,944)	0	0	(52,689)	(52,689)
Subordinated and senior non-preferred debt	0	64,560	0	64,560	0	38,694	0	38,694

* This item in the column 'Floating interest rate' principally includes client deposits where the Group has the option to reset interest rates, and hence they are not sensitive to interest rate changes.

Note: Individual assets and liabilities are split into the categories of 'Fixed interest rate', 'Floating interest rate', and 'No interest' according to contractual parameters defining the interest rate structure. For this purpose, a fixed interest rate is defined as a rate with a repricing period exceeding 1 year. Products having no parameters defining their interest rate structure are included in the 'No interest' category.

(E) Liquidity risk

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments.

Liquidity risk management is based upon the liquidity risk management system approved by the Bank's Board of Directors. Liquidity is monitored on a bank-wide level, with the Market Book also having a standalone limit. The Group has established its liquidity risk management rules such that it maintains its liquidity profile in normal conditions (basic liquidity scenario) and in crisis conditions (crisis liquidity scenario). As such, the Group has defined a set of indicators for which binding limits are established.

The Group is exposed to daily calls on its available cash resources from derivatives, overnight deposits, current accounts, maturing deposits, loan drawdowns, and guarantees. The Group's experience has shown the amount of daily such settlements can be predicted with reasonable precision, and therefore the Group sets limits on the minimum proportion of maturing funds that must be available to meet such calls and on the minimum level of interbank and other borrowing facilities (mainly reverse repo transactions with CNB) that should be in place to cover withdrawals at unexpectedly high levels of demand.

The liquidity risk of the Group is managed as stated above (and in particular not on the basis of undiscounted cash flows).

The table below provides a breakdown of assets, liabilities, and equity into relevant maturity groupings based on the remaining period from the financial statements date to the contractual maturity date. The table includes a breakout of other assets and liabilities not within the scope of financial instruments as defined in IAS 32.

(CZKm)	On demand up to 7 days	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined**	Total
Assets							
Cash and current balances with central banks	4,530	0	0	0	0	8,305	12,835
Financial assets and other assets held for trading at fair value through profit or loss	0	0	543	2,107	16,424	29,390	48,464
Non-trading financial assets at fair value through profit or loss	0	0	0	0	0	0	0
Positive fair values of hedging financial derivatives	0	0	0	0	6	8,592	8,598
Financial assets at fair value through other comprehensive income	3,263	1	2,349	3,281	9,375	(1,486)	16,783
Financial assets at amortised cost	465,255	56,916	166,687	358,743	350,595	(773)	1,397,423
– Loans and advances to banks	395,459	13,036	431	1,836	882	0	411,644
– Loans and advances to customers	69,796	43,869	154,667	308,218	256,306	686	833,542
– Debt securities	0	11	11,589	48,689	93,407	(1,459)	152,237
Revaluation differences on portfolios hedge items	0	0	0	0	0	(815)	(815)
Current tax assets	643	0	0	0	0	0	643
Deferred tax assets	124	0	1	0	0	98	223
Prepayments, accrued income, and other assets	3,630	626	1,375	0	0	648	6,279
Investments in subsidiaries and associates	0	0	0	0	0	3,047	3,047
Intangible assets	0	0	0	0	0	10,192	10,192
Tangible assets	0	0	0	0	0	8,034	8,034
Goodwill	0	0	0	8	8	3,736	3,752
Assets held for sale	0	0	844	0	0	0	844
Total assets	**477,445**	**57,543**	**171,799**	**364,139**	**376,408**	**68,968**	**1,516,302**
Liabilities and equity							
Amounts due to central banks	0	0	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss	25,890	0	0	0	0	34,316	60,206
Negative fair values of hedging financial derivatives	0	0	0	0	0	31,241	31,241
Financial liabilities at amortised cost	1,052,974	70,076	66,007	55,723	3,059	(66)	1,247,773
– Amounts due to banks	78,827	3,014	7,049	16,763	247	(206)	105,694
– Amounts due to customers	974,079	66,946	58,675	25,427	1,960	140	1,127,227
– Securities issued	68	0	0	12,363	0	0	12,431
– Lease liabilities	0	116	283	1,170	852	0	2,421
Revaluation differences on portfolios hedge items	0	0	0	0	0	(34,944)	(34,944)
Current tax liabilities	35	0	137	0	0	53	225
Deferred tax liabilities	458	20	58	155	0	91	782
Accruals and other liabilities	14,692	470	971	0	0	1,188	17,321
Provisions	155	112	515	0	0	72	854
Subordinated and senior non-preferred debt	0	275	0	42,032	22,253	0	64,560
Equity	0	0	0	0	0	128,284	128,284
Total liabilities and equity	**1,094,204**	**70,953**	**67,688**	**97,910**	**25,312**	**160,235**	**1,516,302**
Statement of Financial Position liquidity gap as of 31 December 2023	**(616,759)**	**(13,410)**	**104,111**	**266,229**	**351,096**	**(91,267)**	**0**
Off-balance sheet assets*	117,624	399,429	203,175	306,220	46,999	0	1,073,447
Off-balance sheet liabilities*	335,043	398,995	205,089	309,079	47,176	0	1,295,382
Net off-balance sheet liquidity gap as of 31 December 2023	**(217,419)**	**434**	**(1,914)**	**(2,859)**	**(177)**	**0**	**(221,935)**

* Off-balance sheet assets and liabilities include amounts receivable and payable arising from FX spot, fixed-term, and option contracts, as well as payables under guarantees, letters of credit, and committed facilities.

** The column 'Maturity undefined' also contains a revaluation to fair value of financial assets and financial liabilities.

(CZKm)	On demand up to 7 days	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined***	Total
Assets							
Cash and current balances with central banks	6,167	0	0	0	0	8,023	14,190
Financial assets and other assets held for trading at fair value through profit or loss	0	0	972	4,148	4,833	47,316	57,269
Non-trading financial assets at fair value through profit or loss	0	0	139	0	0	(7)	132
Positive fair values of hedging financial derivatives	0	0	0	0	4	21,578	21,582
Financial assets at fair value through other comprehensive income	1,796	1,689	3	7,272	26,005	(6,594)	30,171
Financial assets at amortised cost	215,875	104,867	112,762	286,414	440,183	(5,963)	1,154,138
– Loans and advances to banks	195,611	34,182	921	2,249	435	0	233,398
– Loans and advances to customers	20,169	70,595	105,763	247,175	337,532	229	781,463
– Debt securities	95	90	6,078	36,990	102,216	(6,192)	139,277
Revaluation differences on portfolios hedge items	0	0	0	0	0	(2,550)	(2,550)
Current tax assets	0	0	46	0	0	37	83
Deferred tax assets	127	0	2	0	0	73	202
Prepayments, accrued income, and other assets	107	459	1,129	0	0	4,102	5,797
Investments in subsidiaries and associates	0	0	0	0	0	2,652	2,652
Intangible assets	0	0	0	0	0	9,030	9,030
Tangible assets	0	0	0	0	0	8,762	8,762
Goodwill	0	0	0	0	0	3,752	3,752
Assets held for sale	0	0	94	0	0	0	94
Total assets	**224,072**	**107,015**	**115,147**	**297,834**	**471,025**	**90,211**	**1,305,304**
Liabilities and equity							
Amounts due to central banks	0	0	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss	11,600	0	0	0	0	55,349	66,949
Negative fair values of hedging financial derivatives	0	0	0	0	0	56,746	56,746
Financial liabilities at amortised cost	814,158	129,842	43,573	56,775	5,841	148	1,050,337
– Amounts due to banks	25,983	31,249	6,465	18,555	2,924	0	85,176
– Amounts due to customers	787,973	98,322	35,916	25,420	2,914	148	950,693
– Securities issued	99	0	0	12,057	0	0	12,156
– Lease liabilities	103	271	1,192	743	3	0	2,312
Revaluation differences on portfolios hedge items	0	0	0	0	0	(52,689)	(52,689)
Current tax liabilities	0	1,470	8	0	0	51	1,529
Deferred tax liabilities	632	30	91	244	0	83	1,080
Accruals and other liabilities	14,269	441	937	0	0	1,184	16,831
Provisions	646	96	225	0	0	184	1,151
Subordinated and senior non-preferred debt*	0	109	0	12,058	26,527	0	38,694
Equity	0	0	0	0	0	124,676	124,676
Total liabilities and equity	**841,305**	**131,988**	**44,834**	**69,077**	**32,368**	**185,732**	**1,305,304**
Statement of Financial Position liquidity gap as of 31 December 2022	**(617,233)**	**(24,973)**	**70,313**	**228,757**	**438,657**	**(95,521)**	**0**
Off-balance sheet assets**	248,927	376,519	207,925	270,184	47,870	0	1,151,425
Off-balance sheet liabilities**	508,651	378,172	209,781	274,705	48,122	0	1,419,431
Net off-balance sheet liquidity gap as of 31 December 2022	**(259,724)**	**(1,653)**	**(1,856)**	**(4,521)**	**(252)**	**0**	**(268,006)**

* The presentation of accrued interest on individual instruments has been adjusted and the 2022 figures have been restated.

** Off-balance sheet assets and liabilities include amounts receivable and payable arising from FX spot, fixed-term, and option contracts, as well as payables under guarantees, letters of credit, and committed facilities.

*** The column 'Maturity undefined' also contains a revaluation to fair value of financial assets and financial liabilities.

Note: Restated figures for 2022 due to first-time application of IFRS 17 (refer to Note 3.6.1).

The table below contains the remaining contractual maturities of non-derivative financial liabilities and contingent liabilities of the Group based on the undiscounted cash flows as of 31 December 2023:

(CZKm)	On demand up to 7 days	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined*	Total
Liabilities							
Amounts due to central banks	0	0	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss (except derivatives)	25,890	0	0	0	0	0	25,890
Financial liabilities at amortised cost	1,053,347	71,702	67,212	57,527	3,304	(66)	1,253,026
– Amounts due to banks	79,056	3,795	7,284	17,133	252	(206)	107,314
– Amounts due to customers	974,215	67,754	59,601	26,693	2,088	140	1,130,491
– Securities issued	76	22	0	12,365	0	0	12,463
– Lease liabilities	0	131	327	1,336	964	0	2,758
Current tax liabilities	35	0	137	0	0	53	225
Deferred tax liabilities	458	20	58	155	0	91	782
Accruals and other liabilities	14,692	470	971	0	0	1,188	17,321
Provisions	155	112	515	0	0	72	854
Subordinated and senior non-preferred debt	0	275	0	42,032	22,253	0	64,560
Total non-derivative financial liabilities	**1,094,577**	**72,579**	**68,893**	**99,714**	**25,557**	**1,338**	**1,362,658**
Other loans commitment granted	142,974	0	0	0	0	0	142,974
Guarantee commitments granted	74,206	0	0	0	0	0	74,206
Total contingent liabilities	**217,180**	**0**	**0**	**0**	**0**	**0**	**217,180**

* The column 'Maturity undefined' also contains a revaluation to fair value of financial liabilities.

The table below contains the remaining contractual maturities of non-derivative financial liabilities and contingent liabilities of the Group based on the undiscounted cash flows as of 31 December 2022:

(CZKm)	On demand up to 7 days	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined**	Total
Liabilities							
Amounts due to central banks	0	0	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss (except derivatives)	11,600	0	0	0	0	0	11,600
Financial liabilities at amortised cost	814,284	130,781	44,920	59,314	7,048	148	1,056,495
– Amounts due to banks	26,079	31,350	6,602	19,970	3,743	0	87,744
– Amounts due to customers	788,003	99,148	37,097	26,443	3,212	148	954,051
– Securities issued	99	1	0	12,061	52	0	12,213
– Lease liabilities	103	282	1,221	840	41	0	2,487
Current tax liabilities	0	1,470	8	0	0	51	1,529
Deferred tax liabilities	632	30	91	244	0	83	1,080
Accruals and other liabilities	14,269	441	937	0	0	1,184	16,831
Provisions	646	96	225	0	0	184	1,151
Subordinated and senior non-preferred debt*	0	109	0	12,058	26,527	0	38,694
Total non-derivative financial liabilities	**841,431**	**132,927**	**46,181**	**71,616**	**33,575**	**1,650**	**1,127,380**
Other loans commitment granted	187,482	0	0	0	0	0	187,482
Guarantee commitments granted	74,231	0	0	0	0	0	74,231
Total contingent liabilities	**261,713**	**0**	**0**	**0**	**0**	**0**	**261,713**

* The presentation of accrued interest on individual instruments has been adjusted and the 2022 figures have been restated.
** The column 'Maturity undefined' also contains a revaluation to fair value of financial liabilities.

(F) Foreign exchange position

The table below breaks out the Group's main currency exposures. The remaining currencies are shown within *'Other currencies'*. The Group manages its foreign exchange position on a daily basis. For this purpose, the Group has a set of internal limits.

(CZKm)	CZK	EUR	USD	Other currencies	Total
Assets					
Cash and current balances with central banks	11,601	804	203	227	12,835
Financial assets and other assets held for trading at fair value through profit or loss	43,825	4,514	31	94	48,464
Non-trading financial assets at fair value through profit or loss	0	0	0	0	0
Positive fair values of hedging financial derivatives	7,671	924	3	0	8,598
Financial assets at fair value through other comprehensive income	7,527	9,256	0	0	16,783
Financial assets at amortised cost	1,119,981	269,559	5,360	2,523	1,397,423
– Loans and advances to banks	371,320	37,042	2,873	409	411,644
– Loans and advances to customers	598,347	230,594	2,487	2,114	833,542
– Debt securities	150,314	1,923	0	0	152,237
Revaluation differences on portfolios hedge items	(815)	0	0	0	(815)
Current tax assets	643	0	0	0	643
Deferred tax assets	95	128	0	0	223
Prepayments, accrued income, and other assets	4,603	1,663	8	5	6,279
Investments in subsidiaries and associates	3,047	0	0	0	3,047
Intangible assets	10,169	23	0	0	10,192
Tangible assets	7,985	49	0	0	8,034
Goodwill	3,752	0	0	0	3,752
Assets held for sale	844	0	0	0	844
Total assets	**1,220,928**	**286,920**	**5,605**	**2,849**	**1,516,302**
Liabilities and equity					
Amounts due to central banks	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss	55,486	4,616	7	97	60,206
Negative fair values of hedging financial derivatives	30,201	977	63	0	31,241
Financial liabilities at amortised cost	1,016,795	189,497	33,975	7,506	1,247,773
– Amounts due to banks	7,550	76,721	21,419	4	105,694
– Amounts due to customers	1,007,467	99,702	12,556	7,502	1,127,227
– Securities issued	0	12,431	0	0	12,431
– Lease liabilities	1,778	643	0	0	2,421
Revaluation differences on portfolios hedge items	(30,542)	(4,130)	(272)	0	(34,944)
Current tax liabilities	188	37	0	0	225
Deferred tax liabilities	782	0	0	0	782
Accruals and other liabilities	12,950	3,762	373	236	17,321
Provisions	568	274	8	4	854
Subordinated and senior non-preferred debt	0	64,560	0	0	64,560
Equity	128,100	184	0	0	128,284
Total liabilities and equity	**1,214,528**	**259,777**	**34,154**	**7,843**	**1,516,302**
Net FX position as of 31 December 2023	**6,400**	**27,143**	**(28,549)**	**(4,994)**	**0**
Off-balance sheet assets*	4,784,128	1,120,515	226,687	39,645	6,170,975
Off-balance sheet liabilities*	4,798,544	1,144,429	198,117	34,641	6,175,731
Net off-balance sheet FX position as of 31 December 2023	**(14,416)**	**(23,914)**	**28,570**	**5,004**	**(4,756)**
Total net FX position as of 31 December 2023	**(8,016)**	**3,229**	**21**	**10**	**(4,756)**

* Off-balance sheet assets and liabilities include amounts receivable and payable arising from spot transactions and nominal values of all derivative deals.

(CZKm)	CZK	EUR	USD	Other currencies	Total
Assets					
Cash and current balances with central banks	13,117	671	164	238	14,190
Financial assets and other assets held for trading at fair value through profit or loss	49,451	7,620	61	137	57,269
Non-trading financial assets at fair value through profit or loss	0	132	0	0	132
Positive fair values of hedging financial derivatives	19,982	1,598	2	0	21,582
Financial assets at fair value through other comprehensive income	19,433	10,738	0	0	30,171
Financial assets at amortised cost	903,539	241,329	7,708	1,562	1,154,138
– Loans and advances to banks	184,505	45,054	3,433	406	233,398
– Loans and advances to customers	580,080	195,952	4,275	1,156	781,463
– Debt securities	138,954	323	0	0	139,277
Revaluation differences on portfolios hedge items	(2,550)	0	0	0	(2,550)
Current tax assets	83	0	0	0	83
Deferred tax assets	72	130	0	0	202
Prepayments, accrued income, and other assets	4,498	1,181	45	73	5,797
Investments in subsidiaries and associates	2,652	0	0	0	2,652
Intangible assets	8,999	31	0	0	9,030
Tangible assets	8,707	55	0	0	8,762
Goodwill	3,752	0	0	0	3,752
Assets held for sale	94	0	0	0	94
Total assets	**1,031,829**	**263,485**	**7,980**	**2,010**	**1,305,304**
Liabilities and equity					
Amounts due to central banks	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss	58,195	8,595	15	144	66,949
Negative fair values of hedging financial derivatives	55,123	1,522	101	0	56,746
Financial liabilities at amortised cost	848,061	178,755	18,607	4,914	1,050,337
– Amounts due to banks	15,151	65,926	4,082	17	85,176
– Amounts due to customers	831,096	100,175	14,525	4,897	950,693
– Securities issued	0	12,156	0	0	12,156
– Lease liabilities	1,814	498	0	0	2,312
Revaluation differences on portfolios hedge items	(45,676)	(6,596)	(417)	0	(52,689)
Current tax liabilities	1,523	6	0	0	1,529
Deferred tax liabilities	1,080	0	0	0	1,080
Accruals and other liabilities	12,223	3,805	522	281	16,831
Provisions	693	408	48	2	1,151
Subordinated and senior non-preferred debt	0	38,694	0	0	38,694
Equity	124,565	111	0	0	124,676
Total liabilities and equity	**1,055,787**	**225,300**	**18,876**	**5,341**	**1,305,304**
Net FX position as of 31 December 2022	**(23,958)**	**38,185**	**(10,896)**	**(3,331)**	**0**
Off-balance sheet assets*	3,340,237	1,177,184	180,062	77,147	4,774,630
Off-balance sheet liabilities*	3,329,456	1,208,501	169,001	73,968	4,780,926
Net off-balance sheet FX position as of 31 December 2022	**10,781**	**(31,317)**	**11,061**	**3,179**	**(6,296)**
Total net FX position as of 31 December 2022	**(13,177)**	**6,868**	**165**	**(152)**	**(6,296)**

* Off-balance sheet assets and liabilities include amounts receivable and payable arising from spot transactions and nominal values of all derivative deals.
Note: Restated figures for 2022 due to first-time application of IFRS 17 (refer to Note 3.6.1).

(G) Operational risk

Since 2008, the Group has used the Advanced Measurement Approach (AMA) for operational risk management. In addition to standard operational risk instruments used within the AMA approach, such as operational losses collection, Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRI), or Scenario Analysis (SA), the Group has developed and deployed also a system of permanent supervision consisting in a set of everyday operational controls and a set of formalised periodic controls. These controls are reviewed independently and on an ongoing basis within a so-called second level of controls. The Group is continually developing all the aforementioned operational risk instruments and supporting the continuous development of an operational risk culture throughout all organisational units.

The information collected by the Operational Risks Department is regularly analysed and provided to the Group's management. Based upon this information, the management may decide on further strategic steps within the framework of operational risk management. The evaluation of operational risks is also an integral component of the process for new product development and validation.

Co-operation within consolidated operational risk management has been deepened among KB Group companies. The AMA approach has been used in four Group companies, of which two are banking entities (Komerční banka, a.s. and Modrá pyramida stavební spořitelna, a.s.) and two non-banking entities (SG Equipment Finance Czech Republic s.r.o. and ESSOX s.r.o.).

(H) Legal risk

The Group regularly monitors and evaluates legal disputes filed against it. In order to cover all contingent liabilities arising from legal disputes, the Group establishes a provision equal to the claimed amount in respect of all litigation where it is named as a defendant and where the likelihood of payment has been estimated to exceed 50%. The Group also manages its legal risk through the assessment of legal risks involved in the contracts to which the Group is a party.

(I) Estimated fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price). Where available, fair value estimates are made based on quoted market prices. However, no readily available market prices exist for a significant portion of the Group's financial instruments. In circumstances where quoted market prices are not readily available, the fair value is estimated, as appropriate, using discounted cash flow models or other generally acceptable pricing models. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect these estimates.

In estimating the fair value of the Group's financial instruments, the following methods and assumptions were used.

(a) Cash and current balances with central banks
The reported values of cash and current balances with the central bank are generally deemed to approximate their fair value.

(b) Financial assets at amortised cost

Loans and advances to banks
The estimated fair value of loans and advances to banks that mature in 180 days or less approximates their carrying amounts. The fair value of other loans and advances to banks is estimated based upon discounted cash flow analysis using interest rates currently offered for investments with similar terms (market rates adjusted to reflect credit risk). The fair value of non-performing loans and advances to banks is estimated using a discounted cash flow analysis, including the potential realisation of the underlying collateral.

Loans and advances to customers
The fair value of variable yield loans that regularly reprice and which have no significant change in credit risk generally approximates their carrying value. The fair value of loans at fixed interest rates is estimated using discounted cash flow analysis based upon interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The fair value of non-performing loans is estimated using a discounted cash flow analysis, including the potential realisation of the underlying collateral.

Debt securities
The fair value of debt securities is based upon quoted market prices. Where no market prices are available, the fair value is estimated based on discounted cash flow models using the interest rate currently offered as of the date of the financial statements.

(c) Amounts due to central banks
The reported values of amounts due to central banks are generally deemed to approximate their fair value.

(d) Financial liabilities at amortised cost

Amounts due to banks and Amounts due to customers
The fair value of deposits repayable on demand is represented by the carrying value of amounts repayable on demand as of the financial statements date. The carrying value of term deposits at variable interest rates approximates their fair values as of the financial statements date. The fair value of deposits at fixed interest rates is estimated by discounting their future cash flows using market interest rates. Amounts due to banks and customers at fixed interest rates represent only a fraction of the total carrying value and hence the fair value of total amounts due to banks and customers approximates the carrying values as of the financial statements date.

Securities issued
The fair value of debt securities issued by the Group is based upon quoted market prices. Where no market prices are available, the fair value is estimated using a discounted cash flow analysis.

(e) Subordinated and senior non-preferred debt
The fair value of subordinated and senior non-preferred debt is estimated using a discounted cash flow analysis.

(f) Lease liabilities
The reported values of lease liabilities are deemed to approximate their fair value.

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:

	31 Dec 2023		31 Dec 2022	
(CZKm)	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and current balances with central banks	12,835	12,835	14,190	14,190
Financial assets at amortised cost	1,397,423	1,380,729	1,154,138	1,126,327
– Loans and advances to banks	411,644	409,111	233,398	233,320
– Loans and advances to customers	833,542	823,766	781,463	764,259
– Debt securities	152,237	147,852	139,277	128,748
Financial liabilities				
Amounts due to central banks	0	0	0	0
Financial liabilities at amortised cost	1,247,773	1,245,085	1,050,337	1,045,232
– Amounts due to banks	105,694	105,470	85,176	85,190
– Amounts due to customers	1,127,227	1,125,609	950,693	946,886
– Securities issued	12,431	11,585	12,156	10,844
– Lease liabilities	2,421	2,421	2,312	2,312
Subordinated and senior non-preferred debt	64,560	64,560	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:

	31 Dec 2023				31 Dec 2022			
(CZKm)	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	12,835	8,305	0	4,530	14,190	8,023	0	6,167
Financial assets at amortised cost	1,380,729	143,917	0	1,236,812	1,126,327	124,863	0	1,001,464
– Loans and advances to banks	409,111	0	0	409,111	233,320	0	0	233,320
– Loans and advances to customers	823,766	0	0	823,766	764,259	0	0	764,259
– Debt securities	147,852	143,917	0	3,935	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	1,245,085	11,585	0	1,233,500	1,045,232	10,844	0	1,034,388
– Amounts due to banks	105,470	0	0	105,470	85,190	0	0	85,190
– Amounts due to customers	1,125,609	0	0	1,125,609	946,886	0	0	946,886
– Securities issued	11,585	11,585	0	0	10,844	10,844	0	0
– Lease liabilities	2,421	0	0	2,421	2,312	0	0	2,312
Subordinated and senior non-preferred debt	64,560	0	0	64,560	38,694	0	0	38,694

(J) Allocation of fair values of financial instruments at fair value to the hierarchy of fair values

Financial assets and financial liabilities at fair value by fair value hierarchy (refer to Note 3.5.4):

(CZKm)	31 Dec 2023	Level 1	Level 2	Level 3	31 Dec 2022	Level 1	Level 2	Level 3
FINANCIAL ASSETS								
Financial assets held for trading at fair value through profit or loss	**48,464**	**19,598**	**28,861**	**5**	**57,269**	**9,903**	**47,366**	**0**
of which:								
– Equity securities	0	0	0	0	0	0	0	0
– Debt securities	19,621	19,598	18	5	9,968	9,903	65	0
– Derivatives	28,843	0	28,843	0	47,301	0	47,301	0
Other assets held for trading at fair value through profit or loss	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Non-trading financial assets at fair value through profit or loss	**0**	**0**	**0**	**0**	**132**	**0**	**0**	**132**
Positive fair value of hedging financial derivatives	**8,598**	**0**	**8,598**	**0**	**21,582**	**0**	**21,582**	**0**
Financial assets at fair value through other comprehensive income	**16,783**	**16,730**	**0**	**53**	**30,171**	**30,119**	**0**	**52**
Revaluation differences on portfolios hedge items	**(815)**	**0**	**(815)**	**0**	**(2,550)**	**0**	**(2,550)**	**0**
Financial assets at fair value	**73,030**	**36,328**	**36,644**	**58**	**106,604**	**40,022**	**66,398**	**184**
FINANCIAL LIABILITIES								
Financial liabilities held for trading at fair value through profit or loss	**60,206**	**25,890**	**34,316**	**0**	**66,949**	**11,600**	**55,349**	**0**
of which:								
– Sold securities	25,890	25,890	0	0	11,600	11,600	0	0
– Derivatives	34,316	0	34,316	0	55,349	0	55,349	0
Negative fair value of hedging financial derivatives	**31,241**	**0**	**31,241**	**0**	**56,746**	**0**	**56,746**	**0**
Revaluation differences on portfolios hedge items	**(34,944)**	**0**	**(34,944)**	**0**	**(52,689)**	**0**	**(52,689)**	**0**
Financial liabilities at fair value	**56,503**	**25,890**	**30,613**	**0**	**71,006**	**11,600**	**59,406**	**0**

Financial assets at fair value – Level 3:

			2023			2022
(CZKm)	Financial assets at FVOCI	Non-trading financial assets at fair value through profit or loss	Total	Financial assets at FVOCI	Non-trading financial assets at fair value through profit or loss	Total
Balance as of 1 January	**52**	**132**	**184**	**59**	**135**	**194**
Reclassification between portfolios (refer to Note 21)	0	0	0	(22)	0	(22)
Comprehensive income/(loss)						
– In the Statement of Income	0	3	3	0	1	1
– In Other Comprehensive Income	(9)	0	(9)	0	0	0
Purchases	10	0	10	15	0	15
Sales	0	0	0	0	0	0
Settlement	0	(135)	(135)	0	0	0
Transfer from Level 1	0	0	0	0	0	0
Foreign exchange rate difference	0	0	0	0	(4)	(4)
Balance as of 31 December	**53**	**0**	**53**	**52**	**132**	**184**

Shares and participation certificates

When using an alternative method of valuation based on the price/book value ratio, the fair value is not significantly different from the fair value determined on the basis of the present value of future cash flows which was used for the original valuation.

44 Offsetting financial assets and financial liabilities

The table below provides information about rights of offset and related arrangements for financial instruments as of 31 December 2023:

	Assets/liabilities set off according to IAS 32			Amounts which have not been set off		
(CZKm)	Gross amount of financial assets/liabilities*	Gross amount of financial assets/liabilities set off by financial liabilities/assets	Net amount of financial assets/liabilities	Financial instruments recognised in Statement of Financial Position	Cash collateral related to financial instruments	Net amount
Positive fair value of derivatives	50,573	13,132	37,441	32,377	2,230	2,834
Negative fair value of derivatives	78,689	13,132	65,557	32,377	33,180	-

* This item includes also counterparties with only positive or negative fair value of derivatives.

The table below provides information about rights of offset and related arrangements for financial instruments as of 31 December 2022:

	Assets/liabilities set off according to IAS 32			Amounts which have not been set off		
(CZKm)	Gross amount of financial assets/liabilities*	Gross amount of financial assets/liabilities set off by financial liabilities/assets	Net amount of financial assets/liabilities	Financial instruments recognised in Statement of Financial Position	Cash collateral related to financial instruments	Net amount
Positive fair value of derivatives	72,675	3,792	68,883	61,688	6,478	717
Negative fair value of derivatives	115,887	3,792	112,095	61,688	41,638	8,769

* This item includes also counterparties with only positive or negative fair value of derivatives.

45 Assets in custody and assets under management

The table below provides information about assets in custody and assets under management:

	31 Dec 2023		31 Dec 2022	
(CZKm)	Cash	Securities	Cash	Securities
Assets in custody	2,655	661,833	3,203	530,265
Assets in custody of KB Penzijní společnost, a.s.	0	75,957	0	74,428
Assets under management	0	10,000	0	8,285

46 Post balance sheet events

No significant event occurred after the balance sheet date.

Separate Financial Statements

prepared in accordance with IFRS Accounting Standards as adopted by the European Union as of 31 December 2023

Separate Statement of Income and Statement of Comprehensive Income for the year ended 31 December 2023

Separate Statement of Income for the year ended 31 December 2023

(CZKm)	Note	2023	2022
Interest income	5	114,097	88,888
Interest expense	5	(91,299)	(62,941)
Net interest income		**22,798**	**25,947**
Net fee and commission income	6	5,530	5,277
Net profit/(loss) on financial operations	7	3,816	3,654
Dividend income	8	547	1,481
Other income	9	496	268
Net operating income		**33,187**	**36,627**
Personnel expenses	10	(7,231)	(6,760)
General and administrative expenses	11	(5,462)	(4,861)
Depreciation, amortisation, and impairment of operating assets	12	(3,080)	(2,734)
Total operating expenses		**(15,773)**	**(14,355)**
Operating profit		**17,414**	**22,272**
Impairment losses	13	4	(914)
Net gain from loans and advances transferred and written off	13	119	(63)
Cost of risk		**123**	**(977)**
Profit/(loss) on subsidiaries and associates	14	0	0
Net profits on other assets	15	(88)	(35)
Profit before income tax		**17,449**	**21,260**
Income tax	16	(2,875)	(3,688)
Net profit for the period	17	**14,574**	**17,572**

Note: Net interest income is calculated by applying the effective interest rate method, except that in the case of hedging derivatives, the contractual interest rate of the corresponding derivative is used.

The accompanying Notes form an integral part of these Separate Financial Statements.

Separate Statement of Comprehensive Income for the year ended 31 December 2023

(CZKm)	Note	2023	2022
Net profit for the period	17	**14,574**	**17,572**
Items that will not be reclassified to the Statement of Income			
Remeasurement of retirement benefits plan, net of tax	38	2	8
Revaluation of equity securities at FVOCI*, net of tax	39	(9)	0
Items that may be reclassified subsequently to the Statement of Income			
Cash flow hedging			
– Net fair value gain/(loss), net of tax	40	437	183
– Transfer to net profit/(loss), net of tax	40	(829)	(842)
Hedge of a foreign net investment	40	(21)	17
Foreign exchange difference on translation of a foreign net investment		6	3
Revaluation of debt securities at FVOCI**, net of tax	41	(281)	(1,062)
Other comprehensive income for the period, net of tax		**(695)**	**(1,693)**
Total comprehensive income for the period, net of tax		**13,879**	**15,879**

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

The accompanying Notes form an integral part of these Separate Financial Statements.

Separate Statement of Financial Position as of 31 December 2023

(CZKm)	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Cash and current balances with central banks	18	12,369	12,698
Financial assets held for trading at fair value through profit or loss	19	49,398	59,268
Other assets held for trading at fair value through profit or loss	19	0	0
Non-trading financial assets at fair value through profit or loss	20	0	132
Positive fair value of hedging financial derivatives	42	8,143	20,464
Financial assets at fair value through other comprehensive income	21	16,706	30,099
Financial assets at amortised cost	22	1,313,069	1,069,652
Current tax assets		643	0
Deferred tax assets	32	124	128
Prepayments, accrued income, and other assets	23	3,637	3,576
Investments in subsidiaries and associates	24	19,059	18,330
Intangible assets	25	9,048	8,145
Tangible assets	26	6,452	6,328
Assets held for sale	27	426	72
Total assets		**1,439,074**	**1,228,892**

(CZKm)	Note	31 Dec 2023	31 Dec 2022
LIABILITIES AND EQUITY			
Amounts due to central banks		0	0
Financial liabilities held for trading at fair value through profit or loss	28	61,146	68,951
Negative fair value of hedging financial derivatives	42	30,762	55,866
Financial liabilities at amortised cost	29	1,185,570	986,436
Revaluation differences on portfolios hedge items		(34,366)	(51,335)
Current tax liabilities		35	1,470
Deferred tax liabilities	32	537	704
Accruals and other liabilities	30	14,945	14,463
Provisions	31	782	1,059
Subordinated and senior non-preferred debt	33	64,560	38,694
Total liabilities		**1,323,971**	**1,116,308**
Share capital	34	19,005	19,005
Share premium, funds, retained earnings, revaluation, and net profit for the period		96,098	93,579
Total equity		**115,103**	**112,584**
Total liabilities and equity		**1,439,074**	**1,228,892**

The accompanying Notes form an integral part of these Separate Financial Statements.

Separate Statement of Changes in Equity for the year ended 31 December 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	Cash flow hedging	Hedge of a foreign net investment	Translation of a foreign net investment	Revaluation of debt securities at FVOCI	Total equity
Balance as of 31 Dec 2021	**19,005**	**(592)**	**94,020**	**491**	**(224)**	**0**	**1,264**	**90**	**(9)**	**1,373**	**115,418**
Treasury shares, other	0	0	143	16	0	0	0	0	0	0	159
Payment of dividends**	0	0	(18,872)	0	0	0	0	0	0	0	(18,872)
Transactions with owners	**0**	**0**	**(18,729)**	**16**	**0**	**0**	**0**	**0**	**0**	**0**	**(18,713)**
Profit for the period	0	0	17,572	0	0	0	0	0	0	0	17,572
Other comprehensive income for the period, net of tax	0	0	0	0	8	0	(659)	17	3	(1,062)	(1,693)
Comprehensive income for the period	**0**	**0**	**17,572**	**0**	**8**	**0**	**(659)**	**17**	**3**	**(1,062)**	**15,879**
Balance as of 31 Dec 2022	**19,005**	**(592)**	**92,863**	**507**	**(216)**	**0**	**605**	**107**	**(6)**	**311**	**112,584**
Treasury shares, other	0	0	105	18	0	0	0	0	0	0	123
Payment of dividends**	0	0	(11,483)	0	0	0	0	0	0	0	(11,483)
Transactions with owners	**0**	**0**	**(11,378)**	**18**	**0**	**0**	**0**	**0**	**0**	**0**	**(11,360)**
Profit for the period	0	0	14,574	0	0	0	0	0	0	0	14,574
Other comprehensive income for the period, net of tax	0	0	0	0	2	(9)	(392)	(21)	6	(281)	(695)
Comprehensive income for the period	**0**	**0**	**14,574**	**0**	**2**	**(9)**	**(392)**	**(21)**	**6**	**(281)**	**13,879**
Balance as of 31 Dec 2023	**19,005**	**(592)**	**96,059**	**525**	**(214)**	**(9)**	**213**	**86**	**0**	**30**	**115,103**

* Capital funds and retained earnings consist of other funds created from profit in the amount of CZK 4,189 million (2022: CZK 4,189 million), net profit for the period in the amount of CZK 14,574 million (2022: CZK 17,572 million), and retained earnings in the amount of CZK 77,296 million (2022: CZK 71,102 million).

** Further information about payment of dividends is presented in Note 17.

The accompanying Notes form an integral part of these Separate Financial Statements.

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

(CZKm)	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	17,449	21,260
Non-cash and other adjustments		
Movement of allowances/provisions (including impact of loans and advances transferred and written off)	105	1,095
Depreciation and amortisation expense on tangible and intangible fixed assets	3,080	2,734
Net profits on other assets	88	35
Revaluation of debt securities and derivatives	(8,722)	7,375
Accrued interest, amortisation of discount and premium	(1,069)	(3,926)
Profit/(loss) on subsidiaries and associates (including dividends)	(547)	(1,481)
Foreign exchange differences	619	1,290
Other changes	(92)	69
Operating profit before change in operating assets and liabilities	**10,911**	**28,451**
Changes in assets and liabilities from operating activities after non-cash adjustments		
Amounts due from banks (received/paid)	(184,042)	15,902
Loans and advances to customers	(43,698)	(48,801)
Debt securities at amortised cost	(9,646)	(27,319)
Financial assets at fair value through other comprehensive income	18,381	231
Financial assets held for trading at fair value through profit or loss	(9,702)	(1,180)
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	(124)	(238)
Amounts due to banks (received/paid)	21,507	652
Amounts due to customers	180,593	(2,645)
Financial liabilities held for trading at fair value through profit or loss	14,290	5,390
Other liabilities	542	4,587
Net cash flow from operating assets and liabilities	**(11,764)**	**(53,421)**
Net cash flow from operating activities before tax	**(853)**	**(24,970)**
Income tax paid	(4,969)	(2,304)
Net cash flow from operating activities	**(5,822)**	**(27,274)**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Dividends received	547	1,481
Purchase of tangible and intangible assets	(3,705)	(3,375)
Sale of tangible and intangible assets	0	386
Purchase of investments in subsidiaries and associates	(1,132)	(814)
Sale/decrease of investments in subsidiaries and associates	39	345
Net cash flow from investment activities	**(4,251)**	**(1,977)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(11,290)	(18,969)
Securities issued	0	0
Securities redeemed	(3,200)	(5,700)
Lease liabilities	(419)	(422)
Subordinated and senior non-preferred debt	24,725	36,309
Net cash flow from financing activities	**9,816**	**11,218**
Net increase/(decrease) in cash and cash equivalents	**(257)**	**(18,033)**

(CZKm)	2023	2022
Cash and cash equivalents at the beginning of the year	7,963	26,234
Net increase/(decrease) in cash and cash equivalents	(257)	(18,033)
Foreign exchange differences on cash and cash equivalents at the beginning of the year	179	(238)
Cash and cash equivalents at the end of the year (refer to Note 35)	**7,885**	**7,963**
Interest received	114,408	87,421
Interest paid	(92,679)	(65,344)

The accompanying Notes form an integral part of these Separate Financial Statements.

These Separate Financial Statements were approved by the Board of Directors on 29 February 2024.

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.

Notes to the Separate Financial Statements as of 31 December 2023

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1 Principal activities

Komerční banka, a.s. (henceforth the "Bank") is incorporated in the Czech Republic as a joint-stock company. The principal activities of the Bank are financial services as follow:

I. Providing loans, advances, and guarantees in Czech crowns and foreign currencies;
II. Acceptance and placement of deposits in Czech crowns and foreign currencies;
III. Providing current and term deposit accounts in Czech crowns and foreign currencies;
IV. Providing banking services through an extensive branch network in the Czech Republic;
V. Treasury operations in the interbank market;
VI. Servicing foreign trade transactions; and
VII. Investment banking.

The registered office address of the Bank is Na Příkopě 33/969, 114 07 Prague 1. The Bank has operations in the Czech Republic and Slovakia through its foreign branch (Komerční banka, a.s., pobočka zahraničnej banky).

The Bank's ordinary shares are publicly traded on the Prague Stock Exchange. Société Générale S.A. is the Bank's majority shareholder, holding 60.35% (2022: 60.35%) of the Bank's issued share capital, and it is the ultimate parent company.

2 Events for the year ended 31 December 2023

Dividends declared during 2023
At the General Meeting held on 20 April 2023, the shareholders approved a dividend for the year ended 31 December 2022 of CZK 60.42 per share before tax. The dividend was declared in the aggregate amount of CZK 11,483 million, and the remaining balance of the net profit was allocated to retained earnings. The dividends were paid out in Czech crowns.

Changes in the Bank's financial group
In April, July, October, November, and December, KB SmartSolutions, s.r.o. increased equity of Finbricks, s.r.o. by CZK 10.5 million through financial contribution into other capital funds. Finbricks, s.r.o. is presently not consolidated due to its insignificant impact on the consolidated 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, a new fully owned subsidiary of the Bank, KB Poradenství, s.r.o., was established with a registered capital of CZK 100 thousand. During October, the Bank increased the equity capital in the company by CZK 900 thousand in the form of a financial contribution to other capital funds.

In June, KB SmartSolutions, s.r.o. increased its share in MonkeyData s.r.o. from the previous 24.989% to 28.256%. In September, KB SmartSolutions, s.r.o. increased its share to the current 33.171%. MonkeyData s.r.o. is presently not consolidated due to its insignificant impact on the consolidated financial statements.

In July, My Smart Living, s.r.o., reduced other capital funds to the benefit of KB SmartSolutions, s.r.o. in the amount of CZK 700 thousand. On 1 November 2023, the company entered liquidation. My Smart Living, s.r.o. v likvidaci is presently not consolidated due to its insignificant impact on the consolidated financial statements.

In September, the Bank's investment in subsidiary VN 42, s.r.o., valued at CZK 364 million, was reclassified as *'Assets held for sale'* due to expected sale of this company.

In December, the Bank increased the equity of Modrá pyramida stavební spořitelna, a.s. by CZK 1,100 million through a financial contribution into other capital funds.

In December, ENVIROS, s.r.o. (CZ) increased the equity capital in its subsidiary ENVIROS, s.r.o. (SK) by EUR 45 thousand in the form of a financial contribution to other capital funds. ENVIROS group is presently not consolidated due to its insignificant impact on the consolidated financial statements.

During 2023, the Bank increased its equity in the company KB SmartSolutions, s.r.o. by CZK 31 million in the form of a financial contribution to other capital funds.

3 Principal accounting policies

These are Separate Financial Statements. The Consolidated Financial Statements are issued as of the same date. As of 31 December 2023, the total consolidated equity was CZK 128,284 million (2022: CZK 124,676 million), and for the year ended 31 December 2023, the total consolidated profit was CZK 15,819 million (2022: CZK 17,839 million).

The principal accounting policies followed in the preparation of these Separate Financial Statements are set out below.

3.1 Statement of compliance with IFRS Accounting Standards

The Separate Financial Statements are prepared pursuant to and comply with IFRS Accounting Standards as adopted by the European Union (hereafter only "IFRS"), on the basis of Regulation (EC) No. 1606/2002 on the application of international accounting standards, and effective for the annual period beginning on 1 January 2023.

The Separate Financial Statements presented for the year ended 31 December 2023 are prepared on the basis of current best estimates. The management of the Bank believes that these present a true and fair view of the Bank's financial results and financial position using all relevant and available information as of the financial statements date.

3.2 Underlying assumptions of the Separate Financial Statements

3.2.1 Accrual basis

The Separate Financial Statements are prepared on an accrual accounting basis (i.e. the effects of transactions and other events are recognised when they occur and are reported in the Separate Financial Statements for the period to which they relate).

An exception is the Statement of Cash Flows, which is prepared on a cash basis (i.e. it presents cash inflows and outflows during the reporting period without regard to the period to which each transaction relates).

3.2.2 Going concern

The Separate Financial Statements are prepared on the assumption that the Bank is a going concern and will continue in operation for the foreseeable future. The Bank has neither the intention nor the need to liquidate or materially curtail the scale of its operations.

3.2.3 Reporting period

The Bank reports for a 12-month period which is identical to the calendar year.

3.3 Basis of preparation

3.3.1 Presentation currency

The Separate Financial Statements are presented in Czech crowns (hereafter only "CZK"), which constitute the Bank's presentation currency. The balances shown are stated in CZK million unless indicated otherwise.

3.3.2 Historical cost

The Separate Financial Statements are prepared under the historical cost convention, except for items measured at fair value comprising financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, hedging derivatives, and hedged items in fair value hedge accounting.

Assets held for sale are measured at the lower of their (i) fair value less cost to sell, or (ii) carrying amount just prior to reclassification into *'Assets held for sale'*.

3.3.3 Material accounting judgements and estimates

In applying the accounting policies for the purpose of preparing the Separate Financial Statements in accordance with IFRS, it is necessary for the Bank's management to use professional judgement and make estimates and assumptions. These impact upon reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the financial statements date, and the reported amounts of revenues and expenses during the reporting period. These estimates and judgements are based on the information available as of the financial statements date and they relate especially to the determination of:

- Fair values in the Statement of Financial Position of financial instruments not quoted in an active market which are classified as financial assets or liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, or hedging derivatives (refer to Note 3.5.5);
- The value of intangible assets (refer to Note 3.5.10);
- The amount of impairment of assets (refer to Note 3.5.10);
- Provisions recognised under liabilities (refer to Note 3.5.11);
- The amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies (refer to Note 3.5.8);
- The amount of impairment and provisions for credit risk related to financial assets measured at amortised cost or at fair value through other comprehensive income, loan commitments and financial guarantees granted as measured using models or internal assumptions based on historical, current, and prospective data (refer to Note 3.5.5);
- Business model and SPPI assessment of financial assets (refer to Note 3.5.5); and
- Lease term for leases of an indefinite time period.

Information about the key judgements and assumptions concerning the future and other key sources of estimation uncertainty as of the financial statements date that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities are disclosed in individual notes as appropriate.

<u>Geopolitical situation</u>

The geopolitical situation subjects the current economic environment to ongoing heightened volatility and uncertainty, thus requiring particularly complex judgements and estimates in certain areas. The geopolitical situation has significant implications in the area of credit risk management, as described in Note 42(A). Possible impacts in other risk management areas were also assessed and, where necessary, appropriate procedures and measures implemented. As a consequence of the international sanctions imposed and also due to market changes, the Bank minimised its rouble-denominated balance sheet in 2022 by sale of rouble assets and subsequently by closure of all client accounts denominated in roubles. Furthermore, the Bank decided to discontinue outgoing transactions to Russia and Belarus. The geopolitical situation caused a significant increase in workload in the areas of (i) KYC (know-your-client), mainly due to the increasing acceptance rate of refugees as well as the application of sanctions restrictions to clients residing in Russia; (ii) S&E (Sanction and Embargo) monitoring as a result of sanctions restrictions related to EU sanctions packages; and (iii) AML (measures against money laundering) due to a strong motivation for Russian assets to be transferred into the EU zone while circumventing the sanctions. Due to the current situation, the risk of cyber attacks has increased for the Bank and its clients. To address these risks for the Bank, efforts were continued to implement risk-mitigating measures while targeting continual improvements in both preventative and detective areas, such as ex ante monitoring of clients or countries.

3.3.4 Investments in subsidiaries and associates

A subsidiary is an entity in which the Bank has control, i.e. it directly or indirectly owns more than half the voting rights or it has the power to govern the entity in another way. An associate is an entity in which the Bank has significant influence, i.e. it directly or indirectly owns 20% to 50% of the voting rights.

Investments in which the Bank directly or indirectly owns less than 20% of the voting rights are classified as *'Financial assets held for trading at fair value through profit or loss'* and are reported as such, unless the Bank uses the irrevocable election to measure the investments at fair value through other comprehensive income.

Investments in subsidiaries and associates are measured at historical cost (i.e. foreign currency investments are translated using the foreign exchange rate at the transaction date) decreased by potential accumulated impairment losses. At the end of each reporting period, the Bank regularly assesses whether there is any impairment loss by comparing the carrying values of each investment with its recoverable amount. If the recoverable amount is lower, the Bank recognises the impairment loss through the use of an allowances account. Investments in subsidiaries and associates are presented in the line *'Investments in subsidiaries and associates'*.

3.4 Application of new and revised IFRS Accounting Standards

3.4.1 Standards and interpretations newly applied by the Bank in the current period

The following standards, interpretations, and amendments were newly applied by the Bank as from 1 January 2023. Unless otherwise described below, their application has no significant impact in the current period (and/or prior period).

Standard	Impact/Comments
IFRS 17 Insurance Contracts – new standard, issued in May 2017 Amendments to IFRS 17, issued in June 2020	The new standard establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts. It supersedes IFRS 4 Insurance Contracts. The new standard is not applicable to the Bank because the Bank does not issue any insurance contracts or hold any reinsurance contracts.
International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12)	The amendments introduce a temporary exception to the requirements regarding the recognition and disclosure of deferred taxes arising from the OECD's Pillar Two income taxes. The amendments also provide targeted disclosure requirements for affected entities. See Note 16 for related disclosures.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	The amendments clarify the accounting for deferred tax on transactions such as leases and decommissioning obligations. Under the amendments, the initial recognition exemption does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	The aim of the IASB project was to develop guidance and examples to help entities apply materiality judgements to accounting policy disclosure. The amendments to IAS 1 require entities to disclose material accounting policy information rather than significant accounting policies in their financial statements.
Definition of Accounting Estimates (Amendments to IAS 8)	The amendments introduce the definition of accounting estimates and include other amendments to help entities distinguish changes in accounting estimates from changes in accounting policies.

3.4.2 Issued standards and interpretations not applied for the current period

Although the following standards, interpretations, and amendments had been issued by IASB, they are not yet effective for the reporting period beginning on 1 January 2023 and/or they have not yet been approved by the European Commission (highlighted in the table below). The Bank has decided not to apply them earlier.

Currently, the Bank does not anticipate that their application will significantly impact the Bank's financial position and financial performance for the reporting period, unless otherwise described below.

Standard	Summarised content	Effective for reporting period beginning on or after
Classification of Liabilities as Current or Non-current (Amendments to IAS 1, issued in January 2020) Non-current Liabilities with Covenants (Amendments to IAS 1, issued in October 2022)	The amendments clarify one of the criteria for classifying a liability as non-current, specifically the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. That right to defer must exist at the end of the reporting period and the classification is unaffected by the likelihood or expectations about exercising the right. The supplementary amendments specify that the liability's classification is not affected by future covenants, where the obligation to comply is only after the end of the reporting period. However, the amendments require disclosures.	1 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	The amendments specify for sale and leaseback transactions the requirements for subsequent measurement of the lease liability.	1 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	The amendments add disclosure requirements of qualitative and quantitative information on supplier finance arrangements.	1 January 2024 EU not yet endorsed
Lack of Exchangeability (Amendments to IAS 21)	The amendments specify when a currency is exchangeable into another currency and how to determine the exchange rate when exchangeability is lacking.	1 January 2025 EU not yet endorsed

3.5 Material accounting policies

3.5.1 Transactions in foreign currencies

3.5.1.1 Functional and presentation currency

The Bank's functional currency (i.e. the currency of the primary economic environment within which the Bank operates) is the Czech crown.

The Bank has a branch and a subsidiary, ESSOX FINANCE, s.r.o., in the Slovak Republic and a subsidiary, BASTION EUROPEAN INVESTMENTS S.A., in Belgium. They have the euro as their functional currency and are considered as foreign operations from a financial reporting point of view.

3.5.1.2 Transactions and balances translation

Transactions realised in foreign currency (i.e. in a currency other than the functional currency) are translated into the functional currency at the date of initial recognition using the spot foreign exchange rate announced by the bank authority (hereafter only the "BA") for the respective foreign currency. Depending on the functional currency, the BA means the Czech National Bank (hereafter only the "CNB") for the Czech crown and the European Central Bank (hereafter only the "ECB") for the euro.

At the end of the reporting period, all statement of financial position line items denominated in foreign currency are translated into the functional currency, depending upon their nature, as follows:

I. Foreign currency monetary items are translated using the closing rate (foreign exchange rate announced by the BA at the end of the reporting period);
II. Non-monetary items that are measured at historical cost are translated using the BA's foreign exchange rate at the date of the transaction; and
III. Non-monetary items that are measured at fair value in a foreign currency are translated using the BA's foreign exchange rate at the date when the fair value was determined.

Gains and losses arising from the translation of foreign currency items at the end of the reporting period as well as those related to their settlement are recognised as gains or losses for the period in which they occur and are presented in the line *'Net profit/(loss) on financial operations'*.

Where a gain or loss from a fair value change in a non-monetary item denominated in foreign currency is recognised directly in Other Comprehensive Income, however, related foreign exchange rate differences are recognised in the same way. These non-monetary items include equity instruments for which the Bank has decided at initial recognition to use the irrevocable election to measure these at fair value with changes recognised in Other Comprehensive Income without subsequent recycling into profit or loss on realisation. Also recognised in Other Comprehensive Income are foreign exchange rate differences related to the fair value revaluation of debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (excluding the effective portion of their fair value hedges and excluding foreign exchange rate differences related to changes in their amortised cost) and non-derivative financial liabilities (current accounts, deposits) used as hedging items for the cash flow hedge of foreign currency risk and the hedge of a net investment in a foreign operation.

3.5.2 Recognition of income and expenses

3.5.2.1 Net interest income

Interest income and expense related to interest-bearing instruments, except for instruments classified as financial assets or financial liabilities at fair value through profit or loss and interest hedging derivatives, are recognised on an accrual basis in the Statement of Income in the lines *'Interest income'* and *'Interest expense'* using the effective interest rate (refer to 3.5.5.7 Effective interest rate method). For credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the amortised cost of the asset (i.e. an amount adjusted for expected credit losses over the life of the asset). Interest income and expense related to interest rate hedging derivatives are recognised in the lines described on an accrual basis using the contractual interest rate of the corresponding derivative. Late-fee income is recognised at the date of its payment and presented in the line *'Interest income'*.

3.5.2.2 Net fee and commission income

The recognition of income from fees and commissions depends on the purpose for which a fee was assessed and the basis of accounting for any associated financial instrument. In accordance with the substance of fees and nature of services for which they are assessed, the Bank distinguishes the following categories of fees:

- Fees and commissions that comprise an integral component of the effective interest rate of a financial instrument are recognised in the line *'Interest income'*;
- Fees and commissions for services provided and for the execution of an act, such as deposit service fees, loan service fees, fees income for transaction services provided, commissions income for cross-selling of third-party products (such as insurance and investment products for which the Bank is acting as an agent while not taking over control of the products provided and therefore in connection with the net approach for revenues presentation), and specialised financial services fees. Income is recognised as revenue at the point in time when the services are provided or the act has been completed. If related to a longer period, the fees are recognised over time on a straight-line basis. These fees and commissions are presented in the line *'Net fee and commission income'.*

3.5.2.3 Net profit/(loss) on financial operations

This line includes net profit/loss on financial operations, which means realised and unrealised gains and losses on securities held for trading; security derivatives; currency, interest rate, and trading commodity derivatives; foreign exchange transactions; foreign assets and liabilities retranslation to the functional currency; and realised gains and losses on financial assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

This line also includes interest income and expense related to interest-bearing instruments classified as financial assets or financial liabilities at fair value through profit or loss.

3.5.3 Cash and cash equivalents

Cash comprises cash on hand and cash in transit.

Cash equivalents are short-term (with a maturity of 3 months or less), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment purposes. This item also includes obligatory minimum reserves. The Bank can freely transact with the amount of these reserves under the assumption that average obligatory minimum reserves are maintained within the given maintenance period established by the CNB.

3.5.4 Fair value and hierarchy of fair value

Fair value is the price that would be received in selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Bank classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements of assets or liabilities measured at fair value. The hierarchy of fair values has the following three levels:

- *Level 1:* inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- *Level 2:* inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- *Level 3:* inputs are unobservable inputs for the asset or liability.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The fair value is included in the hierarchy according to the lowest classified significant input used in its determination. Significant input information consists of information that has a significant impact on the total fair value of the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis (i.e. those for which measurement at fair value is required or permitted in the Statement of Financial Position at the end of each reporting period), the Bank determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the date of the event or change in circumstances that caused the transfer.

3.5.5 Financial instruments

3.5.5.1 Dates of recognition and derecognition

All regular way purchases or sales of financial assets are recognised using settlement date accounting. The settlement (collection) date is the day on which the financial instrument is delivered (cash payment).

When settlement date accounting is applied, the financial asset is recognised in the Statement of Financial Position on the day of receipt of a financial instrument (sending of cash) and derecognised on the day of its delivery (collection of cash).

For financial assets measured at fair value, however, the acquired financial asset is measured to reflect changes in its fair value from the purchase trade date to the purchase settlement date. Gains and losses from changes in fair value are recognised depending upon the type of financial instrument and taking into account the classification based on both the business model and contractual cash flow characteristics (i.e. either in profit or loss or in other comprehensive income).

All purchases and sales of financial instruments that do not meet the "regular way" settlement criterion in the marketplace concerned are treated as financial derivatives. The Bank recognises financial derivatives in the Statement of Financial Position at the trade date. Financial derivatives are derecognised at their maturity.

The Bank recognises a financial liability in the Statement of Financial Position when it becomes a party to the contractual provisions of the instrument and it is removed from the Statement of Financial Position when it is extinguished (i.e. in circumstances where a contractually defined obligation is fulfilled, cancelled, or expires).

3.5.5.2 Initial measurement of financial assets and financial liabilities

When a financial asset or financial liability is initially recognised, the Bank measures it at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of that instrument.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received).

The transaction costs mainly include fees and commissions paid to brokers, dealers, and agents.

Also, financial guarantee contracts issued are initially recognised at fair value, being the premium received, in the Statement of Financial Position in the line *'Accruals and other liabilities'*. The guarantees are subsequently measured as of the financial statements date at the higher of the amount initially recognised less, when appropriate, cumulative amortisation of revenues recognised in the Statement of Income in accordance with IFRS 15 (in the Statement of Financial Position in the line *'Accruals and other liabilities'*) or the impairment for expected credit losses from any financial obligation arising as a result of the guarantee (in the Statement of Financial Position in the line *'Provisions'*). The premium received is recognised in the Statement of Income in the line *'Net fee and commission income'* on a straight-line basis over the life of the guarantee. The creation of provisions is recognised in the Statement of Income in the line *'Impairment losses'*.

3.5.5.3 "Day 1" profit or loss

In determining whether the fair value at initial recognition equals the transaction price, the Bank takes into account factors specific to the transaction and to the asset or liability.

The Bank trades no financial instruments on an inactive market. On active markets, the Bank trades financial instruments only for the quoted price in the active market. For this reason, there is no difference between the transaction price and the fair value of the financial asset or financial liability that is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique whose variables include only data from observable markets (a "Day 1" profit or loss).

3.5.5.4 Financial assets and liabilities classification and subsequent measurement

The classification of the Bank's financial instruments is determined at the date of initial recognition and is unchanged throughout the period of holding the financial instrument, except for rare situations listed in 3.5.5.5 Reclassification of financial assets and liabilities.

Depending on the nature of the financial instrument and the evaluation of both the business model for managing the financial asset and the asset's contractual cash flow characteristics, financial instruments held by the Bank are after initial recognition subsequently measured at:

I. Amortised costs;
II. Fair value through other comprehensive income; or
III. Fair value through profit or loss.

The Bank does not make use of an option to designate a financial asset or liability upon initial recognition as a financial instrument at fair value through profit or loss (the "Fair Value Option"). For some investments in equity instruments not held for trading purposes the Bank uses the irrevocable election to measure these at fair value with changes being recognised in other comprehensive income.

Changes in the basis for determining the contractual cash flows of financial assets and liabilities – IBOR reform
In the context of the interest rate benchmark reform (hereinafter the "IBOR reform"), the basis for determining the contractual cash flows of a financial asset or liability may be modified:
- by amending the contractual terms and conditions set during the initial recognition of the financial instrument (example: the contractual terms and conditions are amended to replace the initial reference interest rate by an alternative one);
- by applying external dispositions without requiring a change in contractual terms and conditions (example: the adoption of European regulations requiring the migration of all contracts still indexed to LIBOR CHF and EONIA in the European Union, respectively, on 1 January and 3 January 2022);
- as a result of the activation of an existing contractual term or condition (example: application of the contractual rate replacement provision, or "Fallback").

If in the context of the IBOR reform there is a change in the basis for determining the contractual cash flows of a financial asset or liability at amortised cost or of a financial asset at fair value through other comprehensive income, the modification is considered a simple forward-looking update of the interest rate applied to determine the interest income or expense and does not generate a modification gain or loss in the income statement.

This treatment depends on compliance with the following conditions:
- a change in the basis for determining the contractual cash flows is required and results directly from the IBOR reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the former basis used before the change.

Cases giving rise to a new basis for determining the contractual cash flows considered economically equivalent to the former basis are, for example:
- the replacement of an existing reference interest rate used to determine the contractual cash flows of a financial asset or liability by an alternative reference interest rate (or by changing the method used to determine the reference interest rate in question) and the addition of a fixed spread necessary to compensate for the difference in the basis between the existing reference interest rate and the alternative one;
- the addition of a "Fallback" provision to the contractual terms and conditions of a financial asset or liability to allow for implementation of the changes described above;
- changes in the determination of the amount of interest resulting from the use of a new reference interest rate (rate revision procedure, number of days between interest payment dates, etc.).

Changes to a financial asset or liability, other than those deriving directly from the application of the IBOR reform, are treated as a modification of financial instruments.

3.5.5.4.1 Loans and debt instruments
Loans and debt instruments are non-derivative financial assets with legally enforceable fixed or determinable payments and fixed maturities.

Classification and subsequent measurement of loans and debt instruments are determined based upon the evaluation of:
- The Bank's business model for managing financial assets; and
- The financial asset's contractual cash flow characteristics.

Description of business models
The business model is determined on the level at which the financial assets are managed together to achieve a particular business objective. The business model does not depend upon management's intentions for an individual instrument but reflects the way a certain portfolio of financial assets is managed in order to generate cash flows under standard economic conditions. The Bank distinguishes the following business models:
(i) "Hold to collect contractual cash flows";
(ii) "Hold to collect contractual cash flows and sell"; or
(iii) "Held for trading".

(i) "Hold to collect contractual cash flows" business model
Loans and debt instruments that fall into the business model "Hold to collect contractual cash flows" are held in order to collect contractual cash flows over the life of the instrument. In determining whether cash flows are going to be realised by collecting the financial assets' contractual cash flows, the Bank considers the frequency, value, and timing of sales in prior periods; the reasons for those sales; and expectations about future sales activity for a given portfolio.

The Bank admits the following sales that are consistent with the business model “Hold to collect contractual cash flows”:
- Sales due to an increase in the assets’ credit risk irrespective of their frequency and value;
- Sales made to manage credit risk concentration if those sales are infrequent (even if significant in value) or insignificant in value (even if frequent);
- Sales made close to the maturity of the asset when the proceeds from the sales approximate the collection of the remaining contractual cash flows; and
- Sales made based on a requirement imposed by a third party, such as regulatory bodies, if those sales are infrequent or insignificant in value.

The financial assets that fall into the business model “Hold to collect contractual cash flows” are: (i) all loans and receivables; (ii) all debt securities that are not part of the liquidity buffer and are not determined for trading; (iii) from 1 January 2018 until 25 March 2021, all new investments in CZK-denominated bonds forming part of the liquidity buffer with residual maturity up to 10 years and partly up to 12 years at the time of purchase; (iv) from 25 March 2021 until 23 September 2021, all new investments in CZK-denominated bonds forming part of the liquidity buffer with residual maturity up to 15 years at the time of purchase and according to the Bank’s internal rules; and (v) from 23 September 2021 onwards, all new investments in CZK- or EUR-denominated bonds forming part of the liquidity buffer with residual maturity up to 15 years at the time of purchase and according to the Bank’s internal rules.

(ii) “Hold to collect contractual cash flows and sell” business model

Loans and debt instruments that fall into the business model “Hold to collect contractual cash flows and sell” are held in order to collect contractual cash flows and sell financial assets. In this type of business model, both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model. The objective of this business model is to manage the Bank’s everyday liquidity needs. The Bank expects that in case of a structural deficit of assets and liabilities, sales of these loans and debt instruments will be realised to cover the lack of liquid assets.

As compared to the business model whose objective is to hold financial assets to collect contractual cash flows, the Bank expects greater frequency and value of sales.

Selling financial assets is not an incidental activity but an integral part of achieving the business model’s objective. There is no threshold for the frequency or value of sales that must occur in this business model, however, as both collecting contractual cash flows and selling financial assets are integral to achieving its objective.

The financial assets that fall into the business model “Hold to collect contractual cash flows and sell” are: (i) from 1 January 2018 until 23 September 2021, all EUR-denominated bonds forming part of the liquidity buffer; (ii) from 1 January 2018 until 25 March 2021, all new investments in CZK-denominated bonds forming part of the liquidity buffer and with residual maturity at the time of purchase longer than 12 years or longer than 10 years, according to the Bank’s internal rules; (iii) from 25 March 2021 until 23 September 2021, all new investments in CZK-denominated bonds forming part of the liquidity buffer with residual maturity above 15 years at the time of purchase; and (iv) from 23 September 2021 onwards, all new investments in CZK- or EUR-denominated bonds forming part of the liquidity buffer with residual maturity above 15 years at the time of purchase.

(iii) “Held for trading” business model

Loans and debt instruments that fall into the business model “Held for trading” are held with the objective of realising cash flows through the sale of those assets. The Bank makes decisions based on the assets’ fair values and manages the assets to realise those fair values.

The financial assets that fall into the business model “Held for trading” include all other loans and debt instruments that are not part of the business model “Hold to collect contractual cash flows” or “Hold to collect contractual cash flows and sell”.

Contractual cash flows characteristics test

Based on an assessment of the contractual cash flow characteristics, the Bank ascertains whether the contractual cash flows on loans and debt instruments are solely payments of principal and interest on the principal amount outstanding (SPPI test). Principal is the fair value of the financial asset at initial recognition. Interest consists in particular of consideration for the time value of money and credit risk. It can also include consideration for liquidity risk, administrative costs, or profit margin that is consistent with the basic lending arrangement.

Measurement at amortised costs

After initial recognition, loans and debt instruments are subsequently measured at amortised costs if both the following conditions are met: the financial asset is held within the business model “Hold to collect contractual cash flows” and the contractual cash flows meet the characteristics of payments of principal and interest on the principal amount outstanding.

Amortised cost is the amount at which the financial instruments are measured at initial recognition minus the principal repayments and using the effective interest method plus or minus the fees that are an integral part of the financial asset, and amortisation of the premium or discount (i.e. any difference between the initial amount and the amount at maturity), and further reduced by any loss allowance for expected credit losses. Interest income is recognised in the line *‘Interest income’* in the Statement of Income. Impairment losses are recognised in the Statement of Income in the line *‘Impairment losses’*.

Measurement at fair value through other comprehensive income
After initial recognition, loans and debt instruments are subsequently measured at fair value with changes being recognised in Other Comprehensive Income if both the following conditions are met: the financial asset is held within the business model "Hold to collect contractual cash flows and sell" and the contractual cash flows meet the characteristics of payments of principal and interest on the principal amount outstanding.

Unrealised gains or losses from fair value changes, as well as gains or losses from changes in fair value resulting from changes in foreign exchange rates are, until their derecognition or reclassification, recognised within Other Comprehensive Income in the line *'Revaluation of debt securities, net of tax'*.

When holding a financial asset, loss allowances are recognised. Unlike in the case of financial assets measured at amortised costs, however, the loss allowances are not presented separately in the Statement of Financial Position and do not reduce the carrying amount of the financial asset. The loss allowances are recognised directly in Other Comprehensive Income and in the Statement of Income in the line *'Impairment losses'*.

Gains or losses from changes in foreign exchange rates on loans and debt instruments are recognised in the Statement of Income in the line *'Net profit/(loss) on financial operations'*, with the exception of exchange rate gains or losses related to fair value revaluation that are recognised within Other Comprehensive Income. Accrued interest income is recognised in the Statement of Income in the line *'Interest income'*.

When a financial asset is derecognised, the cumulative gain or loss previously recognised in Other Comprehensive Income is recognised in the Statement of Income in the line *'Net profit/(loss) on financial operations'*.

Measurement at fair value through profit or loss
After initial recognition, loans and debt instruments are subsequently measured at fair value with changes being recognised in profit or loss if the financial asset falls within the business model "Held for trading" or if the contractual cash flows do not meet the characteristics of payments of principal and interest on the principal amount outstanding.

The category of fair value through profit or loss is a residual category. The Bank classifies loans and debt instruments into this category if they do not meet the criteria for measurement at amortised cost or at fair value through other comprehensive income.

Unrealised gains and losses, as well as realised gains or losses arising from the revaluation of these financial assets, interest, and foreign exchange rate differences, are recognised in the Statement of Income in the line *'Net profit/(loss) on financial operations'*. These financial assets are outside the scope of the IFRS 9 impairment requirements, and therefore impairment losses are not recognised.

3.5.5.4.2 Equity instruments
Equity instruments are non-derivative financial assets with the entitlement to participate in the exercise of ownership rights without a defined maturity and without legally enforceable fixed or determinable payments.

Equity instruments are outside the scope of the IFRS 9 impairment requirements, and therefore impairment losses are not recognised. Equity instruments are measured at fair value with changes being recognised in profit or loss, except for when making the election at initial recognition to measure the equity instrument at fair value with changes being recognised in other comprehensive income and without subsequent recycling into profit or loss on disposal. This election is irrevocable and is made on an instrument-by-instrument basis.

The Bank may use the option only for instruments that are not held for trading. When using the option, the disposal will not result in realisation and recognition of the disposal's result in the Statement of Income. Instead, it will remain in the Bank's Other Comprehensive Income and, following approval by the General Meeting, will eventually be transferred to retained earnings. Dividend income arising from equity instruments is recognised when the right to dividends is established and presented in the Statement of Income in the line *'Dividend income'*.

The Bank applies the option (measurement of equity instruments at fair value through other comprehensive income) for investments of a strategic nature and with an equity interest of less than 20%. This approach is based on the Bank's intention to continue holding these investments in the long term or on the existence of a long-term restriction against selling these investments.

3.5.5.4.3 Derivatives and hedge accounting
A derivative is a financial instrument or other contract having all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, market prices of securities, or another market variable;
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- It is settled at a future date.

At the inception of a financial derivative contract, the Bank designates the derivative instrument as either held for trading or hedging.

Held for trading derivatives are classified into a portfolio of *'Financial assets or financial liabilities held for trading at fair value through profit or loss'* based on whether the fair value is positive or negative.

Hedging derivatives are derivatives that the Bank uses to hedge interest rate and foreign exchange rate risks to which it is exposed as a result of its financial market transactions. In accordance with the transitional provisions of IFRS 9, the Bank has elected to apply IAS 39 hedge accounting methods. The Bank designates a derivative as hedging only if the criteria set out under IFRS are met at the designation date, i.e. if, and only if, all of the following conditions are met:
- It is compliant with the Bank's risk management objective and strategy;
- At the inception of the hedge, the hedging relationship is formally documented, which includes identification of the hedging instrument and hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness;
- The hedge is expected to be highly effective at inception and throughout the period;
- The effectiveness of the hedge can be reliably measured; and
- Changes in the fair value or cash flows of the hedging instrument and hedged item or transaction are almost fully offset (within a range of 80% to 125%).

Hedging derivatives are accounted for according to the type of hedging relationship, which can be one of the following:

I. Hedging of an exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability, or firm commitment that is attributable to a particular risk and that could affect profit or loss (fair value hedge); or
II. Hedging of an exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect profit or loss (cash flow hedge); or
III. Hedging of a net investment in a foreign operation.

Changes in the fair value of a derivative that is designated and qualified as a fair value hedge are recognised in the Statement of Income in the line *'Net profit/(loss) on financial operations'*. Changes in the fair value of a hedged item are recognised in the Statement of Financial Position as a component of the carrying amount of the hedged item and in the Statement of Income in the line *'Net profit/(loss) on financial operations'*.

It is on this basis that the Bank hedges the interest rate risk and foreign currency risk of financial assets (loans and debt instruments with fixed interest rates) and interest rate risk of deposits, repos, and mortgage bonds issued. The effectiveness of a hedge is regularly tested through prospective and retrospective tests on a quarterly basis.

If a hedge no longer meets the criteria for hedge accounting or the hedging instrument expires or is sold, terminated, or exercised, then the entity revokes the designation and an adjustment to the carrying amount of the hedged interest-bearing financial instrument is amortised to profit or loss over the period until the maturity of the hedged item.

The Bank also accounts for portfolio fair value hedges (hedging transactions concerning portfolios of financial assets or liabilities), for which interest rate swaps are used. When accounting for these transactions, the Bank applies the IAS 39 "carve-out" as adopted by the European Union. The accounting treatment of financial derivatives designated as portfolio fair value hedges is similar to that of other fair value hedging derivatives.

Changes in the fair values of hedging derivatives classified as cash flow hedges that prove to be highly effective in relation to the hedged risks are recognised in the line *'Cash flow hedging'* within Other Comprehensive Income and are transferred to the Statement of Income and classified as income or expense in the periods during which the hedged items affect the Statement of Income. The ineffective portion of a hedge is charged directly to the Statement of Income in the line *'Net profit/(loss) on financial operations'*.

It is on this basis that the Bank hedges the interest rate risk and currency risk associated with the cash flows of selected portfolios of assets or liabilities or individually significant assets or liabilities. The effectiveness of a hedge is regularly tested through prospective and retrospective tests on a quarterly basis.

If a hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, then the entity revokes the designation and the cumulative gain or loss on the hedging instrument that has been recognised in Other Comprehensive Income for the period when the hedge was effective remains in equity until the forecast transaction occurs.

If the forecast transaction is no longer expected to occur, the gain or loss accumulated as other comprehensive income is reclassified to profit or loss.

Using foreign currency deposits as the hedging instrument, the Bank additionally hedges the foreign exchange rate risk arising from the net investment in the subsidiaries BASTION EUROPEAN INVESTMENTS S.A. and ESSOX FINANCE, s.r.o. Foreign exchange rate differences arising from its retranslation are included in Other Comprehensive Income.

Financial derivatives constituting economic hedges under the Bank's risk management positions but not qualifying for hedge accounting under the specific rules of IAS 39 are treated as derivatives held for trading.

The fair values of derivative instruments held for trading and hedging purposes are disclosed in Note 42(C).

Changes in the basis for determining the contractual cash flows of the components of a hedging relationship – IBOR reform

Continuation of the hedging relationships

The documentation of the existing hedging relationships is regularly updated in order to reflect the changes brought about by the IBOR reform in the basis for determining the contractual cash flows of the hedged item and/or hedging instrument.

These updates resulting from the IBOR reform cause neither discontinuation of the hedging relationship nor designation of a new accounting hedge when they meet the following conditions:

- the change in the basis for determining the contractual cash flows is required and results directly from the IBOR reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the former basis used before the change.

When these conditions are met, the update of the hedging documentation may consist solely in:

- designating the alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;
- updating the description of the hedged item, including a description of the hedged portion of cash flows or the fair value;
- updating the description of the hedging instrument; or
- updating the description of the method used to assess the effectiveness of the hedge.

These updates are performed as and when changes are made to the hedged items or the hedging instruments. An accounting hedge may be updated several successive times.

Changes not directly resulting from application of the IBOR reform and impacting the basis used for determining the contractual cash flows of the hedging relationship components or the hedging documentation are analysed beforehand in order to confirm compliance with the criteria for the continued application of hedge accounting.

Specific accounting treatments

Regarding fair value hedges and cash flow hedges, the applicable accounting requirements remain unchanged for the recognition of gains and losses resulting from reassessment of the hedged item and the hedging instrument while taking into account the changes described above.

For the purpose of the retrospective effectiveness assessment, the cumulative fair value changes may be reset to zero on a case-by-case basis for each hedging relationship modified.

The amounts of gains or losses recognised in other comprehensive income for cash flow hedges that have been discontinued prospectively after a change in the benchmark rate used as a basis for the future cash flows hedged are kept in other comprehensive income until the hedged cash flows are recorded in the Statement of Income.

An alternative reference interest rate used as a risk component not specified by an agreement may be used, provided it is, as reasonably expected, separately identifiable (i.e. quoted on a sufficiently liquid market) in the 24 months after its first use.

3.5.5.4.4 Financial liabilities

The Bank classifies financial liabilities into the categories *'Financial liabilities at amortised cost'* and *'Financial liabilities held for trading at fair value through profit or loss'*, depending on the methods of managing the performance of the financial liability.

When the performance of the financial liability is managed based on trading that mostly reflects active and frequent purchases and sales (i.e. financial instruments held for trading are mostly used to generate profit from short-term fluctuations in the price or margin), the Bank classifies these financial liabilities after initial recognition as subsequently measured at fair value through profit or loss. Such financial liabilities are only liabilities from disposed securities and trading derivatives with a negative value. They are recognised in the Statement of Financial Position in the line *'Financial liabilities held for trading at fair value through profit or loss'*.

Unrealised as well as realised gains or losses arising from the revaluation of these financial liabilities, interest, and foreign exchange rate differences are recognised in the Statement of Income in the line *'Net profit/(loss) on financial operations'*.

All other financial liabilities are measured subsequent to initial recognition at amortised cost using the effective interest rate method. The Bank classifies non-derivative financial liabilities with fixed or determinable payments as subsequently measured at amortised costs. These financial liabilities are recognised depending upon the type of counterparty in the lines *'Amounts due to central banks', 'Financial liabilities at amortised cost'*, or *'Subordinated and senior non-preferred debt'.*

Interest expense is recognised in the Statement of Income in the line *'Interest expense'*.

In the event of repurchasing its own debt securities, the Bank derecognises these securities (i.e. the item *'Securities issued'* is decreased). Gains and losses arising as a result of repurchasing the Bank's own debt securities are recognised as of the date of their repurchase in the Statement of Income in the line *'Net interest income'* as an adjustment to the interest paid from its own bonds.

3.5.5.4.5 Embedded derivatives

In some cases, a derivative, such as an option for an earlier redemption of a bond, is a component of a hybrid (combined) financial instrument that also includes a non-derivative host contract.

Derivatives embedded in financial assets, loans, and debt instruments within the scope of IFRS 9 are not separated from the host contract. Instead, the entire hybrid instrument is assessed for classification and measurement based on the Bank's business model for managing the hybrid instrument and its contractual cash flow characteristics as disclosed in Note 3.5.5.4 Financial assets and liabilities classification and subsequent measurement.

The embedded derivative is separated from the host contract and accounted for separately if, and only if, all of the following conditions are met:

- The host contract is not a financial asset within the scope of IFRS 9;
- The embedded derivative as a separate instrument meets the definition of a derivative;
- The economic characteristics and risks of the embedded derivative are not closely related to those of the host contract; and
- The host contract is not measured at fair value with fair value changes recognised in the Statement of Income.

If the embedded derivative cannot be measured separately, the entire hybrid contract is designated as at fair value through profit or loss.

3.5.5.5 Reclassification of financial assets and liabilities

Reclassification of loans and debt instruments shall arise when, and only when, the objective of the business model changes for the entire portfolio of financial instruments that are jointly managed with the objective "Hold to collect contractual cash flows", "Hold to collect contractual cash flows and sell", and "Held for trading".

Reclassification is not possible:

- If the Bank uses the option to designate a financial asset at initial recognition as an instrument measured at fair value through profit or loss (the "Fair Value Option");
- For equity instruments (measured at fair value through profit or loss or through other comprehensive income); or
- For financial liabilities.

If the Bank reclassifies loans and debt instruments, the change in classification is applied prospectively from the first day of the next reporting period following the change in the business model.

Measurement of reclassified financial assets at the reclassification date and subsequently:

- When reclassifying a financial asset out of the fair value through profit or loss measurement category and into the fair value through other comprehensive income measurement category, the financial asset continues to be measured at fair value and, at the reclassification date, a new effective interest rate is determined. Subsequent changes in fair value are recognised in other comprehensive income. For the purpose of calculating expected credit losses from the reclassification date, the date of reclassification is treated as the date of initial recognition of the asset;
- When reclassifying a financial asset out of the fair value through profit or loss measurement category and into the amortised cost measurement category, its fair value at the reclassification date becomes its new gross carrying amount and a new effective interest rate is determined. For the purpose of calculating expected credit losses from the reclassification date, the date of reclassification is treated as the date of initial recognition of the asset;
- When reclassifying a financial asset out of the fair value through other comprehensive income measurement category and into the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date;
- When reclassifying a financial asset out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. The cumulative gain or loss previously recognised in other comprehensive income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification;
- When reclassifying a financial asset out of the amortised cost measurement category and into the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value is recognised in profit or loss;

- When reclassifying a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

The Bank did not reclassify any loans and debt instruments.

3.5.5.6 Determination of a financial instrument's fair value and its hierarchy

For the determination and categorisation of a financial instrument's fair value, the Bank treats a security as quoted if quoted market prices are readily and regularly available from a stock exchange, dealers, securities traders, industrial groups, valuation services, or regulatory authorities and if these prices represent current and regular market transactions under ordinary conditions.

If there are no quoted prices in an active market for the financial asset, the Bank uses other values that are observable, directly or indirectly, from the markets for its measurement, such as:

I. Quoted prices for similar assets or liabilities in active markets;
II. Quoted prices for identical or similar assets or liabilities in markets that are not active (i.e. there are few recent transactions, prices quotations are not based on current information, etc.);
III. Inputs other than quoted prices (e.g. inputs based on interest rates, yield curves, implied volatilities, credit spreads, etc.); or
IV. Inputs derived principally from, or corroborated by, observable market data.

Where the inputs for the determination of a financial instrument's fair value are not observable in a market due to the fact that there is no or only minimal activity for that asset or liability, the Bank uses for fair value measurement inputs that are available but not directly observable within a market and which, in the Bank's view, reflect assumptions that market participants take into account when pricing the financial instrument.

The fair value of debt securities for which an observable market price is not available is estimated using an income approach (the present value technique taking into account the future cash flows that a market participant would expect to receive from holding the instrument as an asset) and the fair value of unquoted equity instruments is estimated using an income approach or market approach (using prices and other relevant information generated by a market). The fair values of financial derivatives are obtained from quoted market prices, discounted cash flow models, or option pricing models and are adjusted for the credit risk of the counterparty (CVA) or the Bank's own credit risk (DVA), as appropriate.

The existence of published price quotations in an active market is normally the best evidence of fair value. The appropriate quoted market price for an asset held or liability to be issued is usually the current bid price and for an asset to be acquired or liability held the ask price.

The Bank manages a group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk. It uses mid-market prices as the basis for establishing the fair values of offsetting risk positions and applies the bid or asking price to the net open position, as appropriate.

3.5.5.7 Effective interest rate method

The effective interest rate is that rate which exactly discounts the estimated future cash payments or receipts throughout the expected life of a financial instrument.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument and includes any fees and incremental costs that are directly attributable to the instrument and constitute an integral component of the effective interest rate, but it does not take into consideration future credit losses.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating interest income or interest expense over the relevant period.

3.5.5.8 Forborne loans

Forborne exposures are debt contracts in respect of which forbearance measures have been granted to the debtor and for which the discontinuation conditions are not met. Forbearance measures consist of concessions to a debtor facing or about to face difficulties in meeting its financial commitments. The concession refers to either modification of terms and conditions (e.g. changes in the payment schedule, interest rate reductions, penalty interest waivers) or refinancing. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms. Forborne loans are continuously reviewed by the Bank to ensure that all criteria are met and that future payments are likely to occur. The forborne loans continue to be subject to impairment assessment, calculated based on their future cash flows as discounted by the loans' original effective interest rates.

3.5.5.9 Modification of financial assets
A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. When the modification occurs, the Bank assesses whether or not the new terms are substantially different from the original terms.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a new asset at fair value and recalculates a new effective interest rate for the asset. Differences in the carrying amount are recognised in profit or loss as a gain or loss on derecognition. The date of modification is considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. If the terms are not substantially different, the renegotiation or modification does not result in derecognition.

3.5.5.10 Derecognition of financial assets other than on modification
The Bank derecognises all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows from the asset expire or when the Bank has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards linked to the ownership of the asset.

The Bank also derecognises financial assets in respect of which it has retained the contractual rights to the associated cash flows but is contractually obligated to pass these same cash flows through to a third party and for which it has transferred substantially all risks and rewards.

Where the Bank has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has effectively not retained control of the financial asset, the Bank derecognises the financial asset and, as appropriately, recognises a separate asset or liability to cover any rights and obligations created or retained as a result of the asset's transfer. If the Bank has retained control of the asset, it continues to recognise it in the balance sheet to the extent of its continuing involvement in that asset.

When a financial asset is derecognised in its entirety, a gain or loss on disposal is recorded in the Statement of Income for an amount equal to the difference between the carrying amount of the asset and the consideration received. In respect of financial assets at fair value through other comprehensive income, and with the exception of equity instruments, the cumulative gain or loss previously reported in Other Comprehensive Income is recorded in the Statement of Income.

The Bank only derecognises all or part of a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled, or expired. A financial liability is also derecognised and recognised again in the event of a substantial amendment to its contractual conditions or where an exchange is made with the lender for an instrument whose contractual conditions are substantially different.

3.5.5.11 Impairment of financial assets
The impairment of financial assets is based on the expected credit loss model.

All of the following assets are subject to the Bank's impairment requirements:
- Financial assets measured at amortised cost;
- Financial assets duly measured at fair value through other comprehensive income (FVOCI) mentioned in 3.5.5.4.1 Loans and debt instruments held in the business model "Hold to collect contractual cash flows and sell";
- Loan commitments if a present commitment to provide credit exists (except for loan commitments measured at fair value through profit or loss);
- Financial guarantee contracts (to which IFRS 9 applies except for those measured at fair value through profit or loss); and
- Finance lease receivables and operating lease receivables in the scope of IFRS 16 Leases.

The Bank does not assess impairment on non-client financial assets constituting insignificant credit risk, such as, in particular, receivables from the CNB arising from obligatory minimum reserves, nostro accounts, contract assets within the scope of IFRS 15 Revenue from Contracts with Customers (i.e. rights to consideration after the transfer of goods or services), intragroup receivables, and others.

In order to determine impairment, financial assets are classified into three stages depending upon the extent of credit deterioration since initial recognition:
- Stage 1 – financial assets are initially recognised in Stage 1, unless they are purchased or originated credit-impaired (subject to a specific treatment). Subsequently, this stage remains unchanged for financial assets for which the credit risk has not increased significantly since initial recognition or that have low credit risk at the reporting date;
- Stage 2 – financial assets with a significant increase in credit risk since initial recognition but in respect of which no objective evidence of impairment exists; or
- Stage 3 – financial assets with objective evidence of impairment at the reporting date.

The Bank implemented a new definition of default at the beginning of the second quarter of 2020 to be compliant with EBA Guidelines EBA/GL/2016/07 in applying the definition of default under Article 178 of Regulation (EU) No. 575/2013.

Significant increase in credit risk

Being a trigger for the transfer of an exposure into Stage 2, significant increase in credit risk (SICR) is one of the most important drivers for the resulting ECL. It is evaluated by the Bank continuously and at each reporting date in line with IFRS 9 requirements. In compliance with the Group IFRS 9 methodology, SICR is assessed at facility level by comparing the observed increase in the lifetime probability of default since the initial recognition.

The lifetime probability of default is deduced from the result of the internal credit risk assessment (expressed by the client's rating) as well as from the internal IFRS 9 PD curve models reflecting both the history of observed default rates within a given asset class and the forward-looking (macro-) economic development. The lifetime PD is calculated from the corresponding PD curve over the remaining maturity of the deal (annualised). For portfolios with a lack of data for regular statistical modelling (e.g. smaller of the Bank's subsidiaries), SICR is expressed by deterioration of the ratings rather than by PD curves. The thresholds (both relative and absolute) have been assessed by the Bank to fulfil the prescribed performance criteria for Stage 2 (default capture rate, default rate in Stage 2).

In addition to the aforementioned criteria, the Bank supplements the SICR rules with indicators reflecting the current deteriorated situation of the client, such as delay in contractual payments of more than 30 days past due, a worsening financial situation of the issuer or borrower (rating) or granting of forbearance measures.

In the fourth quarter of 2023, the Bank amended, among others, based on recommendations of the CNB, parameters that are inputs into the above-described algorithms for the classification of exposures into Stages 1 and 2.

Credit-impaired financial assets

The Bank recognises financial assets as credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flows. Evidence of credit-impairment may include observable data concerning the following events:
- Significant financial difficulty of the issuer or borrower;
- A breach of contract, such as a default or past due event more than 90 days past due;
- Situation indicating the probability of default as defined by a new regulation for evaluating financial assets in default;
- Concession granted by the lender for reasons of the borrower's financial difficulty that the lender would not otherwise consider;
- Increased probability that the borrower will enter bankruptcy;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Measurement of expected credit losses

With the exception of purchased or originated credit-impaired financial assets, the Bank recognises expected credit losses (hereafter only "expected losses") in an amount corresponding to:
- 12-month expected losses (expected losses resulting from default events on a financial instrument that may occur within 12 months after the reporting date) – Stage 1; or
- Lifetime expected losses (expected losses resulting from all possible default events over the expected life of a financial instrument) – Stages 2 and 3.

The Bank recognises a loss allowance in an amount equal to lifetime expected credit losses for credit exposures where there have been significant increases in credit risk since initial recognition.

If in subsequent reporting periods the credit quality of the financial instrument improves so that there has been no longer a significant increase in credit risk since initial recognition, the Bank reverts to recognising a loss allowance based on 12-month expected losses. This does not apply to purchased or originated credit-impaired financial assets.

Basis for estimating expected losses

Expected losses are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes and takes into account the time value of money. The Bank considers reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions. When measuring the expected losses and taking into account the time value of money, the expected cash flows are discounted as of the reporting date using the original effective interest rate determined at initial recognition (or an approximation thereof).

The Bank assesses expected losses for credit-impaired financial assets of significant exposures based on expected cash flows from the client's economic activity or realisation of collateral.

For estimating expected losses for purchased or originated credit-impaired financial assets, the Bank applies the credit-adjusted effective interest rate. Unlike the effective interest rate (calculated using the estimated future cash flows not taking into account expected losses), the credit-adjusted effective interest rate incorporates the impact of expected losses of the financial asset.

Purchased or originated credit-impaired financial assets
Purchased or originated credit-impaired financial assets are accounted for differently because the assets are already impaired at initial recognition. For these assets, lifetime expected losses are incorporated into the expected cash flows used to calculate the credit-adjusted effective interest rate at initial recognition. Subsequently, any changes in expected losses are recognised as a loss allowance and as a gain or loss in the Statement of Income. The interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortised cost.

Write-off of financial assets
The Bank applies in writing off financial assets the approach of individual write-offs, namely: without further recovery or with further recovery.

Write-offs without further recovery are preceded by a soft or hard collection process based upon an individual assessment of the client's situation. Write-offs are handled individually or for multiple clients in batches based on approval by the relevant authority.

Write-offs with further recovery are managed by a process involving only the hard collection of receivables. Recovery continues for those receivables even though they have been written off.

3.5.5.12 Repurchase agreements
The Bank accounts for contracts to sell and buy back financial instruments ("repos" or "reverse repos") according to their substance as the taking or granting of a loan with a corresponding transfer of financial instruments as collateral.

In the case of repurchase transactions ("repos"), the Bank only provides debt instruments held in the business models "Hold to collect contractual cash flows and sell" or "Held for sale" recognised as *'Financial assets at fair value through other comprehensive income'* or *'Financial assets held for trading at fair value through profit or loss'*. The corresponding liability arising from a loan taken is recognised in the line *'Financial liabilities at amortised cost'*.

Securities purchased under reverse repurchase agreements ("reverse repos") are recorded in the off-balance sheet, where they are remeasured at fair value. The corresponding receivable arising from the provided loan is recognised as an asset in the Statement of Financial Position in the line *'Financial assets at amortised cost'*.

The Bank is entitled to provide those securities received in reverse repo transactions as collateral or sell them even in the absence of default by their owner. These securities continue to be recorded in the off-balance sheet and measured at fair value. The corresponding liability arising from the loan taken is recognised under *'Financial liabilities at amortised cost'*. The Bank is nevertheless obliged to return these securities to its counterparties.

The differences between the sale and repurchase prices in respect of repo and reverse repo transactions are treated by the Bank as interest, and it is accrued evenly to expenses and income over the life of the repo agreement using the effective interest rate method.

If a security acquired as collateral under a reverse repo transaction is sold, the Bank derecognises the security acquired under the reverse repo transaction from the off-balance sheet records and recognises in the Statement of Financial Position an amount payable from a short sale that is remeasured at its fair value. This payable is included in *'Financial liabilities held for trading at fair value through profit or loss'*.

3.5.6 Emission allowances
The Bank is not considered a primary producer of greenhouse gas emissions. Trades with emission allowances are carried out in the role of intermediary in order to generate profit based on market price fluctuations. The emission allowances are recognised in the Statement of Financial Position in the line '*Other assets held for trading at fair value through profit or loss*'.

3.5.7 Assets held for sale
The line *'Assets held for sale'* represents assets for which the Bank expects that their carrying amounts will be recovered principally through sale transactions rather than through continuing use. For this classification to apply, the assets must be available for immediate sale in their present condition and their sale must be highly probable.

For this to be the case, the Bank must be committed to a plan to sell the asset and an active programme to locate a buyer must have been initiated. Furthermore, the assets must be actively marketed for sale at a price that is reasonable in relation to their current fair value. The Bank expects that the sale of assets will be completed, the market situation permitting, within 1 year from the date of the assets' classification as *'Assets held for sale'*.

Assets held for sale are measured at the lower of:
- The carrying amount of the respective asset at the date of its classification as *'Assets held for sale'*; or
- Fair value less estimated costs to sell (e.g. cost of expert valuation reports, legal or financial advisory services, the estimates of which are based on historical experience, as well as real estate transfer tax in the case of real estate).

Assets designated as *'Assets held for sale'* are no longer depreciated.

The Bank recognises an impairment loss on assets held for sale in the line *'Net profits on other assets'* if their selling price less estimated costs to sell is lower than their carrying amount. Any subsequent increase in the selling price less costs to sell is recognised as a gain but not in excess of the cumulative impairment loss that has been recognised either during the time when the assets were classified as held for sale or before their reclassification into the line *'Assets held for sale'* (i.e. during the period when the asset had been held for supplying the Bank's services or for administrative purposes).

3.5.8 Income tax

3.5.8.1 Current income tax

Current tax assets and liabilities for current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those valid as of the Statement of Financial Position date.

Current income tax is recognised in the Statement of Income, or, as the case may be, in the Statement of Other Comprehensive Income if it relates to an item directly taken into other comprehensive income.

The Bank does not set off current tax assets and current tax liabilities unless it has a legally enforceable right to set off the recognised amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

3.5.8.2 Deferred income tax

Using the balance sheet liability method, deferred income tax is recorded for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts presented in the Statement of Financial Position. Deferred income tax is determined using tax rates valid or substantially enacted for the periods in which the Bank expects to realise the deferred tax asset or to settle the deferred tax liability. A deferred tax asset is recognised to the extent it is probable that future taxable profit will be available against which the tax asset can be used.

Deferred income tax is recognised in the Statement of Income, or, as the case may be, in the Statement of Other Comprehensive Income if it relates to an item directly taken into other comprehensive income (such as deferred income tax related to changes in the fair value of financial assets measured at fair value through other comprehensive income or in relation to a cash flow hedge).

The Bank offsets deferred income tax assets and deferred income tax liabilities only if it has a legally enforceable right to set off current tax assets against current tax liabilities and if deferred tax assets and deferred tax liabilities relate to income tax levied by the same taxation authority and relate to the same taxable entity.

The largest temporary differences relate to tangible and intangible assets, loans and advances, hedging derivatives, and financial assets measured at fair value through other comprehensive income.

3.5.9 Leases

<u>The Bank as lessor</u>
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

When the Bank is an intermediate lessor, it accounts for the head lease (as lessee) and the sublease (as lessor) as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Operating leases
The Bank presents assets that are the subject of an operating lease in the appropriate lines within the Statement of Financial Position according to the nature of those assets and uses for them the accounting policies applied to the relevant asset class.

Lease payments received from operating leases are recognised as the Bank's income on a straight-line basis over the term of the relevant lease under *'Other income'*.

Finance leases
In respect of assets held under finance leases, the net investment in the lease is recognised as *'Financial assets at amortised cost'* while the assets themselves (or their leased part) are not recognised. The difference between the gross receivable and the present value of the receivable is recognised as deferred interest income.

Lease income is recognised over the lease term, reflecting a constant periodic rate of interest on the remaining balance of the receivable, and it is presented in the line *'Interest income'*.

The Bank as lessee
In accordance with IFRS 16, from the lessee's point of view, a single on-balance sheet accounting model is used for leases with the optional exceptions for short-term leases and leases of low-value items. The vast majority of lease contracts relates to leases of office buildings and branches.

Initial measurement
At the commencement date of a lease, a right-of-use asset is recognised in the Statement of Financial Position within *'Tangible assets'*, i.e. the line item within which the Bank presents underlying assets of the same nature that it owns. Simultaneously, a lease liability is recognised within *'Financial liabilities at amortised cost'* in an amount equal to the present value of the lease payments to be paid over the lease term, discounted at the Bank's incremental borrowing rate.

The lease payments considered for the measurement include fixed and variable lease payments based on an index or rate (e.g. inflation indices), plus, where applicable, the funds that are expected to be payable to the lessor under residual value guarantees, purchase options, or early termination penalties. The lease payments are considered net of value-added tax. The lease term determined according to the standard lease contracts comprises the non-cancellable period of a lease, periods covered by an option to extend the lease if the Bank is reasonably certain to exercise that option, and periods covered by an option to terminate the lease if the Bank is reasonably certain not to exercise that option. For lease contracts with an indefinite period of time, the lease term is determined as the expected lease term based on the estimated lease duration.

The contracts may contain both lease and non-lease components, such as supply of additional services. As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components and instead account for lease and associated non-lease components as a single lease component. For these contracts in general, the Bank has elected not to use this practical expedient.

Subsequent measurement
For the right-of-use asset, the Bank uses similar accounting policies as for its own assets of the same nature. The right-of-use asset is measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurements of the lease liability. The right-of-use asset is depreciated on a straight-line basis over the lease term and the depreciation is reported in the Statement of Income in the line *'Depreciation, amortisation, and impairment of operating assets'*. If the legal ownership of the asset held under a lease is transferred to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects the exercise price of a purchase option, however, the asset is depreciated on a straight-line basis over the useful life of the underlying asset.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The Bank divides lease payments between amortisation recognised as a reduction of the outstanding lease liability and a finance charge recognised in the Statement of Income as *'Interest expense'*.

The amount of the lease liability may be adjusted if the lease is amended, the lease term is re-estimated, or to account for contractual changes in future lease payments arising from a change in an index or rate. If the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Exceptions
In cases of certain short-term leases and leases of low-value items, the lease payments are recognised on a straight-line basis over the lease term and presented in the line *'General and administrative expenses'*. Short-term leases are leases with a lease term of 12 months or less. Leases of low-value items relate to leases for which the underlying asset when new is of low value, defined by the Bank using a materiality threshold of CZK 100,000 per unit of the leased asset. The low-value exception is applied especially to leases of printing devices.

The Bank uses the option allowed by the standard to not apply the provisions of IFRS 16 to intangible assets leases.

3.5.10 Tangible and intangible assets
Intangible assets principally include software and internally generated intangible assets (mainly software). Tangible assets include plant, property, and equipment that are used by the Bank in supplying its services and for administrative purposes and that are used for longer than one reporting period.

Tangible and intangible assets are measured at the historical acquisition cost less accumulated impairment losses (allowances) and, in the case of depreciated assets, less accumulated depreciation and increased by technical improvements, if any. The historical acquisition cost comprises the purchase price and any costs directly attributable to asset acquisition, such as delivery and handling costs, installation and assembly costs, advisory fees, and administrative charges. The acquisition cost of internally generated intangible assets comprises external expenses and internal personnel expenses related to an internal project's development phase. The Bank capitalises no expenses related to the research phase.

Tangible and intangible assets are depreciated from their acquisition costs on a straight-line basis over their useful lives. Cars acquired under finance leases are depreciated from acquisition cost less estimated residual value, which is determined on the basis of the purchase price following the expiration of the lease as established in the lease contract. The Bank assumes no residual value for other assets. Depreciation and amortisation are reported in the Statement of Income in the line *'Depreciation, amortisation, and impairment of operating assets'*.

The Bank does not depreciate land and works of art. Tangible and intangible assets under construction and technical improvements are depreciated only once they have been brought into a condition fit for use.

During the reporting period, the Bank used the following useful lives in years:

	2023	2022
Machinery and equipment	4	4
Information technology – notebooks, servers	4/5	4/5
Information technology – desktop computers	6	6
Fixtures, fittings, and equipment	6	6
Vehicles	6	6
ATMs	10	10
Selected equipment of the Bank	8	8
Energy machinery and equipment	12/15	12/15
Distribution equipment	20	20
Buildings and structures	40	40
Buildings and structures – selected components:		
– Heating, air-conditioning, windows, doors	20	20
– Lifts, electrical installations	25	25
– Facades	30	30
– Roofs	20	20
– Other components	15	15
– Residual value of buildings and technical improvements without selected components	50	50
Right-of-use assets (leases)	According to the lease term	According to the lease term
Technical improvements on leasehold assets	According to the lease term	According to the lease term
Intangible results of development activities (assets generated internally as component of internal projects)	According to the useful life, typically 5	According to the useful life, typically 5
Licences – software	5	5
Other intangible assets	According to contract	According to contract

At the end of each reporting period, the Bank assesses whether there exists any indication that a tangible or intangible asset can be impaired. Indicators of possible impairment include information about a significant decline in an asset's market value; significant changes within the technological, market, economic, or legal environment; obsolescence or physical damage to an asset; or change in the manner in which the asset is used. Where any such indicator exists, the Bank estimates the recoverable amount of the asset concerned (i.e. the higher amount of its fair value less costs to sell and value in use in comparison with the asset's carrying value). If the asset's carrying amount is greater than its recoverable amount, the Bank reduces its carrying amount to its recoverable amount and presents the recognised impairment loss in the line *'Depreciation, amortisation, and impairment of operating assets'*.

Repairs and maintenance are charged directly to the Statement of Income when they occur.

3.5.11 Provisions

Provisions are recognised when and only when:

- The Bank has a present obligation (legal or constructive) as a result of a past event;
- It is probable that settlement of the obligation will cause an outflow of resources causing a decrease of economic benefits; and
- A reliable estimate can be made of the amount of the obligation. Provisions for legal disputes are estimated on the basis of the amount sought by the plaintiff, including accrued interest and fees.

Provisions are measured as the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. The discount rate is a pre-tax rate reflecting current market assessments and the risks specific to the liability. Provision increases related to the passage of time are recognised as interest expense.

A provision for restructuring is recognised when the Bank has approved a detailed, formal plan for restructuring and the restructuring has either commenced or the main features of the restructuring plan have been announced to those affected before the end of the reporting period. The restructuring provision shall include only the direct expenditures arising from the restructuring which are necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

The Bank also recognises provisions for credit-related commitments into which the Bank enters in the normal course of business. These credit-related commitments do not meet the criteria for recognition in the Statement of Financial Position and are recorded in the off-balance sheet. These commitments primarily include guarantees, avals, uncovered letters of credit, irrevocable commitments to extend credit, undrawn loan commitments, and approved overdraft loans. The provisions represent impairment based on expected losses from any potential financial liabilities arising from these credit-related commitments. Provisions for credit-related commitments are created on the same basis as loss allowances for financial assets.

3.5.12 Employee benefits

3.5.12.1 General

The Bank provides its employees with retirement benefits and disability benefits. The employees are entitled to receive retirement or disability benefits if they are employed by the Bank until their retirement age or if they are entitled to receive a disability pension, but only if they were employed within the Bank for a minimum defined period.

Estimated benefit costs are recognised on an accrual basis through a provision over the employment term using an accounting methodology that is similar to the methodology used in respect of defined benefit pension plans. In determining the parameters of the model, the Bank refers to the most recent employee data (the length of employment with the Bank, age, gender, average salary) and estimates made on the basis of monitored historical data about the Bank's employees (expected reduction of the current staffing levels) and other estimates (the amounts of bonuses, anticipated increase in salaries, estimated amounts of social security and health insurance contributions, discount rate).

These provisions are presented in the line *'Provisions'*. The changes in provisions are disaggregated into three components that are presented as follows:

I. Service cost (i.e. additional liability that arises from employees providing service during the period) is presented in the line *'Personnel expenses'*;
II. The interest expense on the net benefit liability is presented in the line *'Personnel expenses'*; and
III. Other changes in the value of the defined benefit obligation, such as changes in estimates, are presented within Other Comprehensive Income in the line *'Remeasurement of retirement benefits plan, net of tax'*.

The use of a provision is presented in the line *'Personnel expenses'*.

The Bank additionally provides short-term benefits to its employees, such as contributions to retirement pension insurance and capital life insurance schemes. The Bank recognises the costs of these contributions on an accrual basis in the line *'Personnel expenses'* (refer to Note 10).

The Bank has the following share plans and deferred compensation schemes:

3.5.12.2 Deferred bonus payments

For employees with material impact on the Bank's risk profile, performance-linked remuneration is split into two components: (i) a non-deferred component that is paid in the following year, and (ii) a deferred component that is spread over the following years. The amounts of the two components are further split into bonuses paid in cash and bonuses paid in cash equivalent of the Komerční banka, a.s. share price (indexed bonuses). Both bonuses are subject to presence and performance conditions.

Indexed bonuses qualify as cash-settled share-based transactions. The liability is measured at the end of each reporting period until settled at the fair value of the shares of Komerční banka, a.s. multiplied by the number of shares granted and it is spread over the vesting period.

Deferred cash bonuses (i.e. bonuses paid to employees more than 12 months after the end of the reporting period in which the employees render the related services) are considered as long-term employee benefits and the related expense is recognised over the vesting period in the line *'Personnel expenses'*.

3.5.12.3 Free share plan

To enhance loyalty and motivation to contribute to long-term growth in the value of the Société Générale Group, the Bank can award some of its key employees free shares (deferred share plan). These free shares are subject to a vesting condition (i.e. presence in the Group at the end of the vesting period) and for certain beneficiaries are also subject to the condition that Société Générale Group records positive net income.

Expenses related to the deferred share plan provided by Société Générale to the Bank's employees are recognised in the Bank's financial statements as equity-settled share-based payment transactions. The fair value of these instruments, measured using the arbitrage model at the granting date, is spread over the vesting period and recorded in the lines *'Personnel expenses'* and *'Share premium, funds, retained earnings, revaluation, and net profit for the period'* under equity. At the end of each accounting period, the number of these instruments is adjusted in order to take into account performance and service conditions and adjust the overall cost of the plan as originally determined. Expenses recognised under the *'Personnel expenses'* from the start of the plan are then adjusted accordingly.

3.5.13 Equity

Dividends on ordinary shares
Dividends on ordinary shares are recognised as a liability and deducted from equity at the time they are approved by the Bank's General Meeting.

Treasury shares
When the Bank acquires its own equity instruments, the consideration paid, including any attributable transaction costs, is recognised as a deduction from the line *'Share premium, funds, retained earnings, revaluation, and net profit for the period'* under equity. Gains and losses on sales of treasury shares are also recognised in equity and presented in the line *'Share premium, funds, retained earnings, revaluation, and net profit for the period'*.

3.5.14 Contingent assets, contingent liabilities, and off-balance sheet items

In addition to transactions giving rise to the recognition of assets and liabilities in the Statement of Financial Position, the Bank enters into transactions through which it generates contingent assets and liabilities. The Bank maintains contingent assets and liabilities as off-balance sheet items. The Bank monitors these transactions inasmuch as they constitute a substantial proportion of its activities and materially impact the level of risks to which the Bank is exposed (they may increase or decrease other risks, for instance, by hedging assets and liabilities reported in the Statement of Financial Position).

A contingent asset or liability is defined as a possible asset or liability that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the Bank's control.

A contingent liability also exists in the case of a present obligation where an outflow of resources embodying economic benefits probably will not be required to settle the obligation or the amount of the obligation cannot be measured reliably. Contingent liabilities include, for example, irrevocable loan commitments, commitments arising from bank guarantees, bank acceptances, letters of credit, and warrants.

In addition to contingent assets and contingent liabilities, the off-balance sheet includes assets arising from valuables and securities custody as well as from fiduciary activities and related obligations to return these to customers (e.g. assets under management).

Off-balance sheet items also include nominal values of interest and foreign currency instruments, such as forwards, swaps, options, and futures. More information regarding derivative operations is presented in Note 3.5.5.4.3 Derivatives and hedge accounting.

3.5.15 Operating segments

Operating segments are reported in accordance with internal reports regularly prepared and presented to the Bank's Board of Directors, which is considered the "chief operating decision maker" (i.e. a person or group of persons that allocates resources and assesses the performance of individual operating segments of the Bank).

The Bank has the following operating segments:
- *Retail Banking:* includes the provision of products and services to individuals (i.e. predominantly current and savings accounts, term deposits, overdrafts, credit card loans, personal loans, and mortgages);
- *Corporate Banking:* includes the provision of products and services to corporate entities (i.e. current accounts, term deposits, revolving loans, business loans, mortgages, foreign currency and derivative products, syndicated and export financing, and guarantee transactions);
- *Investment Banking:* involves trading in financial instruments; and
- *Other:* consists of the head office of the Bank.

The Investment Banking segment does not reach quantitative limits for obligatory reporting. The management of the Bank nevertheless believes that the information concerning this segment is useful for users of the Financial Statements and thus reports this segment separately.

As the principal activity of the Bank is the provision of financial services, the Board of Directors of the Bank assesses the performance of operating segments predominantly according to net interest income. For this reason, interest income and interest expense of individual operating segments are reported not separately but on a net basis.

In addition, the Bank monitors net fee and commission income, net profit/(loss) on financial operations, and other income predominantly including income from the lease of non-residential premises by segments. Other profit and loss items are not monitored by operating segments.

The Bank does not monitor total assets or total liabilities by segment.

The information on the items of net operating income is provided to the Board of Directors of the Bank using valuations identical to those stated in the Bank's financial accounting records.

The Bank has no client or group of related parties for which the income from transactions would account for more than 10% of the Bank's total income.

3.5.16 Regulatory requirements

The Bank is subject to regulatory requirements of the CNB and other institutions. These regulations include limits and other restrictions pertaining to minimum capital adequacy requirements, classification of loans and off-balance sheet commitments, and creation of allowances and provisions to cover credit risk associated with the Bank's clients, as well as with its liquidity, interest rate, and foreign currency positions.

4 Segment reporting

	Retail banking		Corporate banking		Investment banking		Other		Total	
(CZKm)	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Net interest income	10,841	13,769	8,680	9,076	2,462	2,472	815	630	22,798	25,947
Net fee and commission income	3,841	3,583	1,748	1,733	23	89	(82)	(128)	5,530	5,277
Net profit/(loss) on financial operations	1,563	1,677	2,384	2,846	(1,703)	(1,526)	1,572	657	3,816	3,654
Dividend income	0	0	0	0	0	0	547	1,481	547	1,481
Other income	283	146	(27)	(29)	157	195	83	(44)	496	268
Net operating income	**16,528**	**19,175**	**12,785**	**13,626**	**939**	**1,230**	**2,935**	**2,596**	**33,187**	**36,627**

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 the 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 rate conditions, including a liquidity component reflecting the existing opportunities to acquire and invest financial resources.

The Bank's income is primarily – more than 96% (2022: more than 98%) – generated on the territory of the Czech Republic.

5 Net interest income

Net interest income comprises the following:

(CZKm)	2023	2022
Interest income	114,097	88,888
Interest expense	(91,299)	(62,941)
Net interest income	**22,798**	**25,947**
Of which net interest income from:		
– Loans and advances at amortised cost	62,664	49,174
– Debt securities at amortised cost	4,244	3,033
– Other debt securities	442	559
– Financial liabilities at amortised cost	(37,902)	(21,923)
– Hedging financial derivatives – income	46,709	35,742
– Hedging financial derivatives – expense	(53,359)	(40,638)

Note: Net interest income is calculated by applying the effective interest rate method, except that in the case of hedging derivatives the contractual interest rate of the corresponding derivative is used.

'Interest income' includes interest on Stage 3 loans due from customers of CZK 456 million (2022: CZK 397 million).

In both 2023 and 2022, the Bank recorded as part of *'Net interest income'* also negative interest income and expense from selected clients' deposits in selected currencies, from selected repo transactions, loro and nostro accounts, and margin accounts deposited at banks. The total amount recognised is not material.

'Interest income' includes interest income on the sublease of right-of-use assets in the amount of CZK 1 million (2022: CZK 0 million). *'Interest expense'* includes interest expense on lease liabilities in the amount of CZK 62 million (2022: CZK 38 million).

In 2022, *'Net interest income'* included the costs of provisions in the amount of CZK 55 million to cover potential compensations that would be paid to clients as reimbursement of sanctions for early repayment of mortgages (purposefully incurred costs). In 2023 provisions were used and released in the amount of CZK 21 million.

6 Net fee and commission income

Net fee and commission income comprises the following:

(CZKm)	2023	2022
Deposit product fee and commission income	770	762
Loan fee and commission income	472	467
Transaction fee and commission income	2,368	2,351
Cross-selling fee income	1,396	1,232
Specialised financial services fee and commission income	1,407	1,327
Other fee and commission income	208	184
Total fee and commission income	**6,621**	**6,323**
Deposit product fee and commission expense	(121)	(128)
Loan fee and commission expense	(135)	(154)
Transaction fee and commission expense	(540)	(534)
Cross-selling fee expense	(39)	(36)
Specialised financial services fee and commission expense	(183)	(148)
Other fee and commission expense	(73)	(46)
Total fee and commission expenses	**(1,091)**	**(1,046)**
Total net fee and commission income	**5,530**	**5,277**

'Net fee and commission income' comprises fee income arising from trust and other fiduciary activities and depository services in the amount of CZK 194 million (2022: CZK 137 million) and fee expense for these services in the amount of CZK 38 million (2022: CZK 41 million).

7 Net profit/(loss) on financial operations

Net profit/(loss) on financial operations comprises the following:

(CZKm)	2023	2022
Net realised gains/(losses) on securities held for trading	578	144
Net unrealised gains/(losses) on securities held for trading	(698)	30
Net realised gains/(losses) on debt securities at FVOCI	294	0
Net realised gains/(losses) on disposal of debt securities at amortised cost	4	(5)
Net realised profit/(loss) from own bonds	0	16
Net realised and unrealised gains/(losses) on security derivatives	2	35
Net realised and unrealised gains/(losses) on interest rate derivatives	592	1,802
Net realised and unrealised gains/(losses) on trading commodity derivatives	0	0
Net realised and unrealised gains/(losses) on foreign exchange operations	2,155	540
Net realised gains/(losses) on foreign exchange from payments	889	1,092
Total net profit/(loss) on financial operations	**3,816**	**3,654**

A gain of CZK 5,418 million (2022: loss of CZK 14,689 million) on the fair value of interest rate swaps for interest rate risk hedging is included in *'Net realised and unrealised gains/(losses) on interest rate derivatives'*. This amount matches the loss arising from the revaluation of hedged loan receivables, debt securities, deposits or repos, and issued mortgage bonds reported in the same line.

8 Dividend income

'Dividend income' includes dividends received from subsidiaries and associates of CZK 547 million (2022: CZK 1,481 million) and from other financial investments of CZK 0 million (2022: CZK 0 million). Income from hedging financial derivatives used to hedge cash flows from foreign exchange risk for dividends from subsidiaries and associates was CZK 0 million (2022: CZK 0 million).

9 Other income

The Bank reports *'Other income'* in the amount of CZK 496 million (2022: CZK 268 million). In both 2023 and 2022, *'Other income'* was predominantly composed of other income from bank products, income from services provided to the Group's companies and the Société Générale Group entities, as well as income from non-banking activities.

10 Personnel expenses

Personnel expenses comprise the following:

(CZKm)	2023	2022
Wages, salaries, and bonuses	5,147	4,845
Social costs	2,084	1,915
Total personnel expenses	**7,231**	**6,760**
Physical number of employees at the end of the period*	6,580	6,711
Average recalculated number of employees during the period*	6,499	6,553
Average cost per employee (CZK)	**1,112,633**	**1,031,589**

* Calculation according to Czech Statistical Office methodology.

'Social costs' include costs of CZK 112 million (2022: CZK 103 million) paid by the Bank to the employees' retirement pension insurance scheme and costs of CZK 23 million (2022: CZK 27 million) incurred in contributing to the employees' capital life insurance scheme.

'Personnel expenses' include net income of CZK 0 million (2022: CZK 41 million) related to the provision for restructuring. In 2022, the Bank fully used the remaining balance. Further information is presented in Note 31.

Indexed bonuses

In 2023, the total amount relating to bonuses indexed on the Komerční banka and the Société Générale share price recognised in *'Personnel expenses'* was CZK 47 million (2022: CZK 32 million) and the total amount of CZK 108 million (2022: CZK 105 million) was recognised as a liability. These amounts do not include the costs of social and health insurance and retirement pension insurance paid by the Bank. Net profit from hedging indexed bonuses by fair value hedge and cash flow hedge derivatives was CZK 12 million (2022: net loss of CZK 31 million). The total number of Komerční banka and Société Générale shares according to which bonuses indexed on the Komerční banka and the Société Générale share price are calculated is 221,367 shares (2022: 185,715 shares).

Changes in the numbers of Komerční banka shares and Société Générale were as follow:

	2023		2022	
(in shares)	KB shares	SG shares	KB shares	SG shares
Balance as of 1 January	**185,715**	**0**	**180,404**	**0**
Paid out during the period	(49,672)	0	(28,918)	0
Presumed number of newly guaranteed shares	83,139	2,185	34,229	0
Balance as of 31 December	**219,182**	**2,185**	**185,715**	**0**

Free shares and deferred share plans

For 2023, the total amount relating to the free shares programme and deferred share plans recognised in *'Personnel expenses'* was CZK 18 million (2022: CZK 15 million).

Changes in the numbers of Société Générale shares were as follow:

	2023		2022	
(in shares; EUR)	Number of shares	Average price	Number of shares	Average price
Balance as of 1 January	**111,478**	**16.62**	**124,803**	**17.52**
Granted during the year	39,783	23.97	36,845	18.99
Forfeited during the year	(2,546)	20.13	(8,607)	16.73
Exercised during the year	(32,930)	11.26	(41,563)	21.40
Balance as of 31 December	**115,785**	**20.59**	**111,478**	**16.62**

11 General and administrative expenses

General and administrative expenses comprise the following:

(CZKm)	2023	2022
Insurance	82	80
Marketing and representation	567	466
Selling and banking products expenses	533	289
Other employees' expenses and travelling	116	106
Real estate expenses	798	734
IT support	1,404	1,267
Equipment and supplies	80	72
Telecommunications, postage, and data transfer	180	163
External consultancy and other services	386	364
Resolution and similar funds	1,249	1,258
Other expenses	67	62
Total general and administrative expenses	**5,462**	**4,861**

'General and administrative expenses' include the expenses related to leases for which the exemptions from IFRS 16 were applied and also variable lease payment expenses which are not included in the lease liabilities.

Lease payment expenses were as follow:

				2023				2022
(CZKm)	Properties	Hardware	Other	Total	Properties	Hardware	Other	Total
Short-term leases	199	0	0	199	154	0	0	154
Low-value assets (excluding short-term leases)	0	17	0	17	0	14	0	14
Variable lease payment expenses not included in lease liabilities	0	0	0	0	0	0	0	0

12 Depreciation, amortisation, and impairment of operating assets

Depreciation, amortisation, and impairment of operating assets comprise the following:

(CZKm)	2023	2022
Depreciation and amortisation of tangible and intangible assets (refer to Notes 25 and 26)	3,080	2,734
Impairment of operating assets	0	0
Total depreciation, amortisation, and impairment of operating assets	**3,080**	**2,734**

Depreciation of right-of-use assets according to the underlying asset:

(CZKm)	2023	2022
Real estate*	372	383
Hardware	3	1
Other	21	18
Total depreciation of right-of-use assets	**396**	**402**

* The item 'Real estate' includes also ATMs.

13 Cost of risk

The net gain in *'Cost of risk'* totalling CZK 123 million (2022: net loss CZK 977 million) includes a net gain from allowances and provisions in the amount of CZK 4 million (2022: net loss CZK 914 million) and a net gain from loans and advances transferred and written off in the amount of CZK 119 million (2022: net loss CZK 63 million).

The balances and movements of allowances and provisions for loans and advances and for debt securities as of 31 December 2023 were as follow:

(CZKm)	As of 1 Jan 2023	Increase due to origin	Decrease due to derecognition*	Change of credit risk (net)	Change of estimation (net)***	Decrease due to write-off	Other**	As of 31 Dec 2023
Allowances for financial assets (Stage 1)	(1,288)	(715)	527	227	44	0	(12)	(1,217)
– Debt securities	(25)	0	0	0	0	0	0	(25)
– Loans and advances	(1,263)	(715)	527	227	44	0	(12)	(1,192)
Allowances for financial assets (Stage 2)	(2,457)	0	75	(1,104)	(67)	1	(16)	(3,568)
– Debt securities	(49)	0	0	(705)	0	0	0	(754)
– Loans and advances	(2,408)	0	75	(399)	(67)	1	(16)	(2,814)
Allowances for financial assets (Stage 3)	(7,879)	0	754	203	0	1,257	(46)	(5,711)
– Debt securities	0	0	0	0	0	0	0	0
– Loans and advances	(7,879)	0	754	203	0	1,257	(46)	(5,711)
Total allowances for financial assets (refer to Notes 22 and 41)	**(11,624)**	**(715)**	**1,356**	**(674)**	**(23)**	**1,258**	**(74)**	**(10,496)**
Provisions for guarantees and other credit-related commitments (Stage 1)	(291)	(180)	0	270	6	0	(1)	(196)
Provisions for guarantees and other credit-related commitments (Stage 2)	(155)	0	0	14	(16)	0	(3)	(160)
Provisions for guarantees and other credit-related commitments (Stage 3)	(419)	0	0	168	0	0	0	(251)
Total provisions for guarantees and other credit-related commitments (refer to Note 31)	**(865)**	**(180)**	**0**	**452**	**(10)**	**0**	**(4)**	**(607)**

* This item includes changes in allowances due to full derecognition of financial assets for reasons other than write-offs (e.g. transfers to third parties or expiration of contractual rights; only full and partial repayments are presented in the item 'Change of credit risk (net)'). For off-balance sheet exposures, this item also includes decreases in impairment due to an off-balance sheet item's becoming an on-balance sheet asset.
** This item includes mainly changes in allowances as a result of FX translation.
*** This item includes changes in allowances due to a parametric adjustments of staging rules.

The balances and movements of allowances and provisions for loans and advances and for debt securities as of 31 December 2022 were as follow:

(CZKm)	As of 1 Jan 2022	Increase due to origin	Decrease due to derecogni-tion*	Change of credit risk (net)	Change of estima-tion (net)	Decrease due to write-off	Other**	As of 31 Dec 2022
Allowances for financial assets (Stage 1)	(1,174)	(1,004)	789	80	0	0	21	(1,288)
– Debt securities	(20)	0	0	(5)	0	0	0	(25)
– Loans and advances	(1,154)	(1,004)	789	85	0	0	21	(1,263)
Allowances for financial assets (Stage 2)	(2,006)	0	275	(746)	0	2	18	(2,457)
– Debt securities	0	0	0	(49)	0	0	0	(49)
– Loans and advances	(2,006)	0	275	(697)	0	2	18	(2,408)
Allowances for financial assets (Stage 3)	(7,674)	0	240	(721)	0	215	61	(7,879)
– Debt securities	0	0	0	0	0	0	0	0
– Loans and advances	(7,674)	0	240	(721)	0	215	61	(7,879)
Total allowances for financial assets (refer to Notes 22 and 41)	**(10,854)**	**(1,004)**	**1,304**	**(1,387)**	**0**	**217**	**100**	**(11,624)**
Provisions for guarantees and other credit-related commitments (Stage 1)	(259)	(316)	0	279	0	0	5	(291)
Provisions for guarantees and other credit-related commitments (Stage 2)	(169)	0	0	14	0	0	0	(155)
Provisions for guarantees and other credit-related commitments (Stage 3)	(621)	0	0	194	0	0	8	(419)
Total provisions for guarantees and other credit-related commitments (refer to Note 31)	**(1,049)**	**(316)**	**0**	**487**	**0**	**0**	**13**	**(865)**

* This item includes changes in allowances due to full derecognition of financial assets for reasons other than write-offs (e.g. transfers to third parties or expiration of contractual rights; only full and partial repayments are presented in the item 'Change of credit risk (net)'). For off-balance sheet exposures, this item also includes decreases in impairment due to an off-balance sheet item's becoming an on-balance sheet asset.

** This item includes mainly changes in allowances as a result of FX translation.

14 Profit/(loss) on subsidiaries and associates

The balances of allowances for subsidiaries and associates are as follow:

(CZKm)	2023	2022
Balance as of 1 January	**(40)**	**(40)**
Charge for allowances	0	0
Release and use of allowances	0	0
Balance as of 31 December	**(40)**	**(40)**

15 Net profits on other assets

Net profits on other assets comprise the following:

(CZKm)	2023	2022
Net profits/(losses) from sale of buildings	(6)	(9)
Net profits/(losses) from impairment on assets held for sale	13	1
Net profits/(losses) from sale-and-lease-back transactions	0	(3)
Net profits/(losses) from sale/disposal of other assets	(95)	(24)
Total net profits on other assets	**(88)**	**(35)**

16 Income tax

The major components of corporate income tax expense are as follow:

(CZKm)	2023	2022
Tax payable – current year, reported in profit or loss	(2,911)	(3,652)
Tax of previous years	23	153
Deferred tax (refer to Note 32)	13	(189)
Total income tax	**(2,875)**	**(3,688)**

The items explaining the difference between the Bank's theoretical and effective tax rates are as follow:

(CZKm)	2023	2022
Profit before income tax	**17,449**	**21,260**
Theoretical tax calculated at a tax rate of 19% (2022: 19%)	3,315	4,039
Tax on pre-tax profit adjustments	9	(4)
Non-taxable income (tax effect)	(2,040)	(2,009)
Expenses not deductible for tax purposes (tax effect)	1,639	1,642
Tax allowance	(3)	(3)
Movement in deferred tax	(13)	189
Other	(9)	(13)
Income tax expense	**2,898**	**3,841**
Tax of previous years	(23)	(153)
Total income tax	**2,875**	**3,688**
Effective tax rate	16.48%	17.35%

Non-taxable income primarily includes tax-free dividends, tax-free government securities, and the release of tax non-deductible allowances and provisions. Expenses not deductible for tax purposes include primarily the recognition of tax non-deductible allowances and provisions and tax non-deductible operating expenses. Tax on pre-tax profit adjustments primarily represents an adjustment of the IFRS result to Czech Accounting Standards (CAS).

The corporate tax rate for the year ended 31 December 2023 is 19% (2022: 19%). The Bank's tax liability is calculated based upon the accounting profit while taking into account tax non-deductible expenses and tax-exempt income or income subject to a final withholding tax rate.

In relation to the interpretation of IFRIC 23, the Bank considers it probable that the relevant authority will accept each tax treatment that the Bank used or plans to use in its income tax filing.

Further information about deferred tax is presented in Note 32.

As of 1 January 2024, there came into effect the new Act No. 416/2023 Coll. on compensatory taxes for large multinational groups and large national groups. On the basis of this new legislation, the Bank becomes a payer of the compensatory tax. Submission of the first information overview and possible filing for this tax to the tax administrator for the year 2024 will take place in 2025. The tax liability of the accounting unit in connection with the compensatory tax for the year 2024 is assumed to be zero. In assessing the impacts, the Bank considered the results for 2023, estimates and budgeted indicators for 2024, as well as the increase in the corporate income tax rate from 1 January 2024 to 21% from the current 19%.

17 Distribution of net profit

For the year ended 31 December 2023, the Bank generated a net profit of CZK 14,574 million (2022: CZK 17,572 million). The Bank's Board of Directors will propose to the Supervisory Board a dividend payment in the amount of CZK 82.66 per share (2022: CZK 60.42 per share), which means a total amount of CZK 15,709 million (2022: CZK 11,483 million). The proposal is subject to the Supervisory Board's approval and subsequently to approval of the General Shareholders' Meeting.

In accordance with a resolution of the General Shareholders' Meeting held on 20 April 2023, the aggregate balance of the net profit of CZK 17,572 million for the year ended 31 December 2022 was allocated as follows: CZK 11,483 million was paid out in dividends and the remaining balance of the net profit was allocated to retained earnings. The dividends were paid out in Czech crowns.

At the General Meeting held per rollam from 6 to 21 November 2022, the shareholders approved a dividend from retained earnings of CZK 55.50 per share before tax. The total dividend recognised in 2022 was CZK 99.30 per share before tax.

18 Cash and current balances with central banks

Cash and current balances with central banks comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Cash and cash values	8,305	8,023
Current balances with central banks	4,064	4,675
Total cash and current balances with central banks (refer to Note 35)	**12,369**	**12,698**

Obligatory minimum reserves in the amount of CZK 3,354 million (2022: CZK 3,644 million) are included in *'Current balances with central banks'*. As of 31 December 2023, the interest rate was 0.00% (2022: 7.00%) in the Czech Republic and 0.00% (2022: 2.50%) in the Slovak Republic. With effect from 5 October 2023 in the Czech Republic and from 20 September 2023 in the Slovak Republic, obligatory minimum reserves no longer earn interest.

19 Financial assets and other assets held for trading at fair value through profit or loss

Financial assets and other assets held for trading at fair value through profit or loss comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Trading debt securities	19,621	9,968
Trading derivatives	29,777	49,300
Total financial assets held for trading at fair value through profit or loss	**49,398**	**59,268**

As of 31 December 2023 and 2022, the *'Financial assets held for trading at fair value through profit or loss'* portfolio included only securities and positive fair values of derivative financial instruments held for trading. Upon initial recognition, the Bank has not designated any financial assets as *'Financial assets held for trading at fair value through profit or loss'*.

For detailed information on *'Trading debt securities'*, allocated by sector and currency, refer to Note 42(A).

For detailed information on derivative financial instruments included in the held for trading portfolio, refer to Note 42(C).

As of 31 December 2023, the portfolio of trading securities included securities at fair value of CZK 19,621 million (2022: CZK 9,968 million) that are publicly traded on stock exchanges and securities at fair value of CZK 0 million (2022: CZK 0 million) that are not publicly traded on stock exchanges (rather are traded on the interbank market).

'Trading debt securities' include securities used as collateral for borrowing securities at fair value of CZK 11,345 million (2022: CZK 278 million).

'Trading debt securities' include securities eligible for refinancing with central banks at fair value of CZK 8,264 million (2022: CZK 9,624 million).

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

As of 31 December 2023, the *'Non-trading financial assets at fair value through profit or loss'* portfolio includes financial assets at fair value of CZK 0 million (2022: CZK 132 million) provided to non-financial corporations, which were fully repaid during 2023.

21 Financial assets at fair value through other comprehensive income

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

(CZKm)	31 Dec 2023	31 Dec 2022
Equity instruments at FVOCI	45	44
Debt securities at FVOCI	16,661	30,055
Total financial assets at fair value through other comprehensive income	**16,706**	**30,099**

In 2023, the Bank decided to divest part of its *'Financial assets at fair value through other comprehensive income'* portfolio in order to improve stability and predictability of the capital adequacy ratio over time.

As of 31 December 2023, the *'Financial assets at fair value through other comprehensive income'* portfolio included the equity interest in Bankovní identita, a.s. at fair value of CZK 44 million (2022: CZK 43 million).

For more-detailed information on *'Debt securities'*, allocated by sector and currency, refer to Note 42(A).

As of 31 December 2023, the *'Financial assets at fair value through other comprehensive income'* portfolio included securities at fair value of CZK 16,662 million (2022: CZK 30,056 million) that are publicly traded on stock exchanges.

'Debt securities at FVOCI' include securities eligible for refinancing with central banks at fair value of CZK 16,661 million (2022: CZK 30,055 million).

As of 31 December 2023, the *'Financial assets at fair value through other comprehensive income'* portfolio included bonds at fair value of CZK 746 million (2022: CZK 730 million) that are used as collateral for intraday facilities in central banks.

As of 31 December 2023, the *'Financial assets at fair value through other comprehensive income'* portfolio included bonds at fair value of CZK 4,673 million (2022: CZK 4,838 million) that are used as collateral for derivative deals with a central counterparty. The central counterparty is LCH.Clearnet SA. The Bank uses Société Générale International Limited as a related broker.

22 Financial assets at amortised cost

Financial assets at amortised cost comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Loans and advances to banks	455,250	271,030
Loans and advances to customers	714,319	668,201
Debt securities	143,500	130,421
Total financial assets at amortised cost	**1,313,069**	**1,069,652**

For detailed information on *'Debt securities'*, allocated by sector and currency, refer to Note 42(A).

As of 31 December 2023, the *'Financial assets at amortised cost'* portfolio includes debt securities in the amount of CZK 143,367 million (2022: CZK 130,259 million) that are publicly traded on stock exchanges and debt securities in the amount of CZK 133 million (2022: CZK 162 million) that are not publicly traded.

'Debt securities' include securities eligible for refinancing with central banks in the amount of CZK 139,825 million (2022: CZK 126,831 million).

As of 31 December 2023, the *'Financial assets at amortised cost'* portfolio includes mortgage loans, which are allocated in the cover pool of Mortgage bonds (refer to Note 29) with the identifier "Komerční_banka_HZL_0000" in the amount of CZK 8,091 million (2022: CZK 11,381 million) and in the cover pool with the identifier "Komerční_banka_HZL_EUR_0001" in the amount of CZK 15,323 million (2022: CZK 14,832 million). The cover pool "Komerční_banka_HZL_EUR_0001" includes a government bond with a nominal value of CZK 200 million (2022: CZK 200 million).

As of 31 December 2023, 'Financial assets at amortised cost' comprise the following, as broken down by Staging:

	Gross carrying value				Allowances				Carrying value
(CZKm)	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
Central banks	366,364	0	0	366,364	0	0	0	0	366,364
General governments	31,232	0	50	31,282	(8)	0	(15)	(23)	31,259
Credit institutions	88,712	178	0	88,890	0	(4)	0	(4)	88,886
Other financial corporations	113,543	293	121	113,957	(133)	(39)	(9)	(181)	113,776
Non-financial corporations	233,732	20,803	7,033	261,568	(886)	(2,060)	(3,493)	(6,439)	255,129
Households*	245,417	67,429	4,379	317,225	(165)	(711)	(2,194)	(3,070)	314,155
Total loans	**1,079,000**	**88,703**	**11,583**	**1,179,286**	**(1,192)**	**(2,814)**	**(5,711)**	**(9,717)**	**1,169,569**
Central banks	0	0	0	0	0	0	0	0	0
General governments	139,951	0	0	139,951	(23)	0	0	(23)	139,928
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	1,796	0	0	1,796	0	0	0	0	1,796
Non-financial corporations	764	1,765	0	2,529	0	(753)	0	(753)	1,776
Total debt securities	**142,511**	**1,765**	**0**	**144,276**	**(23)**	**(753)**	**0**	**(776)**	**143,500**

* 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:

	Gross carrying value				Allowances				Carrying value
(CZKm)	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	28,600	0	72	28,672	(9)	0	(12)	(21)	28,651
Credit institutions	89,229	379	41	89,649	(1)	(4)	(2)	(7)	89,642
Other financial corporations	91,631	217	143	91,991	(137)	(17)	(6)	(160)	91,831
Non-financial corporations	222,307	18,904	10,228	251,439	(948)	(1,759)	(5,761)	(8,468)	242,971
Households*	250,505	52,940	4,197	307,642	(168)	(628)	(2,098)	(2,894)	304,748
Total loans	**863,660**	**72,440**	**14,681**	**950,781**	**(1,263)**	**(2,408)**	**(7,879)**	**(11,550)**	**939,231**
Central banks	0	0	0	0	0	0	0	0	0
General governments	126,974	0	0	126,974	(20)	0	0	(20)	126,954
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
Total debt securities	**128,792**	**1,698**	**0**	**130,490**	**(20)**	**(49)**	**0**	**(69)**	**130,421**

* This item also includes loans granted to individual entrepreneurs.

For the year ended 31 December 2023, the transfers between Stages were as follow:

	Gross carrying value					
(CZKm)	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
Central banks	0	0	0	0	0	0
General governments	0	0	0	0	0	0
Credit institutions	0	0	0	31	0	0
Other financial corporations	10	2	0	0	1	0
Non-financial corporations	7,802	5,823	873	901	585	5
Households*	24,110	4,877	688	456	773	73
Total loans	**31,922**	**10,702**	**1,561**	**1,388**	**1,359**	**78**
Central banks	0	0	0	0	0	0
General governments	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0
Non-financial corporations	0	0	0	0	0	0
Total debt securities	**0**	**0**	**0**	**0**	**0**	**0**
Total guarantees and other credit-related commitments	**7,469**	**1,343**	**29**	**68**	**67**	**20**

* This item also includes loans granted to individual entrepreneurs.
Note: Reported are exposures that are in a Stage as of the financial statements date different from that where they were initially staged (i.e. from the Stage as of the beginning of the period or at their initial recognition). Exposures that had changed Stage multiple times are reported as having been transferred from their initial Stage to the Stage in which they are reported as of the financial statements date.

For the year ended 31 December 2022, the transfers between Stages were as follow:

	Gross carrying value					
(CZKm)	From Stage 1 to Stage 2	From Stage 2 to Stage 1	From Stage 2 to Stage 3	From Stage 3 to Stage 2	From Stage 1 to Stage 3	From Stage 3 to Stage 1
Central banks	0	0	0	0	0	0
General governments	0	14	0	0	0	0
Credit institutions	62	0	0	0	41	0
Other financial corporations	2	233	0	0	0	0
Non-financial corporations	6,379	6,411	1,137	256	1,494	6
Households*	41,236	6,034	509	653	653	88
Total loans	**47,679**	**12,692**	**1,646**	**909**	**2,188**	**94**
Central banks	0	0	0	0	0	0
General governments	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0
Other financial corporations	0	0	0	0	0	0
Non-financial corporations	1,698	0	0	0	0	0
Total debt securities	**1,698**	**0**	**0**	**0**	**0**	**0**
Total guarantees and other credit-related commitments	**6,795**	**13,610**	**401**	**32**	**363**	**152**

* This item also includes loans granted to individual entrepreneurs.
Note: Reported are exposures that are in a Stage as of the financial statements date different from that where they were initially staged (i.e. from the Stage as of the beginning of the period or at their initial recognition). Exposures that had changed Stage multiple times are reported as having been transferred from their initial Stage to the Stage in which they are reported as of the financial statements date.

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

(CZKm)	31 Dec 2023	31 Dec 2022
Agriculture, forestry, and fishing	11,690	10,627
Mining and quarrying	444	2,538
Manufacturing	59,662	61,171
Electricity, gas, steam, and air conditioning supply	21,758	17,380
Water supply, sewerage, waste management, and remediation activities	3,152	3,113
Construction	11,608	11,202
Wholesale and retail	48,794	46,148
Transportation and storage	7,798	7,805
Accommodation and food service activities	1,660	1,803
Information and communication	5,230	7,483
Real estate activities	64,602	58,411
Professional, scientific, and technical activities	7,814	8,403
Administrative and support service activities	8,173	8,097
Public administration and defence, compulsory social security	148	3
Education	272	481
Health care and social work activities	3,249	2,992
Arts, entertainment, and recreational activities	4,882	2,393
Other activities	632	1,389
Total loans and advances to non-financial corporations	**261,568**	**251,439**

Exposure to the automotive industry and related suppliers is CZK 11,987 million (2022: CZK 15,028 million).

The majority of loans – more than 95% (2022: more than 95%) – were provided to entities on the territory of the Czech Republic.

As of 31 December 2023, loans and advances to customers included accrued interest of CZK 2,025 million (2022: CZK 1,432 million), of which CZK 263 million (2022: CZK 250 million) relates to interest from overdue advances.

'Financial assets at amortised cost' includes CZK 33,641 million (2022: CZK 41,638 million) provided as cash collateral linked to derivative operations.

The total amount of loans due from the CNB and other banks under reverse repurchase transactions was CZK 366,364 million (2022: CZK 181,388 million).

Loans due from the CNB and other banks under reverse repurchase transactions are collateralised by treasury bills issued by the CNB and other debt securities, the fair values of which are as follow:

(CZKm)	31 Dec 2023	31 Dec 2022
Treasury bills	361,216	178,157
Debt securities issued by state institutions	0	0
Emission allowances	0	0
Investment certificates	0	0
Total	**361,216**	**178,157**

As of 31 December 2023, loans provided to customers under reverse repurchase transactions in the amount of CZK 0 million (2022: CZK 0 million) are collateralised by securities with a fair value of CZK 0 million (2022: CZK 0 million).

Broken out below are the types of collateral held in support of loans and advances to customers as stated in the Statement of Financial Position as of 31 December 2023:

	Applied loans and advances to customers collateral value*				
(CZKm)	Loans collateralised by residential property	Loans collateralised by commercial property	Other loans collateralised by cash instruments	Other loans collateralised by other collateral	Financial guarantees received
Loans and advances to customers	**264,524**	**26,819**	**1,147**	**14,799**	**32,062**
of which:					
– Other financial corporations	32	780	0	4,293	11,531
– Non-financial corporations	3,534	22,552	1,090	10,194	16,888
– Households**	260,950	3,456	50	251	483

* 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, and similar factors and then further 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 Statement of Financial Position as of 31 December 2022:

	Applied loans and advances to customers collateral value*				
(CZKm)	Loans collateralised by residential property	Loans collateralised by commercial property	Other loans collateralised by cash instruments	Other loans collateralised by other collateral	Financial guarantees received
Loans and advances to customers	**255,069**	**27,321**	**1,463**	**16,452**	**30,098**
of which:					
– Other financial corporations	44	471	0	3,531	7,713
– Non-financial corporations	2,948	23,132	1,230	12,507	19,605
– Households**	252,064	3,686	229	348	569

* 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, and similar factors and then further reduced to the actual balance of the collateralised exposure.
** This item also includes loans granted to individual entrepreneurs.

Pledges on industrial real estate comprise 9% of total pledges on real estate (2022: 8%).

Forborne loans and advances to customers

Forborne loans and advances to customers as of 31 December 2023:

(CZKm)	Neither past due nor impaired	Past due, not impaired	Impaired	Total forborne	Allowances	Collateral applied
General governments	1	0	0	1	0	1
Other financial corporations	0	0	0	0	0	0
Non-financial corporations	396	0	1,451	1,847	831	448
Households*	676	71	1,838	2,585	714	1,810
Total	**1,073**	**71**	**3,289**	**4,433**	**1,545**	**2,259**

* This item also includes loans granted to individual entrepreneurs.

Forborne loans and advances to customers as of 31 December 2022:

(CZKm)	Neither past due nor impaired	Past due, not impaired	Impaired	Total forborne	Allowances	Collateral applied
General governments	176	0	0	176	0	0
Other financial corporations	0	0	0	0	0	0
Non-financial corporations	5,165	4	2,701	7,870	1,449	2,317
Households*	6,956	118	1,706	8,780	670	7,204
Total	**12,297**	**122**	**4,407**	**16,826**	**2,119**	**9,521**

* This item also includes loans granted to individual entrepreneurs.

The carrying value of forborne assets in comparison with the Bank's loan portfolio (excluding Debt securities and Other amounts due from customers):

			31 Dec 2023			31 Dec 2022
(CZKm)	Gross receivable	Forborne assets	Share in gross receivable	Gross receivable	Forborne assets	Share in gross receivable
General governments	31,282	1	0.00%	28,672	176	0.61%
Other financial corporations	113,957	0	0.00%	91,991	0	0.00%
Non-financial corporations	261,568	1,847	0.71%	251,439	7,870	3.13%
Households*	317,225	2,585	0.81%	307,642	8,780	2.85%
Total	**724,032**	**4,433**	**0.61%**	**679,744**	**16,826**	**2.48%**

* This item also includes loans granted to individual entrepreneurs.

Finance leases

The subject of finance leasing is subleasing of real estate.

Loans and advances to customers – leasing:

(CZKm)	31 Dec 2023	31 Dec 2022
Due less than 1 year	6	2
Due from 1 to 2 years	5	2
Due from 2 to 3 years	5	1
Due from 3 to 4 years	3	1
Due from 4 to 5 years	4	0
Due longer than 5 years	17	1
Total	**40**	**7**

Future interest (the difference between gross and net investment in the lease) on lease contracts is:

(CZKm)	31 Dec 2023	31 Dec 2022
Due less than 1 year	2	0
Due from 1 to 2 years	1	0
Due from 2 to 3 years	1	0
Due from 3 to 4 years	1	0
Due from 4 to 5 years	1	0
Due longer than 5 years	2	0
Total	**8**	**0**

23 Prepayments, accrued income, and other assets

Prepayments, accrued income, and other assets comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Prepayments and accrued income	893	914
Settlement balances	488	391
Receivables from securities trading	39	6
Other assets	2,217	2,265
Total prepayments, accrued income, and other assets	**3,637**	**3,576**

'Other assets' include allowances for operating receivables for other debtors in the amount of CZK 199 million (2022: CZK 204 million), and in particular also advances provided and receivables for other debtors.

24 Investments in subsidiaries and associates

Investments in subsidiaries and associates comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Investments in subsidiary undertakings	17,732	17,003
Investments in associated undertakings	1,327	1,327
Total investments in subsidiaries and associates	**19,059**	**18,330**

Subsidiary undertakings

The following companies were subsidiary undertakings of the Bank as of 31 December 2023:

Company name	Direct holding (%)	Group holding (%)	Principal activity	Registered office	Cost of investment (CZKm)	Allowances (CZKm)	Carrying value (CZKm)
BASTION EUROPEAN INVESTMENTS S.A.	99.98	99.98	Financial services	Brussels	564	0	564
ESSOX s.r.o.	50.93	50.93	Consumer loans, leasing	České Budějovice	1,165	0	1,165
Factoring KB, a.s.	100.00	100.00	Factoring	Prague	1,190	0	1,190
KB Penzijní společnost, a.s.	100.00	100.00	Financial services	Prague	550	0	550
KB Poradenství, s.r.o.	100.00	100.00	Financial services	Prague	1	0	1
KB Real Estate, s.r.o.	100.00	100.00	Support services	Prague	511	0	511
KB SmartSolutions, s.r.o.	100.00	100.00	Support services	Prague	578	(40)	538
Modrá pyramida stavební spořitelna, a.s.	100.00	100.00	Construction savings scheme	Prague	5,973	0	5,973
Protos, uzavřený investiční fond, a.s.	83.65	100.00	Financial services	Prague	5,032	0	5,032
SG Equipment Finance Czech Republic s.r.o.	50.10	50.10	Industry financing	Prague	1,850	0	1,850
STD2, s.r.o.	100.00	100.00	Support services	Prague	358	0	358
Total					**17,772**	**(40)**	**17,732**

Associated undertakings

The following companies were associated undertakings of the Bank as of 31 December 2023:

Company name	Direct holding (%)	Group holding (%)	Principal activity	Registered office	Cost of investment (CZKm)	Allowances (CZKm)	Carrying value (CZKm)
CBCB - Czech Banking Credit Bureau, a.s.	20.00	20.00	Collection of data for evaluating credit risk	Prague	0*	0	0
Komerční pojišťovna, a.s.	49.00	49.00	Insurance activities	Prague	1,327	0	1,327
Total					**1,327**	**0**	**1,327**

* The cost of investment for CBCB - Czech Banking Credit Bureau, a.s. is CZK 240 thousand.

Investments in subsidiaries and associates classified as assets held for sale

The following investments in subsidiaries and associates of the Bank were classified as assets held for sale as of 31 December 2023:

Company name	Direct holding (%)	Group holding (%)	Principal activity	Registered office	Cost of investment (CZKm)	Allowances (CZKm)	Carrying value (CZKm)
VN 42, s.r.o.	100.00	100.00	Support services	Prague	364	0	364
Worldline Czech Republic s.r.o.	1.00	1.00	Financial services	Prague	0*	0	0
Total					**364**	**0**	**364**

* The cost of investment for Worldline Czech Republic s.r.o. is CZK 418 thousand.

Set out below is an overview of year-on-year movements in investments, by issuer:

(CZKm)	Cost of investment as of 1 Jan 2023	Additions	Decreases	Reclassification	Cost of investment as of 31 Dec 2023
BASTION EUROPEAN INVESTMENTS S.A.[1)]	603	0	(39)	0	564
ESSOX s.r.o.	1,165	0	0	0	1,165
Factoring KB, a.s.	1,190	0	0	0	1,190
KB Penzijní společnost, a.s.	550	0	0	0	550
KB Poradenství, s.r.o.[2)]	0	1	0	0	1
KB Real Estate, s.r.o.	511	0	0	0	511
KB SmartSolutions, s.r.o.[5)]	547	31	0	0	578
Modrá pyramida stavební spořitelna, a.s.[4)]	4,873	1,100	0	0	5,973
Protos, uzavřený investiční fond, a.s.	5,032	0	0	0	5,032
SG Equipment Finance Czech Republic s.r.o.	1,850	0	0	0	1,850
STD2, s.r.o.	358	0	0	0	358
VN 42, s.r.o.[3)]	364	0	0	(364)	0
Total subsidiaries	**17,043**	**1,132**	**(39)**	**(364)**	**17,772**
CBCB - Czech Banking Credit Bureau, a.s.	0*	0	0	0	0*
Komerční pojišťovna, a.s.	1,327	0	0	0	1,327
Total associates	**1,327**	**0**	**0**	**0**	**1,327**
VN 42, s.r.o.[3)]	0	0	0	364	364
Worldline Czech Republic s.r.o.	0**	0	0	0	0**
Total as assets held for sale	**0**	**0**	**0**	**364**	**364**

* The cost of investment for CBCB - Czech Banking Credit Bureau, a.s. is CZK 240 thousand.
** The cost of investment for Worldline Czech Republic s.r.o. is CZK 418 thousand.

Changes in equity investments in subsidiaries and associates in 2023

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

2) In June, a new fully owned subsidiary of the Bank, KB Poradenství, s.r.o., was established with a registered capital of CZK 100 thousand. During October, the Bank increased the equity capital in the company by CZK 900 thousand in the form of a financial contribution to other capital funds.

3) In September, the Bank's investment in subsidiary VN 42, s.r.o., valued at CZK 364 million, was reclassified as *'Assets held for sale'* due to expected sale of this company.

4) In December, the Bank increased the equity of Modrá pyramida stavební spořitelna, a.s. by CZK 1,100 million through a financial contribution into other capital funds.

5) During 2023, the Bank increased its equity in the company KB SmartSolutions, s.r.o. by CZK 31 million in the form of a financial contribution to other capital funds.

25 Intangible assets

Movements in intangible assets were as follow:

(CZKm)	Internally generated assets*	Software	Other intangible assets	Acquisition of assets	Total
Acquisition cost					
As of 1 January 2022	18,892	2,258	1	2,127	23,278
Reallocation from/to assets held for sale	0	0	0	0	0
Additions	1,950	107	0	2,677	4,734
Disposals/transfers	(254)	(80)	0	(2,057)	(2,391)
Foreign exchange rate difference	0	(2)	0	0	(2)
As of 31 December 2022	20,588	2,283	1	2,747	25,619
Effect of acquisition of companies	0	0	0	0	0
Reallocation from/to assets held for sale	0	0	0	0	0
Additions	3,091	237	0	3,041	6,369
Disposals/transfers	(544)	(17)	(1)	(3,327)	(3,889)
Foreign exchange rate difference	0	1	0	0	1
As of 31 December 2023	**23,135**	**2,504**	**0**	**2,461**	**28,100**
Accumulated amortisation and allowances					
As of 1 January 2022	(14,175)	(1,905)	(1)	0	(16,081)
Reallocation of accumulated amortisation of assets held for sale	0	0	0	0	0
Additions	(1,597)	(123)	0	0	(1,720)
Disposals	247	79	0	0	326
Impairment	0	0	0	0	0
Foreign exchange rate difference	0	1	0	0	1
As of 31 December 2022	(15,525)	(1,948)	(1)	0	(17,474)
Effect of acquisition of companies	0	0	0	0	0
Reallocation of accumulated amortisation of assets held for sale	0	0	0	0	0
Additions	(1,921)	(135)	0	0	(2,056)
Disposals	486	15	1	0	502
Impairment	0	(21)	0	(2)	(23)
Foreign exchange rate difference	0	(1)	0	0	(1)
As of 31 December 2023	**(16,960)**	**(2,090)**	**0**	**(2)**	**(19,052)**
Net book value					
As of 31 December 2022	5,063	335	0	2,747	8,145
As of 31 December 2023	**6,175**	**414**	**0**	**2,459**	**9,048**

* Internally generated assets comprise mainly software.

During the year ended 31 December 2023, the Bank spent CZK 239 million (2022: CZK 162 million) on research and development through a charge to *'Operating expenses'*.

As of 31 December 2023, the Bank recognised allowances against intangible assets of CZK 17 million (2022: CZK 17 million). These allowances primarily included allowances charged in respect of internally generated assets (software).

26 Tangible assets

Movements in tangible assets were as follow:

(CZKm)	Land	Buildings	Machinery, furniture and fixtures, and other	Acquisition of assets	Right-of-use assets	Total
Acquisition cost						
As of 1 January 2022	77	7,001	4,793	249	3,759	15,879
Effect of acquisition of companies	0	0	0	0	0	0
Reallocation from/to assets held for sale	0	0	0	0	0	0
Additions	0	0	394	694	483	1,571
Disposals/transfers	0	(15)	(240)	(545)	(674)	(1,474)
Foreign exchange rate difference	0	0	0	0	(2)	(2)
As of 31 December 2022	77	6,986	4,947	398	3,566	15,974
Effect of acquisition of companies	0	0	0	0	0	0
Reallocation from/to assets held for sale	1	50	0	0	0	51
Additions	0	192	404	664	633	1,893
Disposals/transfers	0	0	(273)	(673)	(209)	(1,155)
Foreign exchange rate difference	0	0	0	0	2	2
As of 31 December 2023	**78**	**7,228**	**5,078**	**389**	**3,992**	**16,765**
Accumulated depreciation and allowances						
As of 1 January 2022	0	(4,306)	(3,784)	0	(1,361)	(9,451)
Effect of acquisition of companies	0	0	0	0	0	0
Reallocation of accumulated depreciation of assets held for sale	0	0	0	0	0	0
Additions	0	(253)	(359)	0	(402)	(1,014)
Disposals	0	128	234	0	457	819
Impairment	0	0	0	0	0	0
Foreign exchange rate difference	0	0	0	0	0	0
As of 31 December 2022	0	(4,431)	(3,909)	0	(1,306)	(9,646)
Effect of acquisition of companies	0	0	0	0	0	0
Reallocation of accumulated depreciation of assets held for sale	0	(37)	0	0	0	(37)
Additions	0	(262)	(366)	0	(396)	(1,024)
Disposals	0	72	271	0	51	394
Impairment	0	0	0	0	0	0
Foreign exchange rate difference	0	0	0	0	0	0
As of 31 December 2023	**0**	**(4,658)**	**(4,004)**	**0**	**(1,651)**	**(10,313)**
Net book value						
As of 31 December 2022	77	2,555	1,038	398	2,260	6,328
As of 31 December 2023	**78**	**2,570**	**1,074**	**389**	**2,341**	**6,452**

As of 31 December 2023, the Bank recognised allowances against tangible assets of CZK 0 million (2022: CZK 0 million).

For detailed quantitative disclosures about lease contracts, refer to Notes 5, 11, 12, 15, 22, 29, 37, 42(D), 42(E), 42(F), and 42(I).

Net book values of right-of-use assets were as follow:

(CZKm)	31 Dec 2023	31 Dec 2022
Real estate*	2,207	2,131
Hardware	3	6
Other	131	123
Total net value of right-of-use assets	**2,341**	**2,260**

* The item 'Real estate' includes also ATMs.

27 Assets held for sale

As of 31 December 2023, the Bank reported assets held for sale at a carrying amount of CZK 426 million (2022: CZK 72 million) comprising buildings and land owned by the Bank that management had decided to sell as part of a plan to optimise the distribution network. Depreciation of these assets has been discontinued since their classification as assets held for sale. As of 31 December 2023, the Bank recognised allowances against assets held for sale of CZK 43 million (2022: CZK 57 million).

In September 2023, the Bank's investment in subsidiary VN 42, s.r.o., valued at CZK 364 million, was reclassified as *'Assets held for sale'* due to expected sale of this company.

As of 31 December 2023, *'Assets held for sale'* also included investments in subsidiaries and associates classified as assets held for sale at a carrying amount of CZK 364 million (2022: CZK 0 million). For detail, refer to Note 24.

28 Financial liabilities held for trading at fair value through profit or loss

As of 31 December 2023 and 2022, the *'Financial liabilities held for trading at fair value through profit or loss'* portfolio included only liabilities arising from short sales of securities and negative fair values of financial derivative instruments held for trading. Upon initial recognition, the Bank has not designated any financial liabilities as *'Financial liabilities held for trading at fair value through profit or loss'*.

(CZKm)	31 Dec 2023	31 Dec 2022
Short sales	25,890	11,600
Derivative financial instruments	35,256	57,351
Financial liabilities held for trading at fair value through profit or loss	**61,146**	**68,951**

For detailed information on financial derivative instruments included in the portfolio for trading, refer to Note 42(C).

29 Financial liabilities at amortised cost

Financial liabilities at amortised cost comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Amounts due to banks	86,609	64,682
Amounts due to customers	1,076,443	896,663
Securities issued	20,178	22,872
Lease liabilities	2,340	2,219
Total financial liabilities at amortised cost	**1,185,570**	**986,436**

'Financial liabilities at amortised cost' include CZK 2,230 million (2022: CZK 6,478 million) received as cash collateral linked to derivative operations.

The total amount of loans from banks and customers received under repurchase transactions was CZK 121,499 million (2022: CZK 34,106 million).

The fair values of securities and treasury bills used as collateral for repurchase transactions are as follow:

	31 Dec 2023		31 Dec 2022	
(CZKm)	Carrying value	Fair value	Carrying value	Fair value
Financial assets held for trading at fair value through profit or loss	0	0	0	0
Other assets held for trading at fair value through profit or loss	0	0	0	0
Financial assets at fair value through other comprehensive income	0	0	0	0
Financial assets at amortised cost	0	0	0	0
Securities received as collateral	119,282	119,282	33,774	33,774
Total	**119,282**	**119,282**	**33,774**	**33,774**

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

(CZKm)	31 Dec 2023	31 Dec 2022
Central banks	0	0
General governments	164,201	127,558
Credit institutions	86,609	64,682
Other financial corporations	164,308	62,508
Non-financial corporations	347,725	317,144
Households*	400,209	389,453
Total amounts due to banks and customers	**1,163,052**	**961,345**

* This item also includes amounts due to individual entrepreneurs.

Securities issued

Securities issued comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Mortgage bonds	20,178	22,872
Depository bills of exchange	0	0
Total securities issued	**20,178**	**22,872**

The Bank issues mortgage bonds to fund its mortgage activities.

The following table shows a summary of cash and non-cash changes in the balance of securities issued:

			Non-cash changes			
(CZKm)	31 Dec 2022	Cash flow*	Amortisation and accrued interest	Change of FV hedge of interest rate risk	Foreign exchange difference	31 Dec 2023
Mortgage bonds	22,872	(3,436)	177	258	307	20,178
Depository bills of exchange	0	0	0	0	0	0
Total securities issued	**22,872**	**(3,436)**	**177**	**258**	**307**	**20,178**

* The item includes the cash flow from principal and interest paid.

			Non-cash changes			
(CZKm)	31 Dec 2021	Cash flow*	Amortisation and accrued interest	Change of FV hedge of interest rate risk	Foreign exchange difference	31 Dec 2022
Mortgage bonds	29,134	(6,043)	309	(151)	(377)	22,872
Depository bills of exchange	0	0	0	0	0	0
Total securities issued	**29,134**	**(6,043)**	**309**	**(151)**	**(377)**	**22,872**

* The item includes the cash flow from principal and interest paid.

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

(CZKm)	31 Dec 2023	31 Dec 2022
In less than one year	925	0
In one to five years	16,510	16,347
In five to ten years	727	1,326
In ten to twenty years	2,016	5,199
More than twenty years	0	0
Total mortgage bonds	**20,178**	**22,872**

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

Name	Interest rate	Currency	Issue date	Maturity date	31 Dec 2023 (CZKm)	31 Dec 2022 (CZKm)
HZL Komerční banky, a.s., CZ0002001365**	4.23% for the first 3M interest period, afterwards the relevant reference rate* less 0.20%	CZK	16 Nov 2007	16 Nov 2037	0	1,011
HZL Komerční banky, a.s., CZ0002001373**	4.23% for the first 3M interest period, afterwards the relevant reference rate* less 0.20%	CZK	16 Nov 2007	16 Nov 2037	1,012	1,000
HZL Komerční banky, a.s., CZ0002001456**	4.14% for the first 3M interest period, afterwards the relevant reference rate* less 0.20%	CZK	30 Nov 2007	30 Nov 2037	0	1,189
HZL Komerční banky, a.s., CZ0002001514**	4.29% for the first 3M interest period, afterwards the relevant reference rate* less 0.20%	CZK	7 Dec 2007	7 Dec 2037	0	1,004
HZL Komerční banky, a.s., CZ0002001522**	4.29% for the first 3M interest period, afterwards the relevant reference rate* less 0.20%	CZK	7 Dec 2007	7 Dec 2037	1,004	995
HZL Komerční banky, a.s., CZ0002003346	3.50%	CZK	31 Jan 2014	31 Jan 2026	837	843
HZL Komerční banky, a.s., CZ0002003353	3.50%	CZK	31 Jan 2014	31 Jan 2025	1,168	1,181
HZL Komerční banky, a.s., CZ0002003361	3.00%	CZK	30 Jan 2014	30 Jan 2024	925	929
HZL Komerční banky, a.s., CZ0002003742	2.00%	CZK	18 Nov 2014	18 Nov 2026	687	625
HZL Komerční banky, a.s., CZ0002003759	2.10%	CZK	24 Nov 2014	24 Nov 2027	678	613
HZL Komerční banky, a.s., CZ0002003767	2.20%	CZK	20 Nov 2014	20 Nov 2028	709	651
HZL Komerční banky, a.s., CZ0002003775	2.30%	CZK	27 Nov 2014	27 Nov 2029	727	675
HZL Komerční banky, a.s., XS2289128162	0.01%	EUR	20 Jan 2021	20 Jan 2026	12,431	12,156
Total mortgage bonds					**20,178**	**22,872**

* The reference rate can be of the following types: 3M PRIBOR to 12M PRIBOR, the swap sale for 2 to 30 years.
** Bond includes the right of the bondholders to sell the bonds to the issuer and, subsequently, on the same date, the issuer's right to buy back the bonds from the bondholders, according to the issuance terms and conditions.
Six-month PRIBOR as of 31 December 2023 was 643 bps (2022: 726 bps).
The average value of the interest rate swap CZK sale rate for 5 years as of 31 December 2023 was 355 bps (2022: 524 bps).
The average value of the interest rate swap CZK sale rate for 10 years as of 31 December 2023 was 350 bps (2022: 480 bps).

30 Accruals and other liabilities

Accruals and other liabilities comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Accruals and deferred income	97	87
Settlement balances and outstanding items	855	640
Payables from securities trading and issues of securities	2,687	3,203
Payables from payment transactions	6,804	5,519
Other liabilities	4,502	5,014
Total accruals and other liabilities	**14,945**	**14,463**

Deferred fees from banking guarantees are reported in *'Accruals and deferred income'* in the amount of CZK 24 million (2022: CZK 24 million).

'Other liabilities' consist mainly of various estimated items, including, among others, liabilities to employees.

31 Provisions

Provisions comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Provisions for contracted commitments (refer to Note 36)	175	193
Provisions for other credit commitments (refer to Notes 13 and 36)	607	866
Provisions for restructuring	0	0
Total provisions	**782**	**1,059**

The 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, 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 2021	67	105	41	213
Charge	16	75	0	91
Release	(2)	(19)	0	(21)
Use	(11)	(29)	(41)	(81)
Accrual	2	0	0	2
Remeasurement	(9)	0	0	(9)
Foreign exchange difference	0	(2)	0	(2)
Balance as of 31 December 2022	63	130	0	193
Charge	14	28	0	42
Release	(4)	(51)	0	(55)
Use	(11)	(2)	0	(13)
Accrual	3	0	0	3
Remeasurement	4	0	0	4
Foreign exchange difference	0	1	0	1
Balance as of 31 December 2023	**69**	**106**	**0**	**175**

The provisions for contracted commitments include provisions to cover potential compensation that would be paid to clients to reimburse sanctions for early repayment of mortgages (purposefully incurred costs). In 2022, the Bank created these provisions in the amount of CZK 55 million. In 2023, the Bank used and released the provisions in the amount of CZK 21 million.

32 Deferred tax

Deferred tax is calculated from temporary differences between the tax base and carrying value using the tax rates applicable in the periods when the application of the temporary tax difference is estimated to occur. The increase in the corporate income tax rate as of 1 January 2024, from the current 19% to 21%, also has an impact on the deferred tax calculations in the Statement of Income and in the Statement of Comprehensive Income for the year ended 2023.

The tax rates in the years 2024–2025 are affected by the tax on windfall profits and are set as a weighted average of the rates of 21% and 81% according to the expected proportion of the tax base subject to the 21% income tax rate and the expected proportion of the tax base subject to the 81% (21% + 60%) income tax rate. For the period 2026 and beyond, a rate of 21% is used in the calculations. The change in tax rates during 2024–2025 due to the introduction of a tax on windfall profits led to an increase in the deferred tax liability for 2023 by the amount of CZK 84 million.

Net deferred tax assets are as follow:

(CZKm)	31 Dec 2023	31 Dec 2022
Banking provisions and allowances	0	0
Allowances for assets	0	0
Non-banking provisions	18	17
Difference between accounting and tax net book value of assets	1	1
Leases	0	0
Remeasurement of retirement benefits plan – equity impact (refer to Note 38)	0	0
Revaluation of equity securities at FVOCI – equity impact (refer to Note 39)	0	0
Revaluation of hedging derivatives – equity impact (refer to Note 40)	0	0
Revaluation of debt securities at FVOCI – equity impact (refer to Note 41)	105	110
Other temporary differences	0	0
Net deferred tax assets	**124**	**128**

Net deferred tax liabilities are as follow:

(CZKm)	31 Dec 2023	31 Dec 2022
Banking provisions and allowances	65	87
Allowances for assets	23	28
Non-banking provisions and allowances	9	11
Difference between accounting and tax net book value of assets	(705)	(709)
Leases	12	5
Remeasurement of retirement benefits plan – equity impact (refer to Note 38)	57	51
Revaluation of equity securities at FVOCI – equity impact (refer to Note 39)	0	0
Revaluation of hedging derivatives – equity impact (refer to Note 40)	(57)	(144)
Revaluation of debt securities at FVOCI – equity impact (refer to Note 41)	(113)	(175)
Other temporary differences	172	142
Net deferred tax liabilities	**(537)**	**(704)**

The Bank has not reported any deferred tax arising from the revaluation of a foreign net investment.

Movements in the net deferred tax assets/(liabilities) were as follow:

(CZKm)	2023	2022
Balance as of the beginning of the period	**(576)**	**(795)**
Changes in accounting policies	0	0
Movement in the net deferred tax – profit and loss impact (refer to Note 16)	13	(188)
Movement in the net deferred tax – equity impact (refer to Notes 38, 39, 40, and 41)	150	407
Balance as of the end of the period	**(413)**	**(576)**

33 Subordinated and senior non-preferred debt

Subordinated and senior non-preferred debt comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Subordinated debt	5,005	2,440
Senior non-preferred debt	59,555	36,254
Subordinated and senior non-preferred debt	**64,560**	**38,694**

As of 31 December 2023, the Bank reports subordinated debt of CZK 5,005 million (2022: CZK 2,440 million). The Bank increased subordinated debt in 2023 by a new tranche of nominal volume EUR 100 million. The subordinated debt is a part of Tier 2 regulatory capital, it is euro-denominated in order to better align the currency structure of the Bank's regulatory capital with its risk-weighted assets, and it was issued by the Bank's parent company, Société Génerale S.A.

Subordinated debt	Nominal (EUR mil.)	Issued	Call option	Maturity	Interest rate
10Y5NC	100	October 2022	5 years	10 years	3M EURIBOR plus 3.79%
10Y5NC	100	November 2023	5 years	10 years	3M EURIBOR plus 2.82%
Total	**200**				

As of 31 December 2023, the Bank reports senior non-preferred ("SNP") debt of CZK 59,555 million (2022: CZK 36,254 million). The Bank accepted this debt to meet the minimum requirement for own funds and eligible liabilities (MREL). During 2023, the Bank increased the volume of its SNP debt gradually through several tranches with total nominal value of EUR 900 million. SNP debt is euro-denominated and was drawn from the Bank's parent company (Société Générale S.A.) in accordance with Société Générale Group's preferred resolution strategy.

SNP debt	Nominal (EUR mil.)	Issued	Call option	Maturity	Interest rate
6Y5NC	250	June 2022	5 years	6 years	3M EURIBOR plus 2.05%
5Y4NC	250	September 2022	4 years	5 years	1M EURIBOR plus 1.82%
8Y7NC	250	September 2022	7 years	8 years	1M EURIBOR plus 2.13%
4Y3NC	250	November 2022	3 years	4 years	1M EURIBOR plus 2.05%
6Y5NC	250	November 2022	5 years	6 years	1M EURIBOR plus 2.23%
7Y6NC	250	November 2022	6 years	7 years	3M EURIBOR plus 2.28%
4Y3NC	250	June 2023	3 years	4 years	3M EURIBOR plus 1.70%
6Y5NC	200	June 2023	5 years	6 years	3M EURIBOR plus 2.01%
4Y3NC	250	November 2023	3 years	4 years	3M EURIBOR plus 1.51%
5Y4NC	200	November 2023	4 years	5 years	3M EURIBOR plus 1.61%
Total	**2,400**				

34 Share capital

The Bank's share capital, entered in the Register of Companies on 11 February 2000, totals CZK 19,004,926,000 and consists of 190,049,260 ordinary bearer shares issued as uncertificated securities with nominal value of CZK 100 each (ISIN: CZ0008019106). The number of shares authorised is the same as the number of shares issued. The share capital is fully paid up.

The Bank's shares are publicly traded on stock markets in the Czech Republic managed by the market organisers Burza cenných papírů Praha, a.s. (the Prague Stock Exchange) and RM-SYSTÉM, česká burza cenných papírů a.s. (the Czech Stock Exchange). Their transferability is not restricted.

All ordinary shares carry the same rights and together constitute 100% of the share capital. No special rights are attached to these shares. Shareholders' voting rights are governed by the nominal value of their shares. The voting rights can only be eliminated on statutory grounds. The Bank cannot exercise voting rights attached to its own shares.

Shareholders are entitled to the share in the Bank's profits and in other of its resources as have been approved for distribution by the Annual General Meeting based on the Bank's financial results and the payment of which was decided upon by the Board of Directors subject to compliance with the conditions stipulated by generally binding legal regulations.

The right to payment of the share in the profits and in other of its resources is time-barred from 3 years after its declared payment date. Pursuant to a resolution of the Annual General Meeting held in 2009, the Board of Directors will not plead the statute of limitations in order to bar by lapse of time the payment of shares in profits and in other of its resources for the duration of 10 years from the date of dividend payment. After the lapse of 10 years from the date of dividend payment, the Board of Directors is obliged to plead the statute of limitations and to transfer the unpaid shares in profits and in other of its resources to the retained earnings account.

In the event of a shareholder's death, his or her legal heir shall be entitled to exercise all rights attached to the shares. Upon the Bank's liquidation and dissolution, the means of liquidation are governed by the relevant generally binding legal regulations. A proposal for distribution of the liquidation balance among shareholders is approved by the Annual General Meeting in proportion to the nominal values of the shares held by the Bank's shareholders.

Set out below is a summary of the entities holding more than 1% of the Bank's issued share capital as of 31 December 2023:

Name of the entity	Ownership percentage
Société Générale S.A.	60.35%
CHASE NOMINEES LIMITED	2.62%
CLEARSTREAM BANKING S.A.	1.57%
NORTRUST NOMINEES LIMITED	1.43%

Société Générale S.A., being the only entity with a qualified holding in the Bank and, moreover, as the ultimate parent company, is a French company limited by shares incorporated by a Deed approved through the issuance of a Decree on 4 May 1864 and is licensed as a bank. Under the legislative and regulatory provisions relating to financial institutions, notably the articles of the Monetary and Financial Code, the company is subject to commercial laws, in particular Articles 210-1 et seq. of the French Commercial Code, as well as its Articles of Association.

As of 31 December 2023, the Bank held 1,193,360 of its own shares in treasury at a cost of CZK 726 million (2022: 1,193,360 treasury shares at a cost of CZK 726 million).

Capital management

Bank regulatory requirements in the European Union are established through Regulation No. 575/2013 on prudential requirements for credit institutions and investment firms (CRR – the Capital Requirements Regulation) and Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD – the Capital Requirements Directive). According to the valid rules for capital regulation, an additional Pillar 2 buffer of 2.9% was applied to the Bank in 2023 beyond the minimum required capital ratio of 8.0%. That means the total SREP (Supervisory Review and Evaluation Process) capital requirement (TSCR) was 10.9% for the year 2023. On top of the TSCR capital ratio, a combined capital buffer of final value 6.5% was applied, consisting of the capital conservation buffer of 2.5%, the buffer for Other Systemically Important Institution (O-SII) of 2.0%, and the countercyclical capital buffer of 2.0% for exposures in the Czech Republic (the countercyclical capital buffer was stepwise decreased by the CNB from the level of 2.5% valid since 1 April 2023 to 2.25% valid since 1 July 2023 and then to 2.0% valid from 1 October 2023). The required overall capital ratio (OCR) was thus approximately 17.4% from 1 October 2023 (an increase by 0.8 percentage points in comparison with the previous year). As its capital ratio stands well above the minimum required level, the Bank meets the overall capital ratio measurement with an adequate reserve.

The required overall capital ratio (OCR) declines to approximately 17.1% as of 1 January 2024 (dropping by 0.3 percentage points compared to 2023, due to a decrease of the additional Pillar 2 buffer by 0.3 percentage points to the level of 2.6%).

The Bank manages its capital adequacy to ensure its sufficient level in an environment of changing regulatory requirements while allowing organic business growth and for potentially adverse macroeconomic development. Under capital adequacy regulation, in addition to the usual reporting of the capital ratio (Pillar 1), the Bank must meet the requirements for evaluating required economic capital, stress testing, and capital planning (Pillar 2). To determine the required economic capital, the Bank has selected methods mostly close to the regulatory procedures applied for Pillar 1. Consequently, the necessary levels of economic and regulatory capital are very similar.

The Bank regularly simulates future developments under Pillar 2 based on the assumption of possible adverse external macroeconomic conditions that may either directly affect the Bank's profit or have implications resulting in deterioration in the Bank's transaction risk profile.

The Bank compiles hypothetical macroeconomic scenarios on the basis of which it estimates medium-term impacts on earnings and on transaction risk profiles. On this basis, the Bank acquires views concerning the changing volume of the risk-weighted assets (i.e. capital requirements) and the financial results while also taking into account the outlook for dividend payments and the level of the Bank's capital adequacy ratio.

The results of such stress testing are among those factors considered in determining the Bank's dividend policy, which is the primary tool for capital adequacy management in such a situation that the Bank's capital is largely classified as Common Equity Tier 1 capital.

The Bank's capital consists principally of the following balances: share capital, reserve funds, retained earnings, and Tier 2 subordinated debt (which was increased by EUR 100 million during 2023 to reach total nominal value of EUR 200 million, i.e. CZK 4,945 million.

The Bank did not purchase its own shares into treasury during 2023. As of 31 December 2023, the Bank held in total 1,193,360 treasury shares at a total cost of CZK 726 million purchased in previous years (2022: 1,193,360 treasury shares at a total cost of CZK 726 million). The acquisition of treasury shares had been approved by the Bank's General Meeting, especially for the purpose of managing the Bank's capital adequacy.

In view of the facts that the capital requirements can vary over time and the regulation itself and its corresponding implementing regulatory rules are still under development, the Bank is continuously monitoring and evaluating the forthcoming changes in regulatory requirements affecting the capital and capital adequacy. It analyses their potential impacts as part of the Bank's capital planning process.

The CNB, as the local regulatory authority, oversees the Bank's capital adequacy compliance on both separate and consolidated bases. During the past year, the Bank was in compliance with all regulatory requirements. The Bank also regularly prepares the regulatory report on Pillar 2 (i.e. internal capital adequacy assessment process) and submits it to the CNB.

At the same time, the CNB is the local resolution authority that defines the most appropriate crisis resolution strategies for institutions and, among other things, sets the minimum requirement for own funds and eligible liabilities (MREL). The Bank received the CNB's decision dated 24 July 2023, setting a minimum MREL requirement. According to this decision, the Bank is required to maintain its own funds and eligible liabilities on a sub-consolidated basis at no less than 21.2% of the total risk exposure (i.e. risk-weighted exposure) and 5.91% of the total exposure from 1 January 2024. In fulfilling the ongoing targets valid in previous years and the final target valid from 1 January 2024, the Bank gradually accepted eligible liabilities in the form of senior non-preferred debt totalling EUR 1,500 million in 2022 and EUR 900 million in 2023, i.e. in a total nominal volume of EUR 2,400 million (CZK 59,340 million). These eligible liabilities were drawn from the Bank's parent company (Société Générale S.A.) in accordance with the Société Générale Group's preferred resolution strategy. During the past year, the Bank fulfilled all regulatory MREL requirements, and the amount of eligible liabilities drawn in previous years is sufficient to meet the MREL requirements applicable from 1 January 2024.

35 Composition of cash and cash equivalents as reported in the Statement of Cash Flows

(CZKm)	31 Dec 2023	31 Dec 2022	Change in the year
Cash and current balances with central banks (refer to Note 18)	12,369	12,698	(329)
Loans and advances to banks – current accounts with other banks	341	336	5
Amounts due to central banks	0	0	0
Amounts due to banks – current accounts	(4,825)	(5,071)	246
Cash and cash equivalents at the end of the year	**7,885**	**7,963**	**(78)**

The total cash outflow on leases in 2023 was CZK 697 million (2022: CZK 628 million).

36 Commitments and contingent liabilities

Legal disputes
The Bank conducted a review of legal proceedings outstanding against it as of 31 December 2023. Pursuant to the review of significant litigation matters in terms of the risk of losses and litigated amounts, the Bank has recorded a provision of CZK 8 million (2022: CZK 8 million) for these legal disputes (refer to Note 31). The Bank has also recorded a provision of CZK 1 million (2022: CZK 1 million) for costs associated with a potential payment of appurtenances on the pursued claims.

As of 31 December 2023, the Bank conducted a review of legal proceedings it had filed against other entities. The Bank has been notified that certain parties against which it is taking legal action may file counterclaims against it. The Bank 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.

Commitments arising from the issuance of guarantees
Commitments from guarantees represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties. These assurances carry the same credit risk as do loans, and therefore the Bank makes provisions for these instruments (according to a customer's creditworthiness) on the same basis as is applicable to loans.

Capital commitments
As of 31 December 2023, the Bank had capital commitments of CZK 486 million (2022: CZK 386 million), which include capital commitments in respect of current capital investment activities in the amount of CZK 321 million (2022: CZK 320 million).

Commitments arising from the issuance of letters of credit
Documentary letters of credit are written, irrevocable commitments by the Bank on behalf of a customer (the mandatory) authorising a third party (the beneficiary) to draw drafts on the Bank up to a stipulated amount under specific terms and conditions. The Bank records provisions for these instruments (according to a customer's creditworthiness) on the same basis as is applicable to loans.

Commitments to extend credit, undrawn loan commitments, overdrafts, and approved overdraft loans
Principal off-balance sheet exposures include undrawn limits under framework agreements to provide financial services, approved overdraft loans, undrawn loan commitments, issued commitments to extend credit, and unutilised facilities. The primary purpose of commitments to extend credit and framework agreements is to ensure that funds are available to a customer as and when required. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans or guarantees.
In accordance with the IFRS definition of a conditional commitment, the Bank distinguishes between irrevocable and revocable commitments to extend credit and framework agreements. The irrevocability of commitments, framework agreements of undrawn loan commitments, unutilised overdrafts, and approved overdraft loans ensues from contractual terms and conditions of the credit agreements (i.e. their use is not contingent upon customers' maintaining other specific credit standards). For irrevocable commitments or framework agreements, undrawn loan commitments, unutilised overdrafts, and approved overdraft loans, the Bank recognises a provision when required (according to a customer's creditworthiness) in accordance with the same algorithm as for loans.

The risk associated with off-balance sheet credit commitments and contingent liabilities is assessed on the same basis as is that of loans to customers while taking into account the financial position and activities of the entity to which the Bank issued a given guarantee and the collateral obtained.

As of 31 December 2023, the financial commitments and contingencies of the Bank were comprised of the following, as broken down by classification:

	Carrying value				Provisions			
(CZKm)	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	21,558	6	0	21,564	2	0	0	2
Credit institutions	3,792	0	0	3,792	0	0	0	0
Other financial corporations	18,457	1	0	18,458	27	0	1	28
Non-financial corporations	126,472	8,195	827	135,494	153	122	226	501
Households*	21,132	3,914	30	25,076	14	38	24	76
Total commitments and contingencies	**191,411**	**12,116**	**857**	**204,384**	**196**	**160**	**251**	**607**

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

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

	Carrying value				Provisions			
(CZKm)	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	16,374	21	0	16,395	26	0	0	26
Non-financial corporations	158,635	4,366	1,080	164,081	235	110	397	742
Households*	30,000	3,881	75	33,956	23	44	22	89
Total commitments and contingencies	**234,275**	**8,300**	**1,159**	**243,734**	**291**	**155**	**419**	**865**

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

Financial commitments and contingencies comprise the following:

(CZKm)	31 Dec 2023	31 Dec 2022
Non-payment guarantees, including commitments to issued non-payment guarantees	52,608	50,195
Payment guarantees, including commitments to issued payment guarantees	20,973	25,231
Committed facilities and unutilised overdrafts	11,397	9,465
Undrawn credit commitments	76,540	108,899
Unutilised overdrafts and approved overdraft loans	28,151	27,402
Unutilised limits under framework agreements to provide financial services	11,439	19,439
Open customer/import letters of credit not covered	478	466
Standby letters of credit not covered	2,180	2,024
Confirmed supplier/export letters of credit	618	613
Total commitments and contingencies	**204,384**	**243,734**

The risk associated with off-balance sheet credit commitments and contingent liabilities is assessed on the same basis as is that of loans to customers while taking into account the financial position and activities of the entity to which the Bank issued a given guarantee and the collateral obtained. As of 31 December 2023, the Bank recorded provisions for these risks in the amount of CZK 607 million (2022: CZK 866 million). Refer to Note 31.

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

(CZKm)	31 Dec 2023	31 Dec 2022
Agriculture, forestry, and fishing	3,196	4,295
Mining and quarrying	2,020	1,030
Manufacturing	24,764	32,852
Electricity, gas, steam, and air conditioning supply	17,379	27,171
Water supply, sewerage, waste management, and remediation activities	992	867
Construction	41,527	39,047
Wholesale and retail trade, repair of motor vehicles and motorcycles	15,662	27,203
Transportation and storage	5,851	7,498
Accommodation and food service activities	641	727
Information and communication	3,574	2,666
Real estate activities	6,955	7,536
Professional, scientific, and technical activities	9,731	10,168
Administrative and support service activities	1,493	1,034
Public administration and defence, compulsory social security	212	304
Education	46	47
Human health and social work activities	247	422
Arts, entertainment, and recreation	1,102	940
Other service activities	102	274
Total commitments and contingencies to non-financial corporations	**135,494**	**164,081**

Exposure to the automotive industry and related suppliers is CZK 2,910 million (2022: CZK 2,888 million).

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

The collateral held in support of financial commitments and contingencies is broken out below by type as of 31 December 2023:

	Applied commitments and contingencies collateral value*				
(CZKm)	Loans collateralised by residential property	Loans collateralised by commercial property	Other loans collateralised by cash instruments	Other loans collateralised by other collateral	Financial guarantees received
Commitments and contingencies	**4,234**	**4,672**	**2,467**	**13,742**	**8,347**
of which:					
– Other financial corporations	12	16	0	1,011	4,026
– Non-financial corporations	550	4,581	2,444	10,913	4,258
– Households**	3,672	75	23	18	63

* 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, and similar factors and then further reduced to the actual balance of the collateralised exposure.

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

The collateral held in support of financial commitments and contingencies is broken out below by type as of 31 December 2022:

	Applied commitments and contingencies collateral value*				
(CZKm)	Loans collateralised by residential property	Loans collateralised by commercial property	Other loans collateralised by cash instruments	Other loans collateralised by other collateral	Financial guarantees received
Commitments and contingencies	**6,319**	**4,699**	**2,153**	**15,439**	**12,690**
of which:					
– Other financial corporations	15	14	1	278	4,371
– Non-financial corporations	395	4,606	2,132	12,801	5,206
– Households**	5,909	79	20	1	82

* 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, and similar factors and then further reduced to the actual balance of the collateralised exposure.

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

In accordance with Act No. 427/2011 Coll., on Supplementary Pension Savings, and in accordance with the statutes of the Transformovaný fond KB Penzijní společnost, a.s. (hereafter only the “Fund”) created after 1 January 2013, KB Penzijní společnost, a.s. guarantees at least a zero return for clients on an annual basis and must ensure that the value of assets in the Fund is always equal to or greater than the value of liabilities. Otherwise, KB Penzijní společnost, a.s. is required to contribute to the Fund assets necessary to make up the difference at the latest within 30 days after the end of the quarter in which such circumstance was identified. These transferred assets constitute a special capital fund of the Fund and are primarily used to cover losses of the current year or accumulated losses from prior periods.

As a result of capital market developments, KB Penzijní společnost, a.s. contributed in 2021 to the Fund assets to offset the value of liabilities in excess of the value of assets. The excess was caused by negative revaluation differences of bonds classified by the Fund as financial assets in the “Hold to collect contractual cash flows and sell” business model attributable to a sharp rise in the Czech National Bank’s key interest rates and their corresponding effects across the entire yield curve. This capital injection was gradually increased during 2021 and 2022. Recent developments in interest rates indicate that payback of the injected capital to KB Penzijní společnost, a.s. may occur rather soon and reinforces the circumstances demonstrated already as of 31 December 2020 that the negative revaluation differences have been correctly regarded as temporary and will be fully offset no later than upon maturity of the bonds.

According to the current stress scenario, no contribution to the Fund’s assets is expected for the forthcoming period. The capital adequacy is strong, and KB Penzijní společnost, a.s. has sufficient capital to cover all stress and adverse scenarios which are regularly projected.

37 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 31 December 2023, the Bank was controlled by Société Générale S.A., which owns 60.35% of its 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 are carried out on an arm’s length basis.

Amounts due to and from the Group subsidiaries

The following table summarises loans issued to the Group subsidiaries and their deposits with the Bank:

(CZKm)	31 Dec 2023	31 Dec 2022
BASTION EUROPEAN INVESTMENTS S.A.	1,931	2,032
ESSOX s.r.o.	14,160	13,575
ESSOX FINANCE, s.r.o.	595	300
Factoring KB, a.s.	8,081	6,407
KB Real Estate, s.r.o.	271	302
Modrá pyramida stavební spořitelna, a.s.	46,936	38,456
SG Equipment Finance Czech Republic s.r.o.	13,864	11,886
STD2, s.r.o.	264	290
Total loans	**86,102**	**73,248**
BASTION EUROPEAN INVESTMENTS S.A.	503	521
ESSOX s.r.o.	516	746
ESSOX FINANCE, s.r.o.	2	1
Factoring KB, a.s.	0	46
KB Penzijní společnost, a.s.	389	247
KB Poradenství, s.r.o.	1	0
KB Real Estate, s.r.o.	40	42
KB SmartSolutions, s.r.o.	32	9
Modrá pyramida stavební spořitelna, a.s.	4	6
Protos, uzavřený investiční fond, a.s.	93	63
SG Equipment Finance Czech Republic s.r.o.	684	1,340
STD2, s.r.o.	20	13
VN 42, s.r.o.	173	51
Total deposits	**2,457**	**3,085**

The following table summarises the fair value of financial derivatives to which the Bank is a party and in relation to the Group subsidiaries:

(CZKm)	31 Dec 2023	31 Dec 2022
Modrá pyramida stavební spořitelna, a.s.	450	880
Protos, uzavřený investiční fond, a.s.	0	0
SG Equipment Finance Czech Republic s.r.o.	0	0
Total positive fair value of financial derivatives	**450**	**880**
Modrá pyramida stavební spořitelna, a.s.	479	1,113
Protos, uzavřený investiční fond, a.s.	6	6
SG Equipment Finance Czech Republic s.r.o.	5	3
Total negative fair value of financial derivatives	**490**	**1,122**

Modrá pyramida stavební spořitelna, a.s. owns mortgage bonds in a nominal value of CZK 7,400 million (2022: CZK 10,600 million) issued by the Bank. KB Penzijní společnost, a.s. owns mortgage bonds issued by the Bank in the nominal value of CZK 417 million (2022: CZK 417 million).

The Bank has provided to Platební instituce Roger a.s. an overdraft in the total limit of CZK 227 million (2022: CZK 186 million) and related interest income totalled CZK 14 million (2022: CZK 6 million). Deposits received by the Bank amounted to CZK 2 million (2022: CZK 0 million).

As of 31 December 2023 and 2022, other amounts due to and from the Group subsidiaries were not significant.

Interest income from loans granted to the Group subsidiaries:

(CZKm)	2023	2022
BASTION EUROPEAN INVESTMENTS S.A.	74	82
ESSOX s.r.o.	770	484
ESSOX FINANCE, s.r.o.	12	2
Factoring KB, a.s.	285	235
KB Real Estate, s.r.o.	9	10
Modrá pyramida stavební spořitelna, a.s.	949	779
SG Equipment Finance Czech Republic s.r.o.	307	172
STD2, s.r.o.	6	6
Total interest from loans granted by the Bank	**2,412**	**1,770**

In connection with lease agreements, the Bank records receivables from subleasing with subsidiaries in the total amount of CZK 38 million (2022: CZK 6 million).

In addition to interest on loans to the Bank's Group subsidiaries, other income in the year ended 31 December 2023 totalled CZK 2,024 million (2022: CZK 1,896 million) and total expenses other than depreciation and interest expenses related to lease contracts amounted to CZK 2,869 million (2022: CZK 2,753 million), mainly deriving from financial derivatives transactions.

As of 31 December 2023, the Bank reported guarantees granted and undrawn credit commitments to the Group subsidiaries totalling CZK 677 million (2022: CZK 3,401 million).

Amounts due to and from Société Générale Group entities

Principal balances due from Société Générale Group entities include the following:

	31 Dec 2023		31 Dec 2022	
(CZKm)	Total	Of which derivatives	Total	Of which derivatives
ALD Automotive s.r.o.	9,101	0	7,465	0
ALD Automotive Slovakia s. r. o.	71	0	36	0
BRD - GROUPE Société Générale	63	0	109	0
Komerční pojišťovna, a.s.	627	92	725	230
SG Zurich	245	0	0	0
Société Générale International Limited	0	0	2	0
Société Générale Paris	32,348	9,609	30,075	19,592
Société Générale oddzial w Polsce	47	47	2	1
Total	**42,502**	**9,748**	**38,414**	**19,823**

Principal balances owed to Société Générale Group entities include the following:

	31 Dec 2023		31 Dec 2022	
(CZKm)	Total	Of which derivatives	Total	Of which derivatives
ALD Automotive s.r.o.	1,267	0	379	0
BRD - GROUPE Société Générale	2	0	3	0
Crédit du Nord	0	0	20	0
Komerční pojišťovna, a.s.	5,595	434	3,791	467
SG Amsterdam	2	0	4	0
Société Générale Factoring	0	0	8	0
SG Frankfurt	0	0	15	0
Société Générale Londres	4	0	138	0
Société Générale Luxembourg	1,122	0	43	0
SG Milan	2	0	6	0
Société Générale New York	4	0	37	0
Société Générale oddzial w Polsce	21	12	3	2
Société Générale Paris	146,114	12,646	99,661	15,774
SG Private Banking (Suisse)	0	0	45	0
SG Zurich	0	0	1	0
SOGEPROM Česká republika s.r.o.	0	0	4	0
Total	**154,133**	**13,092**	**104,158**	**16,243**

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 the counterparty, and fair values of derivatives.

As of 31 December 2023, the Bank also carried off-balance sheet exposures to the Société Générale Group entities, of which off-balance sheet nominal assets and liabilities totalled CZK 606,014 million (2022: CZK 598,371 million) and CZK 509,489 million (2022: CZK 528,783 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 31 December 2023 and 2022, the Bank also recorded other accounts receivable and payable from and to Société Générale Group entities, the amounts of which are not significant.

During the year ended 31 December 2023, the Bank generated net operating revenues due to the Société Générale Group of CZK (4,259) million (2022: CZK 13,119 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 Bank'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, and providing services in areas of infrastructure, information technology, and business intelligence services. Net interest income of CZK (3,651) million (2022: CZK (816) million) consisted mainly of interest on hedging derivatives, transactions on the interbank market, and subordinated and senior non-preferred debt received. Operating expenses realised in relation to the SG Group totalled CZK 300 million (2022: CZK 239 million), mostly for the use of services in the area of operation and management of hardware and software and assistance services. The operating result in relation to the SG Group reached CZK (4,559) million (2022: CZK 12,880 million).

In connection with lease contracts, the Bank records:

	31 Dec 2023				31 Dec 2022			
(CZKm)	Right-of-use assets	Lease liabilities	Depre-ciation expense	Interest expense	Right-of-use assets	Lease liabilities	Depre-ciation expense	Interest expense
ALD Automotive s.r.o.	131	31	21	0	123	47	18	1
ALD Automotive Slovakia s. r. o.	0	0	0	0	1	0	0	0
Total	**131**	**31**	**21**	**0**	**124**	**47**	**18**	**1**

As of 31 December 2023, the Bank reported a loss of CZK 2 million (2022: CZK 0 million) on terminated contracts.

Remuneration of and amounts due from members of the Board of Directors and Supervisory Board

Remuneration paid to the members of the Board of Directors and Supervisory Board during the years was as follows:

(CZKm)	2023	2022
Remuneration to members of the Board of Directors*	84	78
Remuneration to members of the Supervisory Board**	7	7
Total	**91**	**85**

* **Remuneration paid to members of the Board of Directors** includes wages paid and other compensation and benefits provided during the year ended 31 December 2023 to current and former directors for the duration of their memberships. It also includes a part of bonuses awarded in 2023. The remuneration includes as well benefits arising to the Bank's employees under the collective agreement.

** **Remuneration paid to members of the Supervisory Board** includes amounts paid during the year ended 31 December 2023 to current and former members of the Supervisory Board for the duration of their memberships. Amounts for members of the Supervisory Board elected by employees additionally include income paid to them under their employment arrangements with the Bank for the duration of their memberships. The remuneration also includes benefits arising to the Bank's employees under the collective agreement.

	31 Dec 2023	31 Dec 2022
Number of the Board of Directors members at the end of the period	6	6
Number of the Supervisory Board members at the end of the period	9	9

In respect of loans and guarantees as of 31 December 2023, the Bank recorded receivables from loans granted to members of the Board of Directors and Supervisory Board totalling CZK 46 million (2022: CZK 50 million). During 2023, drawdowns of CZK 1 million (2022: CZK 3 million) were made under the loans granted. Loan repayments during 2023 amounted to CZK 1 million (2022: CZK 4 million). The increase of loans in 2023 is affected by new members already having loans totalling CZK 7 million. Loans to resigning members amounted to CZK 11 million as of 31 December 2022.

38 Movements in the remeasurement of retirement benefits plan in the equity

(CZKm)	2023	2022
Remeasurement of retirement benefits plan as of 1 January	(267)	(276)
Deferred tax asset/(liability) as of 1 January	51	52
Balance as of 1 January	**(216)**	**(224)**
Movements during the year		
Gains/(losses) from remeasurement of retirement benefits plan	(4)	9
Deferred tax	6	(1)
	2	**8**
Remeasurement of retirement benefits plan as of 31 December	(271)	(267)
Deferred tax asset/(liability) as of 31 December (refer to Note 32)	57	51
Balance as of 31 December	**(214)**	**(216)**

39 Movements in the revaluation of equity securities at FVOCI in the equity

(CZKm)	2023	2022
Revaluation of equity securities at FVOCI as of 1 January	0	0
Deferred tax asset/(liability) as of 1 January	0	0
Balance as of 1 January	**0**	**0**
Movements during the year		
Gains/(losses) from changes in fair value	(9)	0
Deferred tax	0	0
	(9)	**0**
Revaluation of equity securities at FVOCI as of 31 December	(9)	0
Deferred tax asset/(liability) as of 31 December (refer to Note 32)	0	0
Balance as of 31 December	**(9)**	**0**

40 Movements in the revaluation of hedging instruments in the equity

In accordance with IAS 39, certain derivatives were designated as hedges. The changes in fair values of cash flow hedges and in the hedge of foreign currency risk of foreign net investment are recorded in a separate line of equity in the hedging reserve.

(CZKm)	2023	2022
Cash flow hedge fair value as of 1 January	749	1,561
Deferred tax asset/(liability) as of 1 January	(144)	(297)
Hedge of foreign currency risk of foreign net investment	107	90
Balance as of 1 January	**712**	**1,354**
Movements during the year		
Gains/(losses) from changes in fair value (refer to Note 42(C))	545	227
Deferred tax	(108)	(44)
	437	**183**
Transferred to interest income/expense	(719)	(1,429)
Deferred tax	137	271
	(582)	**(1,158)**
Transferred to net profit/loss on financial operations	(305)	373
Deferred tax	58	(71)
	(247)	**302**
Transferred to personnel expenses	(6)	16
Deferred tax	1	(3)
	(5)	**13**
Transferred to general and administrative expenses	6	1
Deferred tax	(1)	0
	5	**1**
Change in the hedge of foreign currency risk of foreign net investment	(21)	17
	(21)	**17**
Cash flow hedge fair value as of 31 December	270	749
Deferred tax asset/(liability) as of 31 December (refer to Note 32)	(57)	(144)
Hedge of foreign currency risk of foreign net investment	86	107
Balance as of 31 December	**299**	**712**

41 Movements in the revaluation of debt securities at FVOCI in the equity

(CZKm)	2023	2022
Reserve from fair value revaluation as of 1 January	371	1,689
Deferred tax asset/(liability) as of 1 January	(65)	(321)
Impairment as of 1 January	5	5
Balance as of 1 January	**311**	**1,373**
Movements during the year		
Gains/(losses) from changes in fair value	(336)	(1,318)
Deferred tax	57	256
	(279)	**(1,062)**
Impairment	(2)	0
	(2)	**0**
Reserve from fair value revaluation as of 31 December	35	371
Deferred tax asset/(liability) as of 31 December (refer to Note 32)	(8)	(65)
Impairment as of 31 December	3	5
Balance as of 31 December	**30**	**311**

42 Risk management and financial instruments

(A) Credit risk

Assessment of client's credit rating

The assessment of credit risk is based on quantitative and qualitative criteria and leads to a rating assignment. The Bank uses several types of rating models, depending on the type and profile of the counterparty and the types of transactions. As a result, individual ratings are assigned to both the Bank's clients and to specific client transactions. The same process of rating assignment is applied in relevant cases to respective guarantors and sub-debtors, which enables a better assessment of the quality of accepted guarantees and collaterals.

The Bank focuses on updating selected credit risk models in order to optimally reflect the current macroeconomic situation and goals set by the Bank, as well as on increasing effectiveness in monitoring the risk profiles of individual client portfolios and the quality of tools and models for credit risk management. The Bank also continued in harmonising governance, usage of rating models, and the monitoring process within the Group.

The results of regular stress testing play an important role, allowing more precise estimates of the expected intensity of credit risk for the tested periods and thus optimisation of the Bank's credit risk management tools and more accurate estimation of expected future losses.

(a) Business clients and municipalities

For entrepreneurs, corporate clients, and municipalities, the Bank uses the obligor rating (expressed on the 22-grade Société Générale rating master scale) with the aim to evaluate the counterparty's Probability of Default (PD) and the Loss Given Default (LGD) rating that reflects the quality of available guarantees and collateral and evaluates the potential loss from counterparty transactions. These models are also used for regular estimation of expected loss and unexpected loss for all client exposures reported in accordance with the Basel III requirements.

For large and medium-sized clients, the obligor rating is a combination of the financial rating based primarily on data in the financial statements and a qualitative rating obtained through the evaluation of non-financial information relating to a particular client.

In the entrepreneurs and small companies segment, the client's obligor rating is a combination of financial, non-financial, and personal data, data on client behaviour within the Bank, and information from external credit bureaus. When clients are funded via simple products, the setting of the rating is alternatively limited to the evaluation of data on clients' behaviour within the Bank (behavioural rating).

In the municipalities segment, the obligor rating is a combination of the financial rating based on data in the financial statements and of a qualitative rating acquired through the assessment of non-financial information relating to a specific municipality.

The Bank is also using a dedicated rating model for housing co-operatives and associations of owners and a special model for real estate developers and investors.

(b) Ratings for banks and sovereigns

For banks, other financial corporations (namely insurance companies, brokers, and funds), and for sovereigns (central banks and central governments), the Bank uses rating models developed by Société Générale.

(c) Ratings for individual clients

The Bank uses two types of ratings with the aim of evaluating default risk for individuals: (1) the application rating, which is derived from an evaluation of clients' personal data, data on the behaviour within the Bank, and data available from external credit bureaus; and (2) a behavioural rating that is based on evaluating the information on the clients' behaviour within the Bank. The application rating is primarily used for active clients' applications for new funding transactions while the behavioural rating (which includes the calculation of indicative limits for simple products with low exposure) is used for active offers of funding by the Bank to its existing clients.

(d) Internal register of negative information

The Bank maintains an internal register of negative information. The register integrates the maximum quantity of available internal and external negative information on subjects related to the credit process. It includes algorithms for evaluating the negative information and contributes substantially to protecting the Bank and the Group from risky entities.

(e) Credit bureaus

The evaluation of data from credit bureaus is one of the principal factors influencing the assessment of applications for client funding, especially in the retail client segments (individuals and small business).

(f) Credit fraud prevention
In the individuals and small business segment, the Bank uses an automated system for the detection of credit frauds and also for co-ordinated reactions to credit fraud attacks. The system is fully integrated with the Bank's main applications and is regularly updated to reflect current market trends. In 2021, the Bank implemented the first version of the credit anti-fraud system for the corporate segment.

(g) Granting process
Because default rates of the credit portfolio remained rather low during 2023, the Bank did not fundamentally change its financing conditions. Nevertheless, the Bank responded to energy price and inflation developments by increasing the expenditure and cost of living minimums entering into the creditworthiness assessment for individuals. Throughout the year, the Bank continued to focus on simplifying its processes and accelerating credit granting to all client segments (with the gradual introduction of digital processes).

(h) Environmental, social, and governance
Climate change is recognised as a major threat to humanity having direct consequences for many activities. Regulatory initiatives from the Czech government, EU authorities, and banking regulators require universal banks like the KB to take into consideration ESG risks in their credit underwriting policies and generally risk management procedures.

In the area of risk management, the Bank is gradually implementing principles and procedures that take environmental risk into account within the parent company's ESG by Design programme. In 2023, the Bank focused on upgrading the climate risk assessment (ability to adapt to the new "green" economy) of its clients, and this assessment is mandatory for business entities with a financing limit of a connected group above EUR 5 million. The evaluation of climate risks is subsequently taken into account in the overall credit risk evaluation, and the client's ability to adapt may have an impact on the client's internal rating and the Bank's decision to grant a loan.

The Bank is gradually increasing its ability to collect, measure, and disclose ESG data to reflect the regulatory and other initiatives. The ultimate goal is to apply a holistic approach to ESG regulation and to further embed ESG impacts into its core operations and policies (in all relevant areas such as onboarding of clients, transaction/financing validation, and others).

The implementation of changes in the ESG area is closely co-ordinated with SG and takes place within the group SG programme (ESG by Design).

Credit concentration risk
Credit concentration risk is actively managed as a part of overall credit risk management utilising standard tools: credit risk assessment, setting of internal limits, use of risk mitigation techniques, regular reporting, producing of sector analyses, and stress testing. The Bank maintains its objective not to take on any excessive credit concentration risk. Credit concentration risk management procedures cover individual counterparties as well as economically connected groups, countries, selected industry sectors, and collateral providers. A system of internal limits has been established so that the Bank complies with the regulatory limits set by the law in respect of concentration risk. Refer to Notes 22 and 36 for quantitative information about this type of risk.

Loan portfolio breakdown by risk class based on an internal rating scale:

	31 Dec 2023 Gross carrying value			31 Dec 2022 Gross carrying value		
(CZKm)	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Unrated	0	0	0	0	0	0
PD 1 (0.0% – 0.1%)	687,826	1,011	0	451,585	1,399	0
PD 2 (0.1% – 0.2%)	118,375	12,755	0	137,198	12,536	0
PD 3 (0.2% – 0.4%)	94,314	16,938	0	93,411	10,285	0
PD 4 (0.4% – 0.8%)	96,503	11,401	0	98,732	9,447	0
PD 5 (0.8% – 1.6%)	85,022	15,036	0	82,791	11,575	0
PD 6 (1.6% – 3.2%)	81,896	5,117	0	78,824	6,518	0
PD 7 (3.2% – 6.4%)	50,827	4,840	0	44,065	6,308	0
PD 8 (6.4% – 12.8%)	6,088	13,466	0	5,847	8,805	0
PD 9 (>12.8%)	661	9,905	0	0	7,265	0
Stage 3 (default)	0	0	11,583	0	0	14,681
Total	**1,221,512**	**90,469**	**11,583**	**992,452**	**74,138**	**14,681**

The Bank's maximum credit exposure as of 31 December 2023:

	Total exposure			Collateral applied		
(CZKm)	Statement of financial position	Off-balance sheet*	Total credit exposure	Statement of financial position	Off-balance sheet*	Total collateral
Current balances with central banks	**4,064**	**x**	**4,064**	**0**	**x**	**0**
Financial assets held for trading at fair value through profit or loss	**49,398**	**x**	**49,398**	**0**	**x**	**0**
Non-trading financial assets at fair value through profit or loss	**0**	**x**	**0**	**0**	**x**	**0**
Positive fair value of hedging financial derivatives	**8,143**	**x**	**8,143**	**0**	**x**	**0**
Financial assets at fair value through other comprehensive income	**16,706**	**x**	**16,706**	**0**	**x**	**0**
Financial assets at amortised cost	**1,323,562**	**204,384**	**1,527,946**	**339,351**	**33,462**	**372,813**
of which:						
– Other financial corporations	115,753	18,458	134,211	16,636	5,065	21,701
– Non-financial corporations	264,097	135,494	399,591	54,258	22,746	77,004
– Households*	317,225	25,076	342,301	265,190	3,851	269,041
Revaluation differences on portfolios hedge items	**0**	**0**	**0**	**0**	**0**	**0**
Total	**1,401,873**	**204,384**	**1,606,257**	**339,351**	**33,462**	**372,813**

* This item also includes loans provided to individual entrepreneurs.

The maximum credit exposure is presented on a gross basis (i.e. without the impact of allowances).

The Bank's maximum credit exposure as of 31 December 2022:

	Total exposure			Collateral applied		
(CZKm)	Statement of financial position	Off-balance sheet*	Total credit exposure	Statement of financial position	Off-balance sheet*	Total collateral
Current balances with central banks	**4,675**	**x**	**4,675**	**0**	**x**	**0**
Financial assets held for trading at fair value through profit or loss	**59,268**	**x**	**59,268**	**0**	**x**	**0**
Non-trading financial assets at fair value through profit or loss	**132**	**x**	**132**	**0**	**x**	**0**
Positive fair value of hedging financial derivatives	**20,464**	**x**	**20,464**	**0**	**x**	**0**
Financial assets at fair value through other comprehensive income	**30,099**	**x**	**30,099**	**0**	**x**	**0**
Financial assets at amortised cost	**1,081,271**	**243,734**	**1,325,005**	**330,403**	**41,300**	**371,703**
of which:						
– Other financial corporations	93,144	16,395	109,539	11,759	4,679	16,438
– Non-financial corporations	253,802	164,081	417,883	59,422	25,140	84,562
– Households*	307,642	33,956	341,598	256,896	6,091	262,987
Revaluation differences on portfolios hedge items	**0**	**0**	**0**	**0**	**0**	**0**
Total	**1,195,909**	**243,734**	**1,439,643**	**330,403**	**41,300**	**371,703**

* This item also includes loans provided to individual entrepreneurs.

The maximum credit exposure is presented on a gross basis (i.e. without the impact of allowances).

The Bank's debt securities, allocated by sector and currency, comprised the following as of 31 December 2023:

	Fair value through profit or loss			Fair value through other comprehensive income			Amortised cost		
(CZKm)	CZK	Other	Total	CZK	Other	Total	CZK	Other	Total
Central banks	0	0	0	0	0	0	0	0	0
General governments	19,120	489	19,609	7,475	9,186	16,661	138,338	1,590	139,928
Credit institutions	0	0	0	0	0	0	0	0	0
Other financial corporations	9	0	9	0	0	0	1,796	0	1,796
Non-financial corporations	3	0	3	0	0	0	1,442	334	1,776
Total debt securities	**19,132**	**489**	**19,621**	**7,475**	**9,186**	**16,661**	**141,576**	**1,924**	**143,500**

The Bank's debt securities, allocated by sector and currency, comprised the following as of 31 December 2022:

	Fair value through profit or loss			Fair value through other comprehensive income			Amortised cost		
(CZKm)	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	10,673	30,055	126,954	0	126,954
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**	**10,673**	**30,055**	**130,099**	**322**	**130,421**

Classification of loans and advances
The Bank classifies its loans and advances arising from financial activities into three categories: Stage 1, Stage 2, and Stage 3. Performing exposures are classified as Stages 1 or Stage 2, while non-performing or defaulted exposure are classified as Stage 3. The classification reflects both quantitative criteria (e.g. payment discipline, financial data) and qualitative criteria (e.g. in-depth knowledge of the client). In case of retail individual clients, the classification also reflects the default sharing principle for co-debtors and guarantors.

The structure of the credit portfolio according to staging is regularly reported to the CNB and to investors.

New definition of default
The Bank implemented a new definition of default at the beginning of the second quarter of 2020 to be compliant with EBA Guidelines in applying the definition of default under Article 178 of Regulation (EU) No. 575/2013.

Forbearance (for the definition of forborne loans, refer to Note 3.5.5.8)

1. Forbearance measures granted to a client with financial difficulties result in the related exposure's being classified as Stage 3 (non-performing). This designation is discontinued once the following conditions are met:
   (a) Termination of defaulted (Stage 3) status, which is possible 12 months after the approval of forbearance measures;
   (b) Termination of a 2-year grace period following the termination of defaulted status, during which repayment discipline must be properly maintained (i.e. payables overdue must not exceed the materiality threshold of 30 days past due used for default identification). If the repayment discipline condition during the grace period is breached, then the exposure is reclassified back to Stage 3 (non-performing status) and the 2-year grace period starts again (from the time that zero overdue amount is reported).

2. The Bank utilises a concept of forbearance measures granted to clients with financial difficulties that do not lead to the exposure being classified as Stage 3 (non-performing) only in cases of such measures being granted under the Covid-19 private payment moratorium that was applied prior to the state's payment moratorium.

During 2023, the Bank worked on the introduction of a new methodology for management and classification of forbearance and renegotiation that will be launched at the beginning of 2024.

Characteristics of financial assets at amortised costs that are not rated
The Bank does not rate other amounts due from customers. These amounts consist of non-credit receivables that principally originated from the payment system, fraudulent withdrawals, bank cheques, receivables associated with purchases of securities (on behalf of clients) that have not been settled, and receivables that arise from business arrangements that do not constitute financial activities, specifically receivables arising from outstanding rental payments on non-residential premises, sale of real estate, and prepayments made.

Allowances for loans and advances

The Bank uses IFRS 9 in the area of allowances for loans and advances. Depending on the client segment, materiality, risk profile, and characteristics of the loans and advances, allowances are created either:

(a) Individually (for selected non-performing clients, exceptionally for performing clients) while taking into account the present value of expected future cash flows and considering all available information, including the estimated value of collateral foreclosure and the expected duration of the recovery process; or
(b) Using expected credit loss statistical models based on the observed history of defaults and losses and forward-looking information.

During 2023, the Bank updated and recalibrated its IFRS 9 models for the performing portfolio (Stages 1 and 2) and for the retail non-performing portfolio (Stage 3), considering:

(a) New macroeconomic forecasts in line with the IFRS 9 forward-looking approach (in terms of sensitivity, GDP and unemployment remain the main predictors in forward-looking models);
(b) Adjustments of methodological rules for PD and LGD curves; and
(c) Parametric adjustments to staging rules for Stages 1 and 2.

These updates of IFRS 9 models led to the release of allowances for the performing portfolio in the amount of CZK 142 million and the creation of allowances for the non-performing portfolio in the amount of CZK 24 million.

In the fourth quarter of 2023, the Bank amended, among others, based on the recommendations of the CNB, parameters for the classification of exposures into Stages 1 and 2. This adjustment led at the end of 2023 to the creation of allowances in the amount of CZK 24 million and transfer of exposures from Stage 1 to Stage 2 in the amount of CZK 9.4 billion.

In accordance with the IFRS 9 methodology, the Bank uses a prediction founded on a so-called multi-scenario approach, which as of the end of 2023 proceeded from three scenarios:

(a) A baseline scenario with probability of 62%;
(b) A stress scenario with probability of 28%; and
(c) An optimistic scenario with probability of 10%.

The baseline scenario anticipates a year-on-year growth in GDP of 2% in 2024, with average unemployment at 3%. The stress scenario expects a 3% decrease in GDP for 2024 and average unemployment at 6.4%.

The scenarios were developed internally using the best estimates and following forecasts published by government, regulatory, and other authorities.

By comparison, at the end of 2022, the Group assumed three scenarios:

(a) Baseline scenario with a probability of 60%;
(b) Stress scenario with a probability of 30%; and
(c) Optimistic scenario with a probability of 10%.

The baseline scenario anticipates year-on-year increase in GDP of 0.4% in 2023 and GDP growth of 2% in 2024, with average unemployment at 2.7% in 2023 and at 2.8% in 2024. The stress scenario expects 4.6% year-on-year decrease in GDP in 2023 and 1% decrease in 2024, with average unemployment at 5.7% in 2023 and at 5.3% in 2024.

In the subsequent period, the Bank will carefully monitor future macroeconomic development and adjust its IFRS 9 models in case new macroeconomic forecasts differ from current ones. The Bank uses internal forecasts for its IFRS 9 models, but it also carefully monitors external forecasts (CNB, Ministry of Finance, ECB, among others). In particular, the Bank uses the macroeconomic forecasts published by CNB to benchmark its IFRS 9 models.

In line with the forward-looking concept, the Bank continued with a specific approach using post-model adjustments for the following portfolios with deteriorating credit profile that, as of 31 December 2023, is not fully reflected in the clients' individual credit ratings: Exposures in retail segments of individuals and small business, within which the Bank expects clients' ability to repay their liabilities to be negatively influenced by high inflation, costs, or interest rates. As of 31 December 2023, the exposure of this portfolio totalled CZK 54.8 billion. In the individuals segment, the rating of these clients was downgraded by one notch and in the segment of small business by two notches for the purpose of allowance calculation. In addition, exposures of the aforementioned clients granted up to the end of 2021 are reclassified into Stage 2 (due to the deteriorated macroeconomic situation since initial recognition, which can influence the future credit profile of the exposures). The level of additional allowances was at CZK 533 million as of 31 December 2023. The Bank is considering to begin gradually releasing of these additional allowances once the currently heightened increased default intensity observed in consumer finance and small business declines to levels observed prior to the Covid-19 period.

In 2023, the Bank continued with a specific approach using post-model adjustments for the whole performing non-retail portfolio because the Bank expects that the ability of clients in this segment to repay their liabilities will be negatively influenced by high inflation, costs, and interest rates. The level of additional allowances was at CZK 1,473 million as of 31 December 2023.

The Bank used the approach via additional allowances for the whole non-retail segment, as it does not yet observe significant differences in risk profiles among sectors. Nevertheless, the Bank is closely monitoring the situation of sectors that it considers to be potentially sensitive to high inflation or with a deteriorated outlook for the future. The Bank is considering starting the gradual release of these additional allowances in the second half of 2024 if the clients' financial statements for 2023 confirm the generally good financial situation of its clients. Furthermore, the Bank assumes that it will simultaneously introduce additional allowances for selected sectors that the Bank considers to be those with a potentially deteriorated outlook for the future.

Sensitivity tests were conducted on the Bank's portfolio to measure the impact of potential adjustments in weightings on the IFRS 9 models. The potential impact in the event of a 100% weighting (i) of the stress scenario would be additional creation of allowances at medium hundreds of millions of CZK, (ii) of the baseline scenario would be release of low hundreds of millions of CZK allowances, and (iii) of the optimistic scenario would be release low hundreds of millions of CZK in allowances.

The following table breaks out non-performing loans and advances in gross carrying amount to banks and customers (Stage 3) according to the assessment used:

	31 Dec 2023		31 Dec 2022	
(CZKm)	Individually	Statistical model	Individually	Statistical model
Central banks	0	0	0	0
General governments	50	0	72	0
Credit institutions	0	0	41	0
Other financial corporations	117	4	136	7
Non-financial corporations	4,849	2,184	8,112	2,116
Households*	182	4,197	250	3,947
Total	**5,198**	**6,385**	**8,611**	**6,070**

* This item also includes loans granted to individual entrepreneurs.

Loans and advances collateral management

The Bank uses collateralisation as one of its techniques for credit risk mitigation. The risk management related to collaterals is performed by departments within the Risk Management Arm independently of the Bank's business lines.

The Bank has fully implemented within its internal system the rules for assessing collateral's eligibility according to Regulation (EU) No. 575/2013 and CNB Regulation No. 163/2014. In compliance with the CNB validation, the Bank uses the Advanced Internal Ratings-Based (A-IRB) approach. For clients of the Slovak branch, the Bank uses the Standardised (STD) approach for assessing collateral eligibility.

The recognised value of the collateral is set based on the Bank's internal rules for collateral valuation and discounting. The methods used in defining values and discounts take into account all relevant risks; the expected cost of collateral sale; length of the sales process; historical experience of the Bank; as well as collateral eligibility according to the CNB regulation, bankruptcy/insolvency rules, and other regulations. Specifically, for all real estate collateral, which is the most common type of collateral, the Bank uses independent valuations performed or supervised by the Bank's dedicated specialised internal department. Collateral values reflected in the calculation of capital requirements and other processes (regulatory exposure management, granting process, creation of allowances and provisions) involve the fulfilment of collateral eligibility according to Regulation (EU) No. 575/2013 and CNB Regulation No. 163/2014.

The Bank (except for the Slovak branch) uses an online connection to the Land Register for reviewing and acquiring data on pledged real estate in granting mortgages or other loans secured by real estate and for regular monitoring of selected events that may put the Bank's pledge right to real estate at risk.

Real estate collateral valuation

Activities related to the valuation of real estate obtained as collateral for corporate and retail loans and advances are independent of the Bank's business processes. The valuation process is managed and controlled by a specialised internal department that co-operates with various external valuation experts. Since 2019, the Bank has started to use statistical valuation models for limited numbers (maximum 20%) of residential real estate valuations.

In 2023, together with the principal activity of real estate valuation, the Bank focused mainly on ongoing monitoring of the real estate market with the aim to promptly identify any adverse development and to take appropriate measures as required. The Bank monitors both the residential and commercial real estate markets. An integral component of that monitoring is the revaluation of selected real estate in accordance with the Basel III requirements. The Bank regularly adjusts these values, based upon the result from statistical monitoring of market prices for residential real estate.

Recovery of loans and advances from defaulted clients
In 2023, albeit with a certain delay, the effects of the shock development of energy prices, increasing inflation, and the sharp increase of the basic repo interest rate in 2022 were already visible, especially among those individual clients who had already been past due with their debt repayments in the previous periods and among entrepreneurs. In particular, there is an increase in the time needed to "cure" clients in the first stage of recovery up to 90 days after the due date and a more moderate but observable growth in the value of loans each month entering this stage of recovery. In the second half of the year, the effects of the economic slowdown are clearly visible, especially among clients in the business segment, who more often enter longer-lasting delays with the payment of their credit claims and also more often end up in the next phase (i.e. out-of-court) of recovery. During 2023, the Bank observed a slightly higher intensity of requests for repayment relief. Nevertheless, in the 3rd and 4th quarters, the number of requests for relief stabilises. The number and volume of requests for repayment relief are still within normal limits and do not exceed the customary levels. The Bank assumes that delayed effects of the current macroeconomic situation on the credit portfolio quality may be seen in future.

Therefore, the Bank is continuing to boost the efficiency of processes by digitising and automating certain activities in the out-of-court and judicial retail collection so that it would be able to absorb any possible rise in the number of clients affected by the deteriorating economic situation.

During 2023, the Bank continued in regular sales of uncollateralised and collateralised retail non-performing loans and receivables to selected qualified investors so that the maximum achievable recovery rate is obtained. The Bank has not carried out any mass sales of non-performing loans secured by real estate collateral.

The Bank continuously responded to the changing legal environment, newly adopted legislation, and their possible impacts on the recovery of loans and other receivables. Increased attention continued to be given especially to the collection of claims under the Insolvency Act regime, that being the predominant method of resolving payment claims from retail and corporate clients in the judicial collection phase. The Bank plays an active role in the insolvency process from the position of a secured creditor, member of the creditors' committee, or representative of creditors, whether in bankruptcy proceedings or in reorganisations, both of which are used by the Bank depending upon a given debtor's circumstances and the attitudes of other creditors. In 2023, the Bank observed an increasing number of client reorganisation solutions in the form of the entry of a new investor. In debt relief, the Bank focuses mainly on monitoring the fulfilment of debt relief conditions by those clients who are paying off their debts.

Credit risk hedging instruments
The Bank has not entered into any credit derivative transactions to hedge or reallocate its credit exposures.

Credit risk of financial derivatives
The daily calculation of counterparty risk associated with financial derivatives is based on the Credit Value at Risk (CVaR) indicator. This indicator projects potential adverse development in the market value of a derivative and the potential loss that the Bank may incur if a counterparty fails to fulfil its obligations. The maximum potential exposure is calculated at the 99% probability level and depends on the current market value and type of derivative product, the time remaining until maturity of the derivative transaction, as well as the nominal value and volatility of the underlying assets.

As of 31 December 2023, the Bank had a credit exposure of CZK 392,382 million (2022: CZK 194,875 million) on financial derivative instruments and repo operations, including those with central banks (expressed in CVaR). This amount represents the gross replacement cost at market prices as of 31 December 2023 for all outstanding agreements. The netting agreements and parameters of the collateral agreements are taken into account where applicable.

The Bank puts limits on exposures to counterparties from financial derivatives in order to avoid excessive credit exposures to individual clients that could arise from movements in market prices. The Bank monitors compliance with limits on a daily basis. If these are exceeded, an appropriate alert is triggered and action is taken when relevant. In the event that a limit breach is triggered by the deliberate action of a dealer ("active limit breach"), such behaviour is penalised. The Board of Directors is informed about active limit breaches on a regular basis.

Geopolitical situation
The Bank is continuously monitoring and evaluating effects of the war in Ukraine on its activities and on its clients (which in the overwhelming majority of cases are secondary and indirect impacts, mainly due to clients' dependence on strategic raw materials). The Bank believes that the geopolitical risk is correctly reflected in the rating of the clients concerned and considers the clients' situations to be stable. An exception is a sensitive exposure in the amount of CZK 4.1 billion to clients who operate gas pipelines and whos situation the Bank specifically monitors. If necessary, the Bank will respond to the changing situation with measures on the part of its policies and accounting estimates, including adjustments to its provisioning models according to IFRS 9.

(B) Market risk

Segmentation of the Bank's financial operations
For market risk management purposes, the Bank's activities are internally separated into two books: the Market Book and the Structural Book. The Market Book consists of transactions initiated by investment banking activities and the treasury desk (interbank and individually priced deposits/loans, repos/reverse repos, securities classified as held for trading, and derivatives originated by investment banking). The Structural Book consists principally of business transactions (lending, accepting deposits, amounts due to and from customers), hedging transactions relevant to the Structural Book, and other transactions not included in the Market Book.

Products generating market risk in the Market Book
Products that are traded by the Bank and generate market risk include interbank loans and deposits, currency transactions (spots, swaps, forwards), interest rate instruments (interest rate swaps, cross currency swaps, forward rate agreements, interest rate futures, and futures on debt securities), government and corporate bonds, and bills of exchange programmes.

More complex derivatives (options, commodity derivatives, structured derivatives) which are sold to clients are immediately offset on the market by doing "back-to-back" trades in the interbank market, mostly with Société Générale. The market risks associated with these derivatives (e.g. forex risk, interest risk, volatility risk, correlation risk) arises between closing transactions with Société Générale and client transactions where we either do not have a CSA collateral agreement with the particular client or the collateral currency differs from the agreed collateral currency under the CSA agreement with Société Générale.

Market risk management in the Market Book
The Bank uses a system of market risk limits with the objective of limiting potential losses due to movements in market prices by limiting the size of the risk exposure.

The Bank monitors compliance with all limits on a daily basis. If these are exceeded, it takes corrective action to reduce the risk exposure. The Board of Directors is informed on a monthly basis about developments in the exposure to market risk.

In order to measure the extent of market risk inherent in the activities of the Market Book, the Bank uses the one-day historical 99% Value-at-Risk (hereafter only "VaR") concept. VaR is calculated using full revaluation of the position by means of historical market price scenarios. This method reflects correlations between various financial markets and underlying instruments on a non-parametric basis, as it uses scenarios simulating one-day variations of relevant market parameters over a period of time limited to the past 260 business days. The resulting 99% VaR indicator captures the loss that would be incurred after eliminating the 1% of the most unfavourable occurrences. This estimate is calculated as the average of the second- and third-largest potential losses out of the 260 scenarios considered.

The VaR for a one-day horizon with a confidence level of 99% was CZK (19) million as of 31 December 2023 (2022: CZK (56) million). The average VaR was CZK (34) million in 2023 (2022: CZK (57) million).

The accuracy of the VaR model is validated through a back-testing calculation, whereby actual trading results and hypothetical results (i.e. results excluding deals closed during the day) are compared with the VaR results. The actual results should not exceed VaR more frequently than on 1% of the days within a given period. There were three P&L vs. VaR breaches in 2023, which is in line with the methodological assumptions of the model.

In addition, the Bank performs stress tests on a daily basis which capture losses potentially generated by larger shocks. These stress events have a lower probability of occurrence than VaR scenarios, and they measure potential losses relevant to the risk exposure in the Market Book. Several types of stress tests for foreign exchange and interest rate exposures are used. These are developed either based upon actual crisis situations in the past (such as the Lehman bankruptcy in 2008) or from a hypothetical crisis that could negatively influence the performance of the Market Book.

Such additional specific metrics as sensitivities to market parameters or size of exposure are used to obtain a detailed picture of risks and strategies.

The Bank uses Société Générale Group's VaR and stress tests methodology and the Group's software for market risk management.

Market risk in the Structural Book
The Bank manages foreign exchange risk so as to minimise risk exposures. In order to achieve this, the foreign exchange position of the Structural Book is measured on a daily basis and subsequently hedged according to established rules. For the purpose of hedging foreign exchange positions within the Structural Book, the Bank uses standard currency instruments in the interbank market, such as currency spots and forwards.

Interest rate risk within the Structural Book is monitored and measured using a static gap analysis, sensitivity of net present value to a parallel shift of the yield curve, and sensitivity of net interest income to a parallel shift of the yield curve.

The indicators are monitored separately for CZK, USD, EUR, and the sum of other foreign currencies.

The indicator of the Bank's sensitivity to a change in market interest rates is measured based upon the assumption of an instantaneous, one-off, and adverse parallel shift of the market yield curve by 0.1% p.a. It is determined as the present value of the costs of closing out the Bank's open interest rate position after the adverse change of interest rates has occurred. As of 31 December 2023, for the hypothetical assumption of a 0.1% change in market interest rates, the CZK interest rate risk sensitivity was CZK (104) million (2022: CZK (146) million), the EUR sensitivity was CZK (8) million (2022: CZK 7 million), the USD sensitivity was CZK 3 million (2022: CZK 2 million), and for other currencies, it was CZK (1) million (2022: CZK (0.2) million).

In order to hedge against interest rate risk within the Structural Book, the Bank uses both standard derivative instruments available in the interbank market (such as forward rate agreements and interest rate swaps) and appropriate investments in securities or a favourable selection of interest rate parameters for other assets and liabilities.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16 in the context of the IBOR reform

Interest rate benchmark reform

The reform of interbank interest rate benchmarks (IBOR: InterBank Offered Rates), initiated by the Financial Stability Board in 2014, aimed at replacing these benchmarks with alternative rates, in particular, the Risk-Free Rates (RFR). This reform was accelerated on 5 March 2021, when the Financial Conduct Authority, which is in charge of supervising LIBOR, announced its end dates:

- USD LIBOR: The publication of the main settings ceased at the end of June 2023;
- GBP, CHF, JPY, and EUR LIBOR: The publication of these benchmarks ceased at the end of 2021.

At the same time, regarding the major benchmarks of the euro area:

- EURIBOR: Although there was uncertainty regarding the prospective use and existence of EURIBOR in the beginning phase of the reform, currently EMMI (the European Money Markets Institute), which administers the interest rate benchmarks, does not contemplate discontinuing its publication. EURIBOR will thus continue to be used in the coming years;
- EONIA: EONIA ceased its publication at the end of 2021. The replacement reference rate recommended by the working group on risk-free euro rates established by the European Central Bank is €STR/ESTER.

The IBOR reform currently does not include the CZK main interest rate benchmark – PRIBOR.

Reflection of changes

Despite the fact that the main currencies and benchmarks in the Bank's financing and interest-rate hedging business remain CZK/PRIBOR and EUR/EURIBOR, the Bank performed an upgrade of its tools and processes to be able to deal in RFR-based products and, thereby, to ensure its post-LIBOR and post-EONIA business continuity.

In the area of investment banking:

- RFRs ESTER, SOFR, SARON and SONIA were implemented in trading and risk management tools, and relevant valuation curves were set up;
- New RFR-linked products and related processes and methodological guidelines were prepared and approved;
- The production of EONIA- and LIBOR-referencing products gradually ceased in spring 2021 and the Bank's Investment Banking has been providing its clients with alternate solutions;
- Accession has been made to the ISDA 2020 IBOR Fallbacks Protocol, which covers all ISDA Master Agreement and Credit Support Annex (CSA) transactions;
- All original transactions referencing the EONIA and LIBOR reference rates (terminated at the end of 2021) were renegotiated in 2021; the existing 1M and 3M USD LIBOR transactions (i.e. those with reference rates expired on 30 June 2023) were renegotiated in the first half of 2023;
- As for the implementation of Term-RFR rates, only CME Term-SOFR rate, approved by the regulator and Société Générale Group management, was introduced within our business systems and the risk management systems;
- All concerned CSAs and CMAs containing collateral management on terminated benchmarks were either amended or agreed with counterparties on applying the fallback rates without a need for formal amendment of the contract; these changes were also reflected into instruments evidencing the provided/accepted collateral, so-called Call Accounts.

In the area of commercial banking:

- The RFRs needed for the transitions from the discontinued benchmarks were implemented in the Bank's central system, namely: ESTER, SOFR, SARON, TONAR, and SONIA. Furthermore, the Bank implemented Term SOFR (provided by CME) derived from RFR SOFR, which were supported by regulators as suitable for replacing USD LIBOR term rates;
- Contracts referencing to reference interest rates ending on 30 June 2023 (USD LIBOR) were renegotiated with reference to RFR or linked to RFR based on statutory or contractual "fallback" rules.

(C) Financial derivatives

The Bank operates a system of market risk and counterparty limits designed to restrict disproportionate exposures due to movements in market prices and counterparty concentrations. The Bank also monitors adherence to all limits on a daily basis. It follows up on any breaches of these limits and takes corrective action to reduce the risk exposure.

The following tables set out nominal and fair values of financial derivative instruments categorised as held for trading and hedging.

Financial derivative instruments designated as held for trading are as follow:

	31 Dec 2023 Nominal value		31 Dec 2022 Nominal value		31 Dec 2023 Fair value		31 Dec 2022 Fair value	
(CZKm)	Assets	Liabilities	Assets	Liabilities	Positive	Negative	Positive	Negative
Interest rate instruments								
Interest rate swaps	2,306,394	2,306,394	2,010,976	2,010,976	14,977	15,810	27,684	30,798
Interest rate forwards and futures*	1,603,318	1,603,318	447,215	447,215	10	0	1	0
Interest rate options	116,176	116,176	113,293	113,293	840	840	1,258	1,258
Total interest rate instruments	**4,025,888**	**4,025,888**	**2,571,484**	**2,571,484**	**15,827**	**16,650**	**28,943**	**32,056**
Foreign currency instruments								
Currency swaps	553,382	553,720	565,147	565,191	4,507	4,587	8,590	8,083
Cross currency swaps	232,885	233,860	249,892	249,426	6,894	8,118	9,358	9,000
Currency forwards	80,910	85,115	151,974	160,960	452	3,803	1,295	7,098
Purchased options	77,409	77,274	56,636	58,842	2,089	0	1,090	0
Sold options	77,274	77,410	58,842	56,637	0	2,090	0	1,090
Total currency instruments	**1,021,860**	**1,027,379**	**1,082,491**	**1,091,056**	**13,942**	**18,598**	**20,333**	**25,271**
Other instruments								
Forwards on debt securities	6	6	32	32	0	0	0	0
Purchased share options	988	988	988	988	8	0	24	0
Sold share options	988	988	988	988	0	8	0	24
Total other instruments	**1,982**	**1,982**	**2,008**	**2,008**	**8**	**8**	**24**	**24**
Total	**5,049,730**	**5,055,249**	**3,655,983**	**3,664,548**	**29,777**	**35,256**	**49,300**	**57,351**

* Fair values include only forwards. Regarding futures, the Group places funds on a margin account that is used on a daily basis to settle fair value changes. Receivables arising from these margin accounts are reported within other assets.

Financial derivative instruments designated as held for trading are shown below at nominal values by remaining contractual maturity as of 31 December 2023:

(CZKm)	Up to 1 year	1 to 5 years	Over 5 years	Total
Interest rate instruments				
Interest rate swaps	507,309	1,274,369	524,716	2,306,394
Interest rate forwards and futures*	1,319,310	284,008	0	1,603,318
Interest rate options	1,807	89,918	24,451	116,176
Total interest rate instruments	**1,828,426**	**1,648,295**	**549,167**	**4,025,888**
Foreign currency instruments				
Currency swaps	520,446	32,936	0	553,382
Cross currency swaps	52,122	133,690	47,073	232,885
Currency forwards	55,125	25,785	0	80,910
Purchased options	38,394	39,015	0	77,409
Sold options	38,447	38,827	0	77,274
Total currency instruments	**704,534**	**270,253**	**47,073**	**1,021,860**
Other instruments				
Forwards on debt securities	6	0	0	6
Purchased share options	0	988	0	988
Sold share options	0	988	0	988
Total other instruments	**6**	**1,976**	**0**	**1,982**
Total	**2,532,966**	**1,920,524**	**596,240**	**5,049,730**

* The remaining contractual maturity of forward rate agreements (FRA) and futures covers the period to the fixing date when off-balance sheet exposures are reversed.

Financial derivative instruments designated as held for trading are shown below at nominal values by remaining contractual maturity as of 31 December 2022:

(CZKm)	Up to 1 year	1 to 5 years	Over 5 years	Total
Interest rate instruments				
Interest rate swaps	396,181	1,140,538	474,257	2,010,976
Interest rate forwards and futures*	362,085	85,130	0	447,215
Interest rate options	4,592	83,702	24,999	113,293
Total interest rate instruments	**762,858**	**1,309,370**	**499,256**	**2,571,484**
Foreign currency instruments				
Currency swaps	532,947	32,200	0	565,147
Cross currency swaps	54,660	147,650	47,582	249,892
Currency forwards	100,388	51,586	0	151,974
Purchased options	29,824	26,812	0	56,636
Sold options	31,389	27,453	0	58,842
Total currency instruments	**749,208**	**285,701**	**47,582**	**1,082,491**
Other instruments				
Forwards on debt securities	32	0	0	32
Purchased share options	0	988	0	988
Sold share options	0	988	0	988
Total other instruments	**32**	**1,976**	**0**	**2,008**
Total	**1,512,098**	**1,597,047**	**546,838**	**3,655,983**

* The remaining contractual maturity of forward rate agreements (FRA) and futures covers the period to the fixing date when off-balance sheet exposures are reversed.

Financial derivative instruments designated as hedging are as follow:

	31 Dec 2023 Nominal value		31 Dec 2022 Nominal value		31 Dec 2023 Fair value		31 Dec 2022 Fair value	
(CZKm)	Assets	Liabilities	Assets	Liabilities	Positive	Negative	Positive	Negative
Interest rate swaps for fair value hedging	1,089,493	1,089,493	1,081,670	1,081,670	6,695	30,090	17,488	55,266
Cross currency swaps for cash flow hedging	34,244	34,213	47,220	45,986	872	672	2,522	596
Cross currency swaps for fair value hedging	13,080	12,363	13,080	12,058	553	0	444	0
Forwards on stocks for cash flow hedging	71	71	69	69	17	0	8	2
Forwards on stocks for fair value hedging	48	47	45	45	6	0	2	2
Total	**1,136,936**	**1,136,187**	**1,142,084**	**1,139,828**	**8,143**	**30,762**	**20,464**	**55,866**

Remaining contractual maturities of derivatives designated as hedging are shown below as of 31 December 2023:

(CZKm)	Up to 1 year	1 to 5 years	Over 5 years	Total
Interest rate swaps for fair value hedging	167,820	542,326	379,347	1,089,493
Cross currency swaps for cash flow hedging	11,352	22,892	0	34,244
Cross currency swaps for fair value hedging	0	13,080	0	13,080
Forwards on stocks for cash flow hedging	15	56	0	71
Forwards on stocks for fair value hedging	27	21	0	48
Total	**179,214**	**578,375**	**379,347**	**1,136,936**

Remaining contractual maturities of derivatives designated as hedging are shown below as of 31 December 2022:

(CZKm)	Up to 1 year	1 to 5 years	Over 5 years	Total
Interest rate swaps for fair value hedging	143,440	513,494	424,736	1,081,670
Cross currency swaps for cash flow hedging	15,765	29,556	1,899	47,220
Cross currency swaps for fair value hedging	0	13,080	0	13,080
Forwards on stocks for cash flow hedging	13	56	0	69
Forwards on stocks for fair value hedging	29	16	0	45
Total	**159,247**	**556,202**	**426,635**	**1,142,084**

Shown below are the undiscounted cash flows from derivatives designated for cash flow hedging according to the periods within which they are expected to affect profit or loss:

	31 Dec 2023			31 Dec 2022		
(CZKm)	Up to 1 year	1 to 5 years	Over 5 years	Up to 1 year	1 to 5 years	Over 5 years
Floating cash flows from cash flow hedging derivatives	434	447	0	1,230	1,037	5

The Bank treats as hedges only those contracts for which it is able to demonstrate that all criteria set out in IAS 39 for recognising the transactions as hedges have been met. The Bank's strategy remains unchanged in line with IAS 39.

During 2023, the Bank recorded the following hedges:

1. Interest rate risk hedging:
   a. The fair values of long-term loans provided and of investments in long-term government securities classified into the "Hold to collect contractual cash flows and sell" business model and investments in long-term securities classified into the "Hold to collect contractual cash flows" business model are hedged by interest rate swaps and cross currency swaps, respectively;
   b. The fair values of issued long-term mortgage bonds classified into the 'Securities issued' portfolio are hedged by interest rate swaps;
   c. The fair values of fixed-rate deposits, loans taken, or repos are hedged by interest rate swaps;
   d. Future cash flows from a portfolio of current assets traded on the interbank market and from loans to clients are hedged by a portfolio of interest rate swaps or cross currency swaps (cash flows will materialise on an ongoing basis and will also affect the Bank's Statement of Income on an ongoing basis);
   e. Future cash flows from a portfolio of short-term liabilities traded on the interbank market and liabilities to clients are hedged by a portfolio of interest rate swaps or cross currency swaps (cash flows will materialise on an ongoing basis and will also affect the Bank's Statement of Income on an ongoing basis);
   f. The fair values of a portfolio of current and savings accounts from clients are hedged by a portfolio of interest rate swaps and cross currency swaps.

2. Foreign exchange risk hedging:
   a. In selected material cases, the Bank hedges the future cash flows of firm commitments arising from the Bank's contractual obligations (e.g. contractual payments to third parties in a foreign currency) or receivables of the Bank (e.g. receivables from contractual partners). The hedging instrument consists of foreign currency assets (e.g. short-term loans on the interbank market) or foreign currency liabilities (e.g. short-term client liabilities), respectively;
   b. Foreign currency flows arising from the issue of mortgage-backed bonds are hedged by cross currency swaps.

3. Share price risk hedging:
   a. A portion of the bonus of selected Bank employees is paid in cash equivalents of the Komerční banka, a.s. share price. The Bank hedges the risk of change in the Komerční banka, a.s. share price. Hedging instruments are forwards on stocks.

4. Hedging of an investment in foreign subsidiaries:
   a. The foreign exchange risk associated with investments in subsidiaries is hedged by selected foreign currency liabilities (e.g. short-term client liabilities).

The Bank does not report any instance of hedge accounting being applied to a highly probable forecasted transaction that is no longer anticipated to be effected.

In 2023, the loss from the ineffectiveness of hedging relationships was in the amount of CZK 1 million (2022: gain of CZK 8 million).

Further information on hedges is provided in Notes 3, 5, and 7 to these Financial Statements.

(D) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent that instrument is exposed to interest rate risk. Market developments have led to a situation where interest rates are negative in certain currencies. This fact does not change the essence of interest rate risk measurement and management because the principle of recognising changes in interest rates over time remains unchanged, just as the concept of hedging against interest rate risk by matching volumes with changing values within the given period remains valid. Due to legal and technical limitations, methods to prevent negative rates from being applied at the client's level can be applied with the objective of maintaining accordance between a transaction's contractual and economic natures. With respect to ongoing market practice, client deposits are seeing the introduction of deposit fees, which constitute a specific response to the existence of negative market interest rates and also comply with the requirements given by limitations ensuing from the existing legal framework.

The Bank uses internal models for managing interest rate risk. The objective of these models is to describe the expected economic behaviour of the Bank's clients when market interest rates fluctuate. It is the policy of the Bank's management to manage the exposure to fluctuations in net interest income arising from changes in interest rates through a gap analysis of assets and liabilities in individual groups. Further information about interest rate risk management is provided in Section (B) of this Note.

The table below provides information on the extent of the Bank's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that reprice to a market rate of interest before maturity, the next repricing date. Those assets and liabilities that do not have contractual maturities or repricing dates were grouped into the *'Undefined'* category. The table includes a breakout of other assets and liabilities not within the scope of financial instruments as defined in IAS 32.

(CZKm)	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Unde-fined****	Total
Assets						
Cash and current balances with central banks	12,369	0	0	0	0	12,369
Financial assets and other assets held for trading at fair value through profit or loss	19,621	0	0	0	29,777	49,398
Non-trading financial assets at fair value through profit or loss	0	0	0	0	0	0
Positive fair values of hedging financial derivatives	0	0	0	0	8,143	8,143
Financial assets at fair value through other comprehensive income	993	3,244	3,369	10,549	(1,449)	16,706
Financial assets at amortised cost	733,403	98,452	323,228	160,438	(2,452)	1,313,069
– Loans and advances to banks	405,695	6,989	28,366	14,200	0	455,250
– Loans and advances to customers	328,724	70,798	254,655	61,135	(993)	714,319
– Debt securities	(1,016)	20,665	40,207	85,103	(1,459)	143,500
Current tax assets	0	0	0	0	643	643
Deferred tax assets	0	0	0	0	124	124
Prepayments, accrued income, and other assets	0	0	0	0	3,637	3,637
Investments in subsidiaries and associates	0	0	0	0	19,059	19,059
Intangible assets	0	0	0	0	9,048	9,048
Tangible assets	0	0	0	0	6,452	6,452
Assets held for sale	0	0	0	0	426	426
Total assets	**766,386**	**101,696**	**326,597**	**170,987**	**73,408**	**1,439,074**
Liabilities						
Amounts due to central banks	0	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss	25,890	0	0	0	35,256	61,146
Negative fair values of hedging financial derivatives	0	0	0	0	30,762	30,762
Financial liabilities at amortised cost	349,501	47,571	23,931	1,691	762,876	1,185,570
– Amounts due to banks	80,543	1,183	5,089	0	(206)	86,609
– Amounts due to customers*	266,741	45,101	1,110	110	763,381	1,076,443
– Securities issued	2,110	1,028	16,589	750	(299)	20,178
– Lease liabilities	107	259	1,143	831	0	2,340
Revaluation differences on portfolios hedge items	0	0	0	0	(34,366)	(34,366)
Current tax liabilities	0	0	0	0	35	35
Deferred tax liabilities	0	0	0	0	537	537
Accruals and other liabilities	0	0	0	0	14,945	14,945
Provisions	0	0	0	0	782	782
Subordinated and senior non-preferred debt	64,560	0	0	0	0	64,560
Total liabilities	**439,951**	**47,571**	**23,931**	**1,691**	**810,827**	**1,323,971**
Statement of Financial Position interest rate gap as of 31 December 2023	**326,435**	**54,125**	**302,666**	**169,296**	**(737,419)**	**115,103**
Nominal value of derivatives**	3,488,731	1,183,065	491,269	232,525	0	5,395,590
Total off-balance sheet assets	**3,488,731**	**1,183,065**	**491,269**	**232,525**	**0**	**5,395,590**
Nominal value of derivatives**	3,587,561	1,165,540	497,118	145,598	0	5,395,817
Undrawn portion of loans***	(7,844)	(6,924)	9,480	5,288	0	0
Undrawn portion of revolving loans***	0	0	0	0	0	0
Total off-balance sheet liabilities	**3,579,717**	**1,158,616**	**506,598**	**150,886**	**0**	**5,395,817**
Net off-balance sheet interest rate gap as of 31 December 2023	**(90,986)**	**24,449**	**(15,329)**	**81,639**	**0**	**(227)**
Cumulative interest rate gap as of 31 December 2023	**235,449**	**314,023**	**601,360**	**852,295**	**114,876**	**x**

* This item in column 'Undefined' principally includes client deposits for which there is no information about contractual maturity or repricing date.
** Assets and liabilities arising from derivatives include interest rate swaps, interest rate forwards and futures, interest rate options, and cross currency swaps.
*** Undrawn loans and revolving loans are reported on a net basis (i.e. the Bank reports both the expected drawings and repayments within one line). This line does not reflect commitments for which no interest rate has been set.
****The column 'Undefined' also contains a revaluation to fair value of financial assets and financial liabilities.

(CZKm)	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undefined****	Total
Assets						
Cash and current balances with central banks	12,698	0	0	0	0	12,698
Financial assets and other assets held for trading at fair value through profit or loss	9,968	0	0	0	49,300	59,268
Non-trading financial assets at fair value through profit or loss	139	0	0	0	(7)	132
Positive fair values of hedging financial derivatives	0	0	0	0	20,464	20,464
Financial assets at fair value through other comprehensive income	3,307	133	7,276	25,942	(6,559)	30,099
Financial assets at amortised cost	521,440	92,423	276,194	188,145	(8,550)	1,069,652
– Loans and advances to banks	231,789	3,255	17,336	18,650	0	271,030
– Loans and advances to customers	289,487	73,216	229,518	78,338	(2,358)	668,201
– Debt securities	164	15,952	29,340	91,157	(6,192)	130,421
Current tax assets	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	128	128
Prepayments, accrued income, and other assets	0	0	0	0	3,576	3,576
Investments in subsidiaries and associates	0	0	0	0	18,330	18,330
Intangible assets	0	0	0	0	8,145	8,145
Tangible assets	0	0	0	0	6,328	6,328
Assets held for sale	0	0	0	0	72	72
Total assets	**547,552**	**92,556**	**283,470**	**214,087**	**91,227**	**1,228,892**
Liabilities						
Amounts due to central banks	0	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss	11,600	0	0	0	57,351	68,951
Negative fair values of hedging financial derivatives	0	0	0	0	55,866	55,866
Financial liabilities at amortised cost	165,445	29,693	24,112	4,376	762,810	986,436
– Amounts due to banks	57,110	1,450	3,925	2,197	0	64,682
– Amounts due to customers*	106,902	25,753	641	0	763,367	896,663
– Securities issued	1,331	2,224	18,374	1,500	(557)	22,872
– Lease liabilities	102	266	1,172	679	0	2,219
Revaluation differences on portfolios hedge items	0	0	0	0	(51,335)	(51,335)
Current tax liabilities	0	0	0	0	1,470	1,470
Deferred tax liabilities	0	0	0	0	704	704
Accruals and other liabilities	0	0	0	0	14,463	14,463
Provisions	0	0	0	0	1,059	1,059
Subordinated and senior non-preferred debt	38,694	0	0	0	0	38,694
Total liabilities	**215,739**	**29,693**	**24,112**	**4,376**	**842,388**	**1,116,308**
Statement of Financial Position interest rate gap as of 31 December 2022	**331,813**	**62,863**	**259,358**	**209,711**	**(751,161)**	**112,584**
Nominal value of derivatives**	1,577,009	790,580	1,079,486	516,271	0	3,963,346
Total off-balance sheet assets	**1,577,009**	**790,580**	**1,079,486**	**516,271**	**0**	**3,963,346**
Nominal value of derivatives**	1,699,806	807,424	1,033,100	420,294	0	3,960,624
Undrawn portion of loans***	(8,877)	(13,567)	7,368	15,076	0	0
Undrawn portion of revolving loans***	0	0	0	0	0	0
Total off-balance sheet liabilities	**1,690,929**	**793,857**	**1,040,468**	**435,370**	**0**	**3,960,624**
Net off-balance sheet interest rate gap as of 31 December 2022	**(113,920)**	**(3,277)**	**39,018**	**80,901**	**0**	**2,722**
Cumulative interest rate gap as of 31 December 2022	**217,893**	**277,479**	**575,855**	**866,467**	**115,306**	**x**

* This item in column ‘Undefined’ principally includes client deposits for which there is no information about contractual maturity or repricing date.
** Assets and liabilities arising from derivatives include interest rate swaps, interest rate forwards and futures, interest rate options, and cross currency swaps.
*** Undrawn loans and revolving loans are reported on a net basis (i.e. the Bank reports both the expected drawings and repayments within one line). This line does not reflect commitments for which no interest rate has been set.
****The column ‘Undefined’ also contains a revaluation to fair value of financial assets and financial liabilities.

Average interest rates as of 31 December 2023 and 2022 were as follow:

	31 Dec 2023			31 Dec 2022		
	CZK	USD	EUR	CZK	USD	EUR
Assets						
Cash and current balances with central banks	4.13%	x	x	0.35%	x	x
Financial assets at fair value through other comprehensive income	1.93%	x	1.56%	1.79%	x	1.52%
Financial assets at amortised cost	5.04%	6.74%	4.42%	4.56%	5.16%	2.45%
– Loans and advances to banks	6.30%	6.13%	3.58%	6.19%	4.29%	1.81%
– Loans and advances to customers	4.57%	7.39%	4.71%	4.26%	6.04%	2.76%
– Debt securities	3.01%	0.00%	3.79%	2.84%	0.00%	4.23%
Total assets	**4.82%**	**6.33%**	**4.21%**	**4.20%**	**4.97%**	**2.30%**
Total interest-earning assets	**4.92%**	**6.52%**	**4.24%**	**4.37%**	**4.98%**	**2.31%**
Liabilities						
Amounts due to central banks	0.00%	x	x	0.00%	x	x
Financial liabilities at amortised cost	1.37%	3.72%	1.38%	0.85%	1.44%	0.47%
– Amounts due to banks	1.89%	5.48%	3.23%	(3.03%)	4.08%	1.38%
– Amounts due to customers	1.36%	0.70%	0.34%	0.90%	0.64%	0.04%
– Securities issued	2.10%	x	x	2.22%	x	x
– Lease liabilities	2.82%	x	2.55%	2.33%	x	1.20%
Subordinated and senior non-preferred debt	x	x	5.96%	x	x	3.93%
Total liabilities	**1.38%**	**3.67%**	**2.55%**	**0.84%**	**1.35%**	**1.08%**
Total interest-bearing liabilities	**1.50%**	**3.72%**	**2.59%**	**0.88%**	**1.44%**	**1.13%**
Off-balance sheet assets						
Nominal value of derivatives (interest rate swaps, options, etc.)	1.73%	3.30%	0.75%	1.46%	2.58%	0.44%
Undrawn portion of loans	7.96%	x	4.78%	4.34%	x	2.89%
Undrawn portion of revolving loans	9.09%	6.32%	4.13%	8.86%	5.52%	2.07%
Total off-balance sheet assets	**1.93%**	**3.27%**	**0.88%**	**1.65%**	**2.57%**	**0.49%**
Off-balance sheet liabilities						
Nominal value of derivatives (interest rate swaps, options, etc.)	1.73%	2.84%	0.67%	1.42%	2.21%	0.36%
Undrawn portion of loans	7.96%	x	4.78%	4.34%	x	2.89%
Undrawn portion of revolving loans	9.09%	6.32%	4.13%	8.86%	5.52%	2.07%
Total off-balance sheet liabilities	**1.93%**	**2.82%**	**0.79%**	**1.61%**	**2.20%**	**0.40%**

Note: The table above sets out the average interest rates for December 2023 and 2022 calculated as a weighted average for each asset and liability category.

The 2W repo rate announced by the CNB decreased during 2023 from 7.00% to 6.75%. Czech crown money market rates (PRIBOR) fell by 0.31% (1M) and by 1.56% (12M). Rates on interest rate swaps decreased by 1.30% (10Y) and by 2.09% (2Y).

Euro money market rates increased during 2023 by 1.96% (1M) and by 0.22% (12M), and the rates on interest rate swaps decreased by 0.57% (2Y) and by 0.67% (10Y).

The dollar money market rate SOFR increased during 2023 by 1.10% (ON) and the rate on interest rate swaps decreased by 0.38% (10Y) and by 0.61% (2Y).

Following is a breakdown of financial assets and liabilities by their exposure to interest rate fluctuations:

	31 Dec 2023				31 Dec 2022			
(CZKm)	Fixed interest rate	Floating interest rate	No interest	Total	Fixed interest rate	Floating interest rate	No interest	Total
Assets								
Cash and current balances with central banks	0	0	12,369	12,369	0	3,645	9,053	12,698
Financial assets and other assets held for trading at fair value through profit or loss	19,547	74	29,777	49,398	9,117	851	49,300	59,268
Non-trading financial assets at fair value through profit or loss	0	0	0	0	0	132	0	132
Positive fair values of hedging financial derivatives	0	0	8,143	8,143	0	0	20,464	20,464
Financial assets at fair value through other comprehensive income	16,661	0	45	16,706	30,055	0	44	30,099
Financial assets at amortised cost	678,416	628,385	6,268	1,313,069	588,420	475,825	5,407	1,069,652
– Loans and advances to banks	90,069	363,968	1,213	455,250	38,597	231,352	1,081	271,030
– Loans and advances to customers	456,239	253,025	5,055	714,319	434,274	229,601	4,326	668,201
– Debt securities	132,108	11,392	0	143,500	115,549	14,872	0	130,421
Liabilities								
Amounts due to central banks	0	0	0	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss	0	0	61,146	61,146	0	0	68,951	68,951
Negative fair values of hedging financial derivatives	0	0	30,762	30,762	0	0	55,866	55,866
Financial liabilities at amortised cost	31,474	1,151,695	2,401	1,185,570	26,134	959,237	1,065	986,436
– Amounts due to banks	10,872	75,702	35	86,609	6,122	58,374	186	64,682
– Amounts due to customers*	100	1,073,977	2,366	1,076,443	120	895,664	879	896,663
– Securities issued	18,162	2,016	0	20,178	17,673	5,199	0	22,872
– Lease liabilities	2,340	0	0	2,340	2,219	0	0	2,219
Revaluation differences on portfolios hedge items	0	0	(34,366)	(34,366)	0	0	(51,335)	(51,335)
Subordinated and senior non-preferred debt	0	64,560	0	64,560	0	38,694	0	38,694

* This item in the column 'Floating interest rate' principally includes client deposits where the Bank has the option to reset interest rates, and hence they are not sensitive to interest rate changes.

Note: Individual assets and liabilities are split into the categories of 'Fixed interest rate', 'Floating interest rate', and 'No interest' according to contractual parameters defining the interest rate structure. For this purpose, a fixed interest rate is defined as a rate with a repricing period exceeding 1 year. Products having no parameters defining their interest rate structure are included in the 'No interest' category.

(E) Liquidity risk

Liquidity risk is a measure of the extent to which the Bank may be required to raise funds to meet its commitments associated with financial instruments.

Liquidity risk management is based upon the liquidity risk management system approved by the Bank's Board of Directors. Liquidity is monitored on a bank-wide level, with the Market Book also having a standalone limit. The Bank has established its liquidity risk management rules such that it maintains its liquidity profile in normal conditions (basic liquidity scenario) and in crisis conditions (crisis liquidity scenario). As such, the Bank has defined a set of indicators for which binding limits are established.

The Bank is exposed to daily calls on its available cash resources from derivatives, overnight deposits, current accounts, maturing deposits, loan drawdowns, and guarantees. The Bank's experience has shown that the amount of daily such settlements can be predicted with reasonable precision, and therefore the Bank sets limits on the minimum proportion of maturing funds that must be available to meet such calls and on the minimum level of interbank and other borrowing facilities (mainly reverse repo transactions with CNB) that should be in place to cover withdrawals at unexpectedly high levels of demand.

The liquidity risk of the Bank is managed as stated above (and in particular not on the basis of undiscounted cash flows).

The table below provides a breakdown of assets, liabilities, and equity into relevant maturity groupings based on the remaining period from the financial statements date to the contractual maturity date. The table includes a breakout of other assets and liabilities not within the scope of financial instruments as defined in IAS 32.

(CZKm)	On demand up to 7 days	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined**	Total
Assets							
Cash and current balances with central banks	4,064	0	0	0	0	8,305	12,369
Financial assets and other assets held for trading at fair value through profit or loss	0	0	543	2,107	16,424	30,324	49,398
Non-trading financial assets at fair value through profit or loss	0	0	0	0	0	0	0
Positive fair values of hedging financial derivatives	0	0	0	0	0	8,143	8,143
Financial assets at fair value through other comprehensive income	3,263	0	2,349	3,281	9,307	(1,494)	16,706
Financial assets at amortised cost	465,251	51,486	155,284	355,416	288,084	(2,452)	1,313,069
– Loans and advances to banks	394,704	13,181	3,093	30,072	14,200	0	455,250
– Loans and advances to customers	70,547	38,305	141,612	280,974	183,874	(993)	714,319
– Debt securities	0	0	10,579	44,370	90,010	(1,459)	143,500
Current tax assets	643	0	0	0	0	0	643
Deferred tax assets	124	0	0	0	0	0	124
Prepayments, accrued income, and other assets	3,630	0	0	0	0	7	3,637
Investments in subsidiaries and associates	0	0	0	0	0	19,059	19,059
Intangible assets	0	0	0	0	0	9,048	9,048
Tangible assets	0	0	0	0	0	6,452	6,452
Assets held for sale	0	0	426	0	0	0	426
Total assets	**476,975**	**51,486**	**158,602**	**360,804**	**313,815**	**77,392**	**1,439,074**
Liabilities and equity							
Amounts due to central banks	0	0	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss	25,890	0	0	0	0	35,256	61,146
Negative fair values of hedging financial derivatives	0	0	0	0	0	30,762	30,762
Financial liabilities at amortised cost	1,054,105	53,720	49,433	26,677	2,140	(505)	1,185,570
– Amounts due to banks	78,831	281	2,084	5,619	0	(206)	86,609
– Amounts due to customers	975,157	51,433	46,094	3,232	527	0	1,076,443
– Securities issued	117	1,899	996	16,683	782	(299)	20,178
– Lease liabilities	0	107	259	1,143	831	0	2,340
Revaluation differences on portfolios hedge items	0	0	0	0	0	(34,366)	(34,366)
Current tax liabilities	35	0	0	0	0	0	35
Deferred tax liabilities	537	0	0	0	0	0	537
Accruals and other liabilities	14,694	0	0	0	0	251	14,945
Provisions	155	112	515	0	0	0	782
Subordinated and senior non-preferred debt	0	275	0	42,032	22,253	0	64,560
Equity	0	0	0	0	0	115,103	115,103
Total liabilities and equity	**1,095,416**	**54,107**	**49,948**	**68,709**	**24,393**	**146,501**	**1,439,074**
Statement of Financial Position liquidity gap as of 31 December 2023	**(618,441)**	**(2,621)**	**108,654**	**292,095**	**289,422**	**(69,109)**	**0**
Off-balance sheet assets*	117,624	399,532	203,186	306,226	47,073	0	1,073,641
Off-balance sheet liabilities*	322,247	399,100	205,102	309,085	47,258	0	1,282,792
Net off-balance sheet liquidity gap as of 31 December 2023	**(204,623)**	**432**	**(1,916)**	**(2,859)**	**(185)**	**0**	**(209,151)**

* Off-balance sheet assets and liabilities include amounts receivable and payable arising from FX spot, fixed-term, and option contracts, as well as payables under guarantees, letters of credit, and committed facilities.
** The column 'Maturity undefined' also contains a revaluation to fair value of financial assets and financial liabilities.

(CZKm)	On demand up to 7 days	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined***	Total
Assets							
Cash and current balances with central banks	4,675	0	0	0	0	8,023	12,698
Financial assets and other assets held for trading at fair value through profit or loss	0	0	972	4,148	4,833	49,315	59,268
Non-trading financial assets at fair value through profit or loss	0	0	139	0	0	(7)	132
Positive fair values of hedging financial derivatives	0	0	0	0	0	20,464	20,464
Financial assets at fair value through other comprehensive income	1,796	1,688	3	7,272	25,943	(6,603)	30,099
Financial assets at amortised cost	215,676	99,074	104,224	270,238	388,990	(8,550)	1,069,652
– Loans and advances to banks	195,461	34,129	3,221	19,134	19,085	0	271,030
– Loans and advances to customers	20,120	64,866	95,155	219,349	271,069	(2,358)	668,201
– Debt securities	95	79	5,848	31,755	98,836	(6,192)	130,421
Current tax assets	0	0	0	0	0	0	0
Deferred tax assets	128	0	0	0	0	0	128
Prepayments, accrued income, and other assets	107	0	0	0	0	3,469	3,576
Investments in subsidiaries and associates	0	0	0	0	0	18,330	18,330
Intangible assets	0	0	0	0	0	8,145	8,145
Tangible assets	0	0	0	0	0	6,328	6,328
Assets held for sale	0	0	72	0	0	0	72
Total assets	**222,382**	**100,762**	**105,410**	**281,658**	**419,766**	**98,914**	**1,228,892**
Liabilities and equity							
Amounts due to central banks	0	0	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss	11,600	0	0	0	0	57,351	68,951
Negative fair values of hedging financial derivatives	0	0	0	0	0	55,866	55,866
Financial liabilities at amortised cost	815,540	108,114	28,762	24,994	9,583	(557)	986,436
– Amounts due to banks	25,989	26,436	2,168	7,306	2,783	0	64,682
– Amounts due to customers	789,094	81,412	25,422	635	100	0	896,663
– Securities issued	355	0	0	16,374	6,700	(557)	22,872
– Lease liabilities	102	266	1,172	679	0	0	2,219
Revaluation differences on portfolios hedge items	0	0	0	0	0	(51,335)	(51,335)
Current tax liabilities	0	1,470	0	0	0	0	1,470
Deferred tax liabilities	704	0	0	0	0	0	704
Accruals and other liabilities	14,269	0	0	0	0	194	14,463
Provisions	646	96	225	0	0	92	1,059
Subordinated and senior non-preferred debt*	0	109	0	12,058	26,527	0	38,694
Equity	0	0	0	0	0	112,584	112,584
Total liabilities and equity	**842,759**	**109,789**	**28,987**	**37,052**	**36,110**	**174,195**	**1,228,892**
Statement of Financial Position liquidity gap as of 31 December 2022	**(620,377)**	**(9,027)**	**76,423**	**244,606**	**383,656**	**(75,281)**	**0**
Off-balance sheet assets**	248,927	376,519	207,927	270,219	47,942	0	1,151,534
Off-balance sheet liabilities**	490,672	378,172	209,783	274,744	48,204	0	1,401,575
Net off-balance sheet liquidity gap as of 31 December 2022	**(241,745)**	**(1,653)**	**(1,856)**	**(4,525)**	**(262)**	**0**	**(250,041)**

* The presentation of accrued interest on individual instruments has been adjusted and the 2022 figures have been restated.
** Off-balance sheet assets and liabilities include amounts receivable and payable arising from FX spot, fixed-term, and option contracts, as well as payables under guarantees, letters of credit, and committed facilities.
*** The column 'Maturity undefined' also contains a revaluation to fair value of financial assets and financial liabilities.

The table below contains the remaining contractual maturities of non-derivative financial liabilities and contingent liabilities of the Bank based on the undiscounted cash flows as of 31 December 2023:

(CZKm)	On demand up to 7 days	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined*	Total
Liabilities							
Amounts due to central banks	0	0	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss (except derivatives)	25,890	0	0	0	0	0	25,890
Financial liabilities at amortised cost	1,054,480	55,222	50,341	27,213	2,270	(505)	1,189,021
– Amounts due to banks	79,060	980	2,133	5,619	0	(206)	87,586
– Amounts due to customers	975,292	52,172	46,828	3,283	527	0	1,078,102
– Securities issued	128	1,947	1,077	17,002	800	(299)	20,655
– Lease liabilities	0	123	303	1,309	943	0	2,678
Current tax liabilities	35	0	0	0	0	0	35
Deferred tax liabilities	537	0	0	0	0	0	537
Accruals and other liabilities	14,694	0	0	0	0	251	14,945
Provisions	155	112	515	0	0	0	782
Subordinated and senior non-preferred debt	0	275	0	42,032	22,253	0	64,560
Total non-derivative financial liabilities	**1,095,791**	**55,609**	**50,856**	**69,245**	**24,523**	**(254)**	**1,295,770**
Other loans commitment granted	130,185	0	0	0	0	0	130,185
Guarantee commitments granted	74,199	0	0	0	0	0	74,199
Total contingent liabilities	**204,384**	**0**	**0**	**0**	**0**	**0**	**204,384**

* The column 'Maturity undefined' also contains a revaluation to fair value of financial liabilities.

The table below contains the remaining contractual maturities of non-derivative financial liabilities and contingent liabilities of the Bank based on the undiscounted cash flows as of 31 December 2022:

(CZKm)	On demand up to 7 days	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined**	Total
Liabilities							
Amounts due to central banks	0	0	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss (except derivatives)	11,600	0	0	0	0	0	11,600
Financial liabilities at amortised cost	815,667	109,022	30,055	26,903	10,518	(557)	991,608
– Amounts due to banks	26,085	26,495	2,233	8,572	3,601	0	66,986
– Amounts due to customers	789,125	82,179	26,494	680	128	0	898,606
– Securities issued	355	71	127	16,876	6,751	(557)	23,623
– Lease liabilities	102	277	1,201	775	38	0	2,393
Current tax liabilities	0	1,470	0	0	0	0	1,470
Deferred tax liabilities	704	0	0	0	0	0	704
Accruals and other liabilities	14,269	0	0	0	0	194	14,463
Provisions	646	96	225	0	0	92	1,059
Subordinated and senior non-preferred debt*	0	109	0	12,058	26,527	0	38,694
Total non-derivative financial liabilities	**842,886**	**110,697**	**30,280**	**38,961**	**37,045**	**(271)**	**1,059,598**
Other loans commitment granted	167,695	0	0	0	0	0	167,695
Guarantee commitments granted	76,039	0	0	0	0	0	76,039
Total contingent liabilities	**243,734**	**0**	**0**	**0**	**0**	**0**	**243,734**

* The presentation of accrued interest on individual instruments has been adjusted and the 2022 figures have been restated.
** The column 'Maturity undefined' also contains a revaluation to fair value of financial liabilities.

(F) Foreign exchange position

The table below breaks out the Bank's main currency exposures. The remaining currencies are shown within *'Other currencies'*. The Bank manages its foreign exchange position on a daily basis. For this purpose, the Bank has a set of internal limits.

(CZKm)	CZK	EUR	USD	Other currencies	Total
Assets					
Cash and current balances with central banks	11,135	804	203	227	12,369
Financial assets and other assets held for trading at fair value through profit or loss	44,759	4,514	31	94	49,398
Non-trading financial assets at fair value through profit or loss	0	0	0	0	0
Positive fair values of hedging financial derivatives	7,221	919	3	0	8,143
Financial assets at fair value through other comprehensive income	7,519	9,187	0	0	16,706
Financial assets at amortised cost	1,054,467	250,761	5,319	2,522	1,313,069
– Loans and advances to banks	414,992	36,976	2,873	409	455,250
– Loans and advances to customers	497,899	211,861	2,446	2,113	714,319
– Debt securities	141,576	1,924	0	0	143,500
Current tax assets	643	0	0	0	643
Deferred tax assets	0	124	0	0	124
Prepayments, accrued income, and other assets	2,981	645	6	5	3,637
Investments in subsidiaries and associates	18,495	564	0	0	19,059
Intangible assets	9,026	22	0	0	9,048
Tangible assets	6,407	45	0	0	6,452
Assets held for sale	426	0	0	0	426
Total assets	**1,163,079**	**267,585**	**5,562**	**2,848**	**1,439,074**
Liabilities and equity					
Amounts due to central banks	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss	56,426	4,616	7	97	61,146
Negative fair values of hedging financial derivatives	29,722	977	63	0	30,762
Financial liabilities at amortised cost	972,891	171,240	33,933	7,506	1,185,570
– Amounts due to banks	7,160	58,069	21,376	4	86,609
– Amounts due to customers	956,268	100,116	12,557	7,502	1,076,443
– Securities issued	7,747	12,431	0	0	20,178
– Lease liabilities	1,716	624	0	0	2,340
Revaluation differences on portfolios hedge items	(29,964)	(4,130)	(272)	0	(34,366)
Current tax liabilities	0	35	0	0	35
Deferred tax liabilities	537	0	0	0	537
Accruals and other liabilities	11,329	3,009	371	236	14,945
Provisions	497	273	8	4	782
Subordinated and senior non-preferred debt	0	64,560	0	0	64,560
Equity	114,969	134	0	0	115,103
Total liabilities and equity	**1,156,407**	**240,714**	**34,110**	**7,843**	**1,439,074**
Net FX position as of 31 December 2023	**6,672**	**26,871**	**(28,548)**	**(4,995)**	**0**
Off-balance sheet assets*	4,804,556	1,120,630	226,687	39,645	6,191,518
Off-balance sheet liabilities*	4,819,022	1,144,507	198,117	34,641	6,196,287
Net off-balance sheet FX position as of 31 December 2023	**(14,466)**	**(23,877)**	**28,570**	**5,004**	**(4,769)**
Total net FX position as of 31 December 2023	**(7,794)**	**2,994**	**22**	**9**	**(4,769)**

* Off-balance sheet assets and liabilities include amounts receivable and payable arising from spot transactions and nominal values of all derivative deals.

(CZKm)	CZK	EUR	USD	Other currencies	Total
Assets					
Cash and current balances with central banks	11,625	671	164	238	12,698
Financial assets and other assets held for trading at fair value through profit or loss	51,450	7,620	61	137	59,268
Non-trading financial assets at fair value through profit or loss	0	132	0	0	132
Positive fair values of hedging financial derivatives	18,868	1,594	2	0	20,464
Financial assets at fair value through other comprehensive income	19,425	10,674	0	0	30,099
Financial assets at amortised cost	839,949	220,586	7,613	1,504	1,069,652
– Loans and advances to banks	222,188	45,003	3,433	406	271,030
– Loans and advances to customers	487,663	175,260	4,180	1,098	668,201
– Debt securities	130,098	323	0	0	130,421
Current tax assets	0	0	0	0	0
Deferred tax assets	0	128	0	0	128
Prepayments, accrued income, and other assets	2,890	569	43	74	3,576
Investments in subsidiaries and associates	17,727	603	0	0	18,330
Intangible assets	8,117	28	0	0	8,145
Tangible assets	6,279	49	0	0	6,328
Assets held for sale	72	0	0	0	72
Total assets	**976,402**	**242,654**	**7,883**	**1,953**	**1,228,892**
Liabilities and equity					
Amounts due to central banks	0	0	0	0	0
Financial liabilities held for trading at fair value through profit or loss	60,197	8,595	15	144	68,951
Negative fair values of hedging financial derivatives	54,242	1,523	101	0	55,866
Financial liabilities at amortised cost	804,311	158,750	18,519	4,856	986,436
– Amounts due to banks	14,839	45,832	3,994	17	64,682
– Amounts due to customers	777,009	100,290	14,525	4,839	896,663
– Securities issued	10,716	12,156	0	0	22,872
– Lease liabilities	1,747	472	0	0	2,219
Revaluation differences on portfolios hedge items	(44,323)	(6,596)	(416)	0	(51,335)
Current tax liabilities	1,465	5	0	0	1,470
Deferred tax liabilities	704	0	0	0	704
Accruals and other liabilities	10,417	3,245	520	281	14,463
Provisions	602	407	48	2	1,059
Subordinated and senior non-preferred debt	0	38,694	0	0	38,694
Equity	112,495	89	0	0	112,584
Total liabilities and equity	**1,000,110**	**204,712**	**18,787**	**5,283**	**1,228,892**
Net FX position as of 31 December 2022	**(23,708)**	**37,942**	**(10,904)**	**(3,330)**	**0**
Off-balance sheet assets*	3,371,387	1,177,293	180,062	77,147	4,805,889
Off-balance sheet liabilities*	3,360,729	1,208,501	169,001	73,968	4,812,199
Net off-balance sheet FX position as of 31 December 2022	**10,658**	**(31,208)**	**11,061**	**3,179**	**(6,310)**
Total net FX position as of 31 December 2022	**(13,050)**	**6,734**	**157**	**(151)**	**(6,310)**

* Off-balance sheet assets and liabilities include amounts receivable and payable arising from spot transactions and nominal values of all derivative deals.

(G) Operational risk

Since 2008, the Bank has used the Advanced Measurement Approach (AMA) for operational risk management. In addition to standard operational risk instruments used within the AMA approach, such as operational losses collection, Risk Control Self-Assessment (RCSA), Key Risk Indicators (KRI), or Scenario Analysis (SA), the Bank has developed and deployed also a system of permanent supervision consisting in a set of everyday operational controls and a set of formalised periodic controls. These controls are reviewed independently and on an ongoing basis within a so-called second level of controls. The Bank is continually developing all the aforementioned operational risk instruments and supporting the continuous development of an operational risk culture throughout all organisational units.

The information collected by the Operational Risks Department is regularly analysed and provided to the Bank's management. Based upon this information, the management may decide on further strategic steps within the framework of operational risk management. The evaluation of operational risks is also an integral component of the process for new product development and validation.

(H) Legal risk

The Bank regularly monitors and evaluates legal disputes filed against it. In order to cover all contingent liabilities arising from legal disputes, the Bank establishes a provision equal to the claimed amount in respect of all litigation where it is named as a defendant and where the likelihood of payment has been estimated to exceed 50%. The Bank also manages its legal risk through the assessment of legal risks involved in the contracts to which the Bank is a party.

(I) Estimated fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price). Where available, fair value estimates are made based on quoted market prices. However, no readily available market prices exist for a significant portion of the Bank's financial instruments. In circumstances where quoted market prices are not readily available, the fair value is estimated, as appropriate, using discounted cash flow models or other generally acceptable pricing models. Changes in underlying assumptions, including discount rates and estimated future cash flows, significantly affect these estimates.

In estimating the fair value of the Bank's financial instruments, the following methods and assumptions were used:

(a) Cash and current balances with central banks

The reported values of cash and current balances with the central bank are generally deemed to approximate their fair value.

(b) Financial assets at amortised cost

Loans and advances to banks

The estimated fair value of loans and advances to banks that mature in 180 days or less approximates their carrying amounts. The fair value of other loans and advances to banks is estimated based upon discounted cash flow analysis using interest rates currently offered for investments with similar terms (market rates adjusted to reflect credit risk). The fair value of non-performing loans and advances to banks is estimated using a discounted cash flow analysis, including the potential realisation of the underlying collateral.

Loans and advances to customers

The fair value of variable yield loans that regularly reprice and which have no significant change in credit risk generally approximates their carrying value. The fair value of loans at fixed interest rates is estimated using discounted cash flow analysis based upon interest rates currently offered for loans with similar terms to borrowers of similar credit quality. The fair value of non-performing loans is estimated using a discounted cash flow analysis, including the potential realisation of the underlying collateral.

Debt securities

The fair value of debt securities is based upon quoted market prices. Where no market prices are available, the fair value is estimated based on discounted cash flow models using the interest rate currently offered as of the financial statements date.

(c) Amounts due to central banks

The reported values of amounts due to central banks are generally deemed to approximate their fair value.

(d) Financial liabilities at amortised cost

Amounts due to banks and Amounts due to customers
The fair value of deposits repayable on demand is represented by the carrying value of amounts repayable on demand as of the financial statements date. The carrying value of term deposits at variable interest rates approximates their fair values as of the financial statements date. The fair value of deposits at fixed interest rates is estimated by discounting their future cash flows using market interest rates. Amounts due to banks and customers at fixed interest rates represent only a fraction of the total carrying value and hence the fair value of total amounts due to banks and customers approximates the carrying values as of the financial statements date.

Securities issued
The fair value of debt securities issued by the Bank is based upon quoted market prices. Where no market prices are available, the fair value is estimated using a discounted cash flow analysis.

(e) Subordinated and senior non-preferred debt
The fair value of subordinated and senior non-preferred debt is estimated using a discounted cash flow analysis.

(f) Lease liabilities
The reported values of lease liabilities are deemed to approximate their fair value.

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

	31 Dec 2023		31 Dec 2022	
(CZKm)	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and current balances with central banks	12,369	12,369	12,698	12,698
Financial assets at amortised cost	1,313,069	1,301,008	1,069,652	1,054,179
– Loans and advances to banks	455,250	452,717	271,030	270,951
– Loans and advances to customers	714,319	708,433	668,201	661,973
– Debt securities	143,500	139,858	130,421	121,255
Financial liabilities				
Amounts due to central banks	0	0	0	0
Financial liabilities at amortised cost	1,185,570	1,184,562	986,436	985,010
– Amounts due to banks	86,609	86,385	64,682	64,697
– Amounts due to customers	1,076,443	1,076,640	896,663	896,696
– Securities issued	20,178	19,197	22,872	21,398
– Lease liabilities	2,340	2,340	2,219	2,219
Subordinated and senior non-preferred debt	64,560	64,560	38,694	38,694

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

	31 Dec 2023				31 Dec 2022			
(CZKm)	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	12,369	8,305	0	4,064	12,698	8,023	0	4,675
Financial assets at amortised cost	1,301,008	135,923	0	1,165,085	1,054,179	117,370	0	936,809
– Loans and advances to banks	452,717	0	0	452,717	270,951	0	0	270,951
– Loans and advances to customers	708,433	0	0	708,433	661,973	0	0	661,973
– Debt securities	139,858	135,923	0	3,935	121,255	117,370	0	3,885
Financial liabilities								
Amounts due to central banks	0	0	0	0	0	0	0	0
Financial liabilities at amortised cost	1,184,562	11,585	0	1,172,977	985,010	10,844	0	974,166
– Amounts due to banks	86,385	0	0	86,385	64,697	0	0	64,697
– Amounts due to customers	1,076,640	0	0	1,076,640	896,696	0	0	896,696
– Securities issued	19,197	11,585	0	7,612	21,398	10,844	0	10,554
– Lease liabilities	2,340	0	0	2,340	2,219	0	0	2,219
Subordinated and senior non-preferred debt	64,560	0	0	64,560	38,694	0	0	38,694

(J) Allocation of fair values of financial instruments at fair value to the hierarchy of fair values

Financial assets and financial liabilities at fair value by fair value hierarchy (refer to Note 3.5.4):

(CZKm)	31 Dec 2023	Level 1	Level 2	Level 3	31 Dec 2022	Level 1	Level 2	Level 3
FINANCIAL ASSETS								
Financial assets held for trading at fair value through profit or loss	**49,398**	**19,598**	**29,795**	**5**	**59,268**	**9,903**	**49,365**	**0**
of which:	0	0	0	0	0	0	0	0
– Equity securities	0	0	0	0	0	0	0	0
– Debt securities	19,621	19,598	18	5	9,968	9,903	65	0
– Derivatives	29,777	0	29,777	0	49,300	0	49,300	0
Other assets held for trading at fair value through profit or loss	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Non-trading financial assets at fair value through profit or loss	**0**	**0**	**0**	**0**	**132**	**0**	**0**	**132**
Positive fair value of hedging financial derivatives	**8,143**	**0**	**8,143**	**0**	**20,464**	**0**	**20,464**	**0**
Financial assets at fair value through other comprehensive income	**16,706**	**16,661**	**0**	**45**	**30,099**	**30,055**	**0**	**44**
Financial assets at fair value	**74,247**	**36,259**	**37,938**	**50**	**109,963**	**39,958**	**69,829**	**176**
FINANCIAL LIABILITIES								
Financial liabilities held for trading at fair value through profit or loss	**61,146**	**25,890**	**35,256**	**0**	**68,951**	**11,600**	**57,351**	**0**
of which:								
– Sold securities	25,890	25,890	0	0	11,600	11,600	0	0
– Derivatives	35,256	0	35,256	0	57,351	0	57,351	0
Negative fair value of hedging financial derivatives	**30,762**	**0**	**30,762**	**0**	**55,866**	**0**	**55,866**	**0**
Revaluation differences on portfolios hedge items	**(34,366)**	**0**	**(34,366)**	**0**	**(51,335)**	**0**	**(51,335)**	**0**
Financial liabilities at fair value	**57,542**	**25,890**	**31,652**	**0**	**73,482**	**11,600**	**61,882**	**0**

Financial assets at fair value – Level 3:

	2023			2022		
(CZKm)	Financial assets at FVOCI	Non-trading financial assets at fair value through profit or loss	Total	Financial assets at FVOCI	Non-trading financial assets at fair value through profit or loss	Total
Balance as of 1 January	**44**	**132**	**176**	**29**	**135**	**164**
Comprehensive income/(loss)						
– In the Statement of Income	0	3	3	0	1	1
– In Other Comprehensive Income	(9)	0	(9)	0	0	0
Purchases	10	0	10	15	0	15
Sales	0	0	0	0	0	0
Settlement	0	(135)	(135)	0	0	0
Transfer from Level 1	0	0	0	0	0	0
Foreign exchange rate difference	0	0	0	0	(4)	(4)
Balance as of 31 December	**45**	**0**	**45**	**44**	**132**	**176**

Shares and participation certificates
When using an alternative method of valuation based on the price/book value ratio, the fair value is not significantly different from the fair value determined on the basis of the present value of future cash flows which was used for the original valuation.

43 Offsetting financial assets and financial liabilities

The table below provides information about rights of offset and related arrangements for financial instruments as of 31 December 2023:

	Assets/liabilities set off according to IAS 32			Amounts which have not been set off		
(CZKm)	Gross amount of financial assets/liabilities*	Gross amount of financial assets/liabilities set off by financial liabilities/assets	Net amount of financial assets/liabilities	Financial instruments recognised in Statement of Financial Position	Cash collateral related to financial instruments	Net amount
Positive fair value of derivatives	51,052	13,132	37,920	32,377	2,230	3,313
Negative fair value of derivatives	79,150	13,132	66,018	32,377	33,641	0

* This item includes also counterparties with only positive or negative fair value of derivatives.

The table below provides information about rights of offset and related arrangements for financial instruments as of 31 December 2022:

	Assets/liabilities set off according to IAS 32			Amounts which have not been set off		
(CZKm)	Gross amount of financial assets/liabilities*	Gross amount of financial assets/liabilities set off by financial liabilities/assets	Net amount of financial assets/liabilities	Financial instruments recognised in Statement of Financial Position	Cash collateral related to financial instruments	Net amount
Positive fair value of derivatives	73,556	3,792	69,764	62,569	6,478	717
Negative fair value of derivatives	117,009	3,792	113,217	62,569	41,638	9,010

* This item includes also counterparties with only positive or negative fair value of derivatives.

44 Assets in custody and assets under management

The table below provides information about assets in custody and assets under management:

	31 Dec 2023		31 Dec 2022	
(CZKm)	Cash	Securities	Cash	Securities
Assets in custody	2,655	681,718	3,203	549,432
Assets under management	0	10,000	0	8,285

Assets in custody include securities in the amount of CZK 19,884 million (2022: CZK 19,167 million) of Group subsidiaries.

45 Post balance sheet events

No significant event occurred after the balance sheet date.

Issued securities and debt instruments

Shares

Komerční banka's registered capital of CZK 19,004,926,000 is divided into 190,049,260 registered common shares.

	2023	2022	2021	2020	2019
Number of shares issued	190,049,260	190,049,260	190,049,260	190,049,260	190,049,260
Number of outstanding shares	188,855,900	188,855,900	188,855,900	188,855,900	188,855,900
Market capitalisation (CZK billion)	136.8	123.7	176.6	124.1	156.7
Earnings per share (CZK)[1]	82.7	93.0	67.4	43.2	78.9
Dividend per share for the year (CZK)[2]	82.66[3]	60.4	99.3	23.9	0.0
Dividend payout ratio (%)[4]	100.0	65.0	147.4	55.3	0.0
Book value per share (CZK)[5]	662.2	636.5	654.0	602.7	558.8
Share price (CZK)					
closing price at year-end	724.5	655.0	935.0	657.0	829.5
maximum	762.5	1,011.0	955.0	835.0	962.0
minimum	652.5	568.0	642.0	465.0	737.0

1) Earnings attributable to shareholders per average number of shares outstanding (IFRS consolidated).
2) Dividend per share before tax. The statutory tax rate applicable in the Czech Republic is 15% or, in certain cases, 35%. Dividend is paid in the following year.
3) Proposal for the Annual General Meeting on 24 April 2024.
4) Dividend per share / Earnings per share.
5) Shareholders' equity excluding minority equity (IFRS consolidated) divided by average number of shares outstanding.

Rights vested in the shares
KB has issued one class of common shares, all with equal rights, set out in accordance with Act No. 90/2012 Coll., on Business Corporations, as amended, and with the Bank's Articles of Association as approved by the General Meeting. Shareholders' voting rights are governed by the nominal value of their shares. Each CZK 100 of nominal share value is equivalent to one vote.

Each shareholder shall be entitled to a proportion of the Bank's profit (a dividend) approved for distribution to the Shareholders by the General Meeting while taking into account the Bank's financial results and terms and conditions specified by the generally binding legal regulations and the payment of which was decided upon by the Board of Directors based on fulfilment of the terms and conditions specified by those generally binding legal regulations.

In accordance with the Articles of Association, the right to a share in profit shall accrue to any shareholder registered in the statutory records of the securities' issuer as owning shares 7 working days after the date of the General Meeting which approved the share of the profit to be distributed among shareholders. The share in profit shall become payable upon the lapse of 30 calendar days following the date of the General Meeting at which the resolution on the dividend payment was adopted.

The right to claim payment of the share in profit shall lapse 3 years from the day when the shareholder learnt of the payment date for payment of the share in profit or when he or she could or should have learnt of this, but in no case later than within 10 years of the payment date. Pursuant to a resolution of the Annual General Meeting held in 2009, the Board of Directors will not assert the statute of limitations in order to bar by lapse of time the payment of dividends for the duration of 10 years from the date of share in profit payment.

After the lapse of 10 years from the date of share in profit payment, the Board of Directors is obliged to assert the statute of limitations and to transfer the unpaid dividends to the retained earnings account.

Upon the Bank's liquidation and dissolution, the means of liquidation are governed by the relevant generally binding legal regulations. Distribution of the remaining balance on liquidation among shareholders is approved by the General Meeting in proportion to the nominal values of the shares held by the Bank's shareholders.

Stock exchange listing

As of 31 December 2023, Komerční banka's shares were listed under ISIN CZ0008019106 on the Prime Market of the Prague Stock Exchange (PSE). Its shares are traded at public stock exchanges in Czechia managed by the market organisers Prague Stock Exchange, a.s., and RM-SYSTEM, Czech Stock Exchange, a.s. The average daily trading volume of KB shares on the PSE of CZK 103.7 million (EUR 4.3 million) was the second highest[1)] among shares traded on the exchange and represented 21.0% of the exchange turnover.

Dialogue with shareholders and the capital market

Apart from the 60.35% of KB's share capital held by Société Générale, an international financial services group headquartered in Paris, France, the Bank's free float is held by a diverse base of shareholders, ranging from large international asset managers to private individuals. From the total of more than 73,000 shareholders as of 31 December 2023, individuals residing in the Czech Republic numbered more than 67,000.

The vast majority of freely traded shares are held by institutional investors located in such main global financial centres as New York, Boston, and London.

KB works to build long-term relationships with its shareholders through regular and open communication with all capital market participants. During 2023, Komerční banka's management participated in more than 50 investor meetings. Two-thirds of the meetings were already held in person while the remaining third were either online or hybrid, with some participants physically present on site and some participants joining online. The online meetings save time for individual participants but also correspond to the ESG policies of some participants. KB management met with representatives from nearly 110 institutions in these meetings. In addition to these meetings with equity investors, representatives of Komerční banka also met with investors in euro-denominated mortgage bonds.

Close to 20 financial firms cover Komerční banka in their investment research reports.

Acquisition of treasury shares in 2023

Komerční banka held 1,193,360 of its own shares as of 31 December 2023. These securities had been purchased on a European regulated market during 2006 and 2011 in accordance with decisions by the Bank's general meetings of 28 April 2005, 26 April 2006, and 21 April 2011 allowing KB to acquire its own shares into treasury.

During 2023, Komerční banka did not acquire its own shares into the banking book, nor did it dispose of its own shares. In 2023, Komerční banka intermediated buy and sell transactions in KB shares for its clients through its own account in the amount of 383,869 shares.

Based upon the consent of the General Meeting convened on 20 April 2022, Komerční banka was authorised to acquire its ordinary shares as treasury stock under the following conditions during 2023.

- The maximum number of shares that can be held by the Bank at any specific time shall be 19,004,926 ordinary shares representing a total nominal value of CZK 1,900,492,600.
- The share purchase value must be at least CZK 1 per share and at most CZK 2,100 per share.
- The Bank may acquire shares for 5 years.
- Shares may not be acquired by the Bank should such acquisition breach the conditions stipulated in Section 301 (1)(b) and (c) and Section 302 of Act No. 90/2012 Coll., the Business Corporations or, as the case may be, any other applicable legal rules of the Czech Republic or the European Union.

[1)] Source: Prague Stock Exchange; https://www.pse.cz/en/market-data/statistics/issues-volume-summary.

Bonds issued under the Komerční banka Bond Debt Issuance Programme established in 2007

Rights vested in the bonds
Rights and obligations pertaining to the bonds are governed and interpreted in accordance with the legal regulations of the Czech Republic. They are explicitly expressed in the issuance terms and conditions for each issue. Bonds bear interest from the date of issue and coupon payments are made yearly or at stated intervals. The bonds' returns are paid by the issuer – Komerční banka. The bonds will be redeemed by Komerční banka in the whole amount of the nominal value on the maturity date. In the case of events of default which are expressed in the issuance terms and conditions the bondholder has the right to ask the issuer for early redemption of the bonds.

List of bonds
All bonds (with the exception of HZL ISIN CZ0002003742, HZL ISIN CZ0002003767, HZL ISIN CZ0002003759, and HZL ISIN CZ0002003775, which are negotiable promissory bonds) are made out to the bearer. All bonds are denominated in CZK. Some bonds (listed in the following table) include the right of the bondholders to sell the bonds to the issuer and, subsequently, on the same date, the issuer's right to buy back the bonds from the bondholders, according to the issuance terms and conditions.

All bonds were issued under the Komerční banka Bond Debt Issuance Programme approved by the Czech National Bank on 4 June 2007. This 30-Year Bond Debt Issuance Programme enables the Bank to issue bonds in a maximum amount of CZK 150 billion outstanding.

Heretofore unredeemed bonds were issued in the relevant years in accordance with the Bonds Act, the Securities Act, and the Act on Capital Market Undertakings, as amended. The bonds' prospectuses, the base prospectuses of the bond programmes, or issuance terms and conditions and supplements to the bond programmes were approved, if required by law, by the Czech National Bank.

Public tradability and transferability
Transferability of the bonds is not limited.

List of bonds issued by Komerční banka (as of 31 December 2023)

No.	Bond	ISIN	Issue date	Maturity date	Currency	Volume in currency	Number of pieces	Interest rate	Payout of interest
1	HZL 2007/2037	CZ0002001324[2][3][4]	16 Nov 2007	16 Nov 2037	CZK	1,200,000,000	12	Note A	stated
2	HZL 2007/2037	CZ0002001332[2][3][4]	16 Nov 2007	16 Nov 2037	CZK	1,200,000,000	12	Note A	stated
3	HZL 2007/2037	CZ0002001340[2][3][4]	16 Nov 2007	16 Nov 2037	CZK	1,200,000,000	12	Note B	stated
4	HZL 2007/2037	CZ0002001357[2][3][4]	16 Nov 2007	16 Nov 2037	CZK	500,000,000	5	Note B	stated
5	HZL 2007/2037	CZ0002001365[2][3][4]	16 Nov 2007	16 Nov 2037	CZK	1,000,000,000	10	RS minus 0.20% p.a.	stated
6	HZL 2007/2037	CZ0002001373[2][4]	16 Nov 2007	16 Nov 2037	CZK	1,000,000,000	10	RS minus 0.20% p.a.	stated
7	HZL 2007/2037	CZ0002001381[2][3][4]	16 Nov 2007	16 Nov 2037	CZK	500,000,000	5	RS minus 0.20% p.a.	stated
8	HZL 2007/2037	CZ0002001399[2][3][4]	16 Nov 2007	16 Nov 2037	CZK	500,000,000	5	RS minus 0.20% p.a.	stated
9	HZL 2007/2037	CZ0002001431[2][3][4]	30 Nov 2007	30 Nov 2037	CZK	1,200,000,000	12	RS minus 0.20% p.a.	stated
10	HZL 2007/2037	CZ0002001449[2][3][4]	30 Nov 2007	30 Nov 2037	CZK	1,200,000,000	12	RS minus 0.20% p.a.	stated
11	HZL 2007/2037	CZ0002001456[2][3][4]	30 Nov 2007	30 Nov 2037	CZK	1,200,000,000	12	RS minus 0.20% p.a.	stated
12	HZL 2007/2037	CZ0002001464[2][3][4]	30 Nov 2007	30 Nov 2037	CZK	500,000,000	5	RS minus 0.20% p.a.	stated
13	HZL 2007/2037	CZ0002001472[2][3][4]	30 Nov 2007	30 Nov 2037	CZK	500,000,000	5	RS minus 0.20% p.a.	stated
14	HZL 2007/2037	CZ0002001480[2][3][4]	30 Nov 2007	30 Nov 2037	CZK	500,000,000	5	RS minus 0.20% p.a.	stated
15	HZL 2007/2037	CZ0002001498[2][3][4]	7 Dec 2007	7 Dec 2037	CZK	500,000,000	5	RS minus 0.20% p.a.	stated
16	HZL 2007/2037	CZ0002001506[2][3][4]	7 Dec 2007	7 Dec 2037	CZK	700,000,000	7	RS minus 0.20% p.a.	stated
17	HZL 2007/2037	CZ0002001514[2][3][4]	7 Dec 2007	7 Dec 2037	CZK	1,000,000,000	10	RS minus 0.20% p.a.	stated
18	HZL 2007/2037	CZ0002001522[2][4]	7 Dec 2007	7 Dec 2037	CZK	1,000,000,000	10	RS minus 0.20% p.a.	stated
19	HZL 2007/2037	CZ0002001530[2][3][4]	7 Dec 2007	7 Dec 2037	CZK	1,200,000,000	12	RS minus 0.20% p.a.	stated
20	HZL 2007/2037	CZ0002001548[2][3][4]	7 Dec 2007	7 Dec 2037	CZK	1,200,000,000	12	RS minus 0.20% p.a.	stated
21	HZL 2007/2037	CZ0002001555[2][3][4]	12 Dec 2007	12 Dec 2037	CZK	1,200,000,000	12	RS minus 0.20% p.a.	stated
22	HZL 2007/2037	CZ0002001563[2][3][4]	12 Dec 2007	12 Dec 2037	CZK	1,200,000,000	12	RS minus 0.20% p.a.	stated
23	HZL 2007/2037	CZ0002001571[2][3][4]	12 Dec 2007	12 Dec 2037	CZK	1,200,000,000	12	RS minus 0.20% p.a.	stated
24	HZL 2007/2037	CZ0002001589[2][3][4]	12 Dec 2007	12 Dec 2037	CZK	1,200,000,000	12	RS minus 0.20% p.a.	stated
25	HZL 2007/2037	CZ0002001753[1][3][4]	21 Dec 2007	21 Dec 2037	CZK	10,330,000,000	1,033	RS plus 1.5% p.a.	yearly
26	HZL 2007/2037	CZ0002001746[1][3][4]	28 Dec 2007	28 Dec 2037	CZK	1,240,000,000	124	RS plus 1.5% p.a.	yearly
27	HZL 2014/2024	CZ0002003361[1]	30 Jan 2014	30 Jan 2024	CZK	900,000,000	90,000	3.00% p.a.	yearly
28	HZL 2014/2025	CZ0002003353[1]	31 Jan 2014	31 Jan 2025	CZK	1,117,000,000	111,700	3.50% p.a.	yearly
29	HZL 2014/2026	CZ0002003346[1]	31 Jan 2014	31 Jan 2026	CZK	800,000,000	80,000	3.50% p.a.	yearly
30	HZL 2014/2026	CZ0002003742[2]	18 Nov 2014	18 Nov 2026	CZK	750,000,000	75,000	2.00% p.a.	yearly
31	HZL 2014/2028	CZ0002003767[2]	20 Nov 2014	20 Nov 2028	CZK	750,000,000	75,000	2.20% p.a.	yearly
32	HZL 2014/2027	CZ0002003759[2]	24 Nov 2014	24 Nov 2027	CZK	750,000,000	75,000	2.10% p.a.	yearly
33	HZL 2014/2029	CZ0002003775[2]	27 Nov 2014	27 Nov 2029	CZK	750,000,000	75,000	2.30% p.a.	yearly

1) Dematerialised bonds.
2) Certificated bonds represented by a global certificate.
3) The whole bond issue held by Komerční banka.
4) Bond includes the right of the bondholders to sell the bonds to the issuer and, subsequently, on the same date, the issuer's right to buy back the bonds from the bondholders.

Notes: Certain bonds are held by Komerční banka (note 3 in case of the whole bond issue) or other companies within the KB Group.
HZL = mortgage bond (covered bond), RS = reference rate

Note A: 5.06% p.a. for the first 12 annual periods, afterwards the relevant RS minus 0.20% p.a.

Note B: 5.02% p.a. for the first 11 annual periods, afterwards the relevant RS minus 0.20% p.a.

Bonds issued under the Mortgage Covered Bond Programme established by KB in 2021

Komerční banka issued in 2021 its inaugural EUR Mortgage Covered Bond (hypoteční zástavní list) HZL ISIN XS2289128162 in the nominal volume of EUR 500 million. The issue was given an AAA rating by the rating agency Fitch. Rights and obligations pertaining to the bond are governed by English law and the bond is governed also by Czech laws applicable to mortgage covered bonds issued under Czech law. Rights and obligations are explicitly expressed in the terms and conditions of the bond. The bond includes the right of the issuer on early redemption if the bond becomes unlawful or illegal in connection with a change or amendment to applicable law or a change in its application, and in the event of a change in tax legislation that adversely affects the issuer and the bonds. In case of events of default which are expressed in the issuance terms and conditions the trustee has the right to ask the issuer for early redemption of the bond.

The bond bears interest from the date of issue and coupon payments are made on an annual basis. The bond's interest and principal payments are made by the issuing and principal paying agent, The Bank of New York Mellon, London Branch.

The bond will be redeemed by Komerční banka in the full amount of the nominal value on the maturity date. The maturity of the bond is extendable by 1 year according to the terms and conditions of the bond (i.e. soft bullet). The mortgage covered bond is issued as registered type.

The bond was issued under the Komerční banka Mortgage Covered Bond Programme that enables the Bank to issue mortgage covered bonds in a maximum amount of EUR 5 billion outstanding.

The bond's programme base prospectus was approved by the Commission de Surveillance du Secteur Financier (CSSF), regulatory authority of Luxembourg.

Public tradability and transferability
The bond was admitted for trading on the Regulated Market of the Luxembourg Stock Exchange. The transferability of the bond is not limited.

List of bonds issued under the Komerční banka Mortgage Covered Bond Programme (as of 31 December 2023)

No.	Bond	ISIN	Issue date	Maturity date	Currency	Volume in currency	Number of pieces	Interest rate	Payout of interest
36	HZL 2021/2026	XS2289128162[1)]	20 Jan 2021	20 Jan 2026	EUR	500,000,000	500,000	0.01% p.a.	yearly

1) Registered global mortgage covered bonds.

Senior non-preferred instruments

KB Group is required to comply with a minimum requirement for own funds and eligible liabilities (MREL). Under the preferred resolution strategy for Société Générale Group (Single Point of Entry), KB Group fulfils MREL requirement by accepting senior non-preferred loans from Société Générale S.A. KB increased volume of these loans in several tranches by EUR 900 million during 2023. As of 31 December 2023, their total principal volume reached EUR 2.4 billion. During the past year the KB Group fulfilled all regulatory MREL requirements, and the amount of eligible liabilities drawn in previous years is sufficient to meet the MREL requirements applicable from 1 January 2024.

Senior non-preferred debt as of 31 December 2023

Drawing date	Principal	Call option date*	Interest rate (ACT/360)
27 Jun 2022	EUR 250m	28 Jun 2027	3M Euribor + 2.05%
21 Sep 2022	EUR 250m	21 Sep 2026	1M Euribor + 1.82%
21 Sep 2022	EUR 250m	21 Sep 2029	1M Euribor + 2.13%
9 Nov 2022	EUR 250m	10 Nov 2025	1M Euribor + 2.05%
9 Nov 2022	EUR 250m	9 Nov 2027	1M Euribor + 2.23%
9 Nov 2022	EUR 250m	9 Nov 2028	3M Euribor + 2.28%
15 Jun 2023	EUR 250m	15 Jun 2026	3M Euribor + 1.70%
15 Jun 2023	EUR 200m	15 Jun 2028	3M Euribor + 2.01%
28 Nov 2023	EUR 250m	30 Nov 2026	3M Euribor + 1.51%
28 Nov 2023	EUR 200m	29 Nov 2027	3M Euribor + 1.61%

* Call option excise date is 1 year before final maturity date.

Debt capital instruments

In 2023, the Bank draw new subordinated loans from its parent company Société Générale S.A totalling EUR 100 million, i.e. the total nominal volume of subordinated debt reached EUR 200 million. Subordinated loans are drawn in order to fulfil capital requirements.

Subordinated debt as of 31 December 2023

Drawing date	Principal	Call option date*	Interest rate (ACT/360)
10 Oct 2022	EUR 100m	11 Oct 2027	3M Euribor + 3.79%
29 Nov 2023	EUR 100m	29 Nov 2028	3M Euribor + 2.82%

* Call option excise date is 5 years before final maturity date.

Additional financial information

Expenses on research and development

In 2023, Komerční banka had outlays through operating expenses of CZK 239 million for research and development. Most of these outlays were related to development studies and the implementation of individual projects, particularly in the area of information technologies and systems, including the development of internet applications.

Financial and non-financial investments

Financial investments made by the Group (balance as of the end of the year)

(IFRS, CZK million)	31 December 2023	31 December 2022
Bonds and treasury bills	188,588	179,364
Shares	53	52
Emissions allowances	0	0
Equity investments in subsidiary and associated undertakings	3,047	1,411
Total	**191,688**	**180,827**

Main investments made by the Group – excluding financial investments (balance as of the end of the year)

(IFRS, CZK million)	31 December 2023	31 December 2022
Tangible fixed assets*	8,034	8,762
Intangible fixed assets*	10,192	9,030
Total tangible and intangible fixed assets	**18,226**	**17,792**

* Both tangible and intangible fixed assets also include the Right-of-use asset; See also Notes to the Consolidated Financial Statements according to IFRS, notes 25 – Intangible fixed assets and 26 – Tangible fixed assets.

Main ongoing investments – excluding financial investments
In 2023, the Bank made non-financial investments totalling CZK 3.9 billion. Most of this amount was invested in the area of information technologies (almost CZK 3.5 billion), especially for acquisition and development of software in connection with the Bank's digitisation and the goals of the strategic plan KB 2025.

All of the non-financial investments were made in the Czech Republic and Slovakia and were financed from internal resources.

Main investments planned by the Bank – excluding financial investments
Komerční banka plans to keep investments for 2024 at the same level as in 2023. The Bank will continue with investments in digitisation in relation to the strategic plan KB 2025 based upon mastering digital interaction with customers for acquisition, sales and servicing, as well as for increasing operational efficiency.

The Bank's investment plans may be adjusted in accordance with developments in the economic environment.

Description of real estate owned by KB Group

Komerční banka Group uses real estate to conduct its business activities. The operation of owned or leased buildings by KB Group does not generate an excessive burden on the environment. More information regarding environmental impact is provided in the KB Group Sustainability Report 2023.[1)]

Summary of real estate managed by the Group:

As of 31 December 2023	Number	Of which owned by KB	Of which subleased by KB
Buildings in Czechia	421	60	361
Buildings in Slovakia	2	0	2
Total	**423**	**60**	**363**

Note: The decrease in the number of buildings reflects a reduction in the number of branches.

Komerční banka Group uses the following significant properties with useful floor area in excess of 5,000 square metres.

[1)] https://www.kb.cz/en/about-bank/we-do-business-sustainably/sustainability-report-archive

Overview of important pieces of real estate managed by KB Group:

City	Street	Land Registry Number	Useful floor area
Brno	náměstí Svobody	92	13,869
Kladno	náměstí Starosty Pavla	14	5,072
Ostrava	Nádražní	1,698	7,637
Pilsen	Goethova	2,704	11,421
Prague 1	Václavské náměstí	796	50,578
Prague 5	náměstí Junkových	2,772	27,529
Prague 5	náměstí Junkových	2,921	20,754
Prague 5	Štefánikova	267	7,568
Prague 8	Zenklova	351	6,236
Ústí nad Labem	Bílinská	175	6,910

Note: See also the Notes to the Consolidated Financial Statements prepared in accordance with IFRS, Note 26 – Tangible assets and Note 28 – Assets held for sale.

Trademarks, licences and sub-licences

In 2023, Komerční banka used trademarks for labelling its products and services both in the Czech Republic and the Slovak Republic. The new trademarks used were registered with the Industrial Property Office in the Czech Republic.

Komerční banka registered with the Czech Industrial Property Office a total number of 203 trademarks. In the Slovak Republic, 13 trademarks are registered with the Industrial Property Office of the Slovak Republic.

Within KB Group, Komerční banka provides some of its subsidiaries with licences for its trademarks. In some cases, Komerční banka is also a licensee and sub-licensee, typically from providers of IT services.

Definitions of the mentioned Alternative Performance Measures

This annual financial report uses the following alternative performance measures in order to reflect the underlying financial or business performance and to enhance the comparability of information between reporting periods.

Earnings per share: 'Net profit attributable to the Group's equity holders' divided by the quantity average number of shares issued without own shares in treasury;

Return on average equity (ROAE, in consolidated statements): 'Net profit attributable to the Group's equity holders' divided by the quantity average 'Total equity' less 'Non-controlling interest';

Average 'Total equity' less 'Non-controlling interest': (('Total equity' less 'Non-controlling interest' as of the year end X) plus ('Total equity' less 'Non-controlling interest' as of the year end X-1)) divided by 2;

Return on average equity (ROAE, in separate statements): 'Net profit for the period' divided by the quantity average 'Total equity';

Average 'Total equity': ('Total equity' as of the year end X plus 'Total equity' as of the year end X-1) divided by 2;

Return on average assets (ROAA, in consolidated statements): 'Net profit attributable to the Group's equity holders' divided by average 'Total assets';

Average total assets: ('Total assets' as of the year end X plus 'Total assets' as of the year end X-1) divided by 2;

Return on average assets (ROAA, in separate statements):[1)] 'Net profit for the period' divided by average 'Total assets';

Net interest margin (NIM): 'Net interest income' divided by average interest-earning assets (IEA);

Average interest-earning assets: ('Total interest-earning assets' as of the year end 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' [Trading 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 at FVOCI only], and 'Debt securities');

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

(source: Profit and Loss Statement)	2023	2022
Net interest income, year to date	**25,595**	**28,632**
Of which:		
Loans and advances at amortised cost	66,139	51,842
Debt securities at amortised cost	4,407	3,187
Other debt securities	441	559
Financial liabilities at amortised cost	(38,798)	(22,194)
Hedging financial derivatives – income	48,103	37,176
Hedging financial derivatives – expense	(54,697)	(41,938)

(source: Balance Sheet)	31. 12. 2023	31. 12. 2022	31. 12. 2021
Cash and current balances with central banks/Current balances with central banks	4,530	6,167	21,455
Loans and advances to banks	411,644	233,398	257,196
Loans and advances to customers	833,542	781,463	724,587
Financial assets held for trading at fair value through profit or loss/ Trading debt securities	19,621	9,968	8,696
Non-trading financial assets at fair value through profit or loss/ Debt securities	0	132	135
Financial asset at fair value through other comprehensive income (FV OCI)/ Debt securities at FVOCI	16,729	30,119	35,509
Debt securities	152,238	139,277	114,078
Interest-bearing assets (end of period)	**1,438,304**	**1,200,524**	**1,161,656**
Average interest-bearing assets, year to date	**1,319,414**	**1,181,090**	**1,127,939**
NIM year to date, annualised	**1.94%**	**2.42%**	**1.93%**

Cost to income ratio: 'Total operating expenses' divided by 'Net operating income';

Cost of risk in relative terms: 'Cost of risk' divided by the average of 'Gross amount of client loans and advances';

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';

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').

Information on remuneration to auditors

Remuneration to the auditors of KB and KB Group for services performed by the companies Deloitte Audit s.r.o. and the network (in the Czech Republic), Deloitte Audit s.r.o. and the network (in the Slovak Republic), Ernst & Young, s.r.o. (in the Czech Republic), and Deloitte Reviseurs d'Entreprises SC s.f.d. SCRL (in the Kingdom of Belgium) during 2023:

	Deloitte		EY		Total	
Type of service – CZK thousand, excl. VAT	**KB**	**KB Group**	**KB**	**KB Group**	**KB**	**KB Group**
Audit services	23,434	28,179	0	5,244	23,434	33,423
Tax advisory	0	0	0	0	0	0
Non-audit services*	3,813	3,813	0	750	3,813	4,563
Total	**27,247**	**31,992**	**0**	**5,994**	**27,247**	**37,986**

* Non-audit services include PSD2 audit, interim profit review, non-financial reporting, remuneration report, input data contribution to PRIBOR benchmark, asset monitor, cyber security audit and training.

Information on the base used in calculating the contribution to the Investor Compensation Fund (in the Czech Republic)

Pursuant to Section 129(1) of the Act on Capital Market Undertakings, the annual contribution of a securities dealer to the Investor Compensation Fund shall be calculated as 2% of the volume of revenues from fees and commissions for investment services provided in the previous calendar year. In 2023, the base for calculating the volume of the contribution was CZK 1,385 million (2022: CZK 1,199 million). The Bank includes in the base mainly income from intermediation of sales of mutual funds, custody services, safekeeping and administration of securities, brokerage fees for securities transactions for clients, management of client assets, intermediation of primary issues, administration of securities purchase prices, and other investment services. The Bank's contribution to the Investor Compensation Fund in 2023 came to CZK 28 million (2022: CZK 24 million).

Report on relations among related entities
for the year ended 31 December 2023

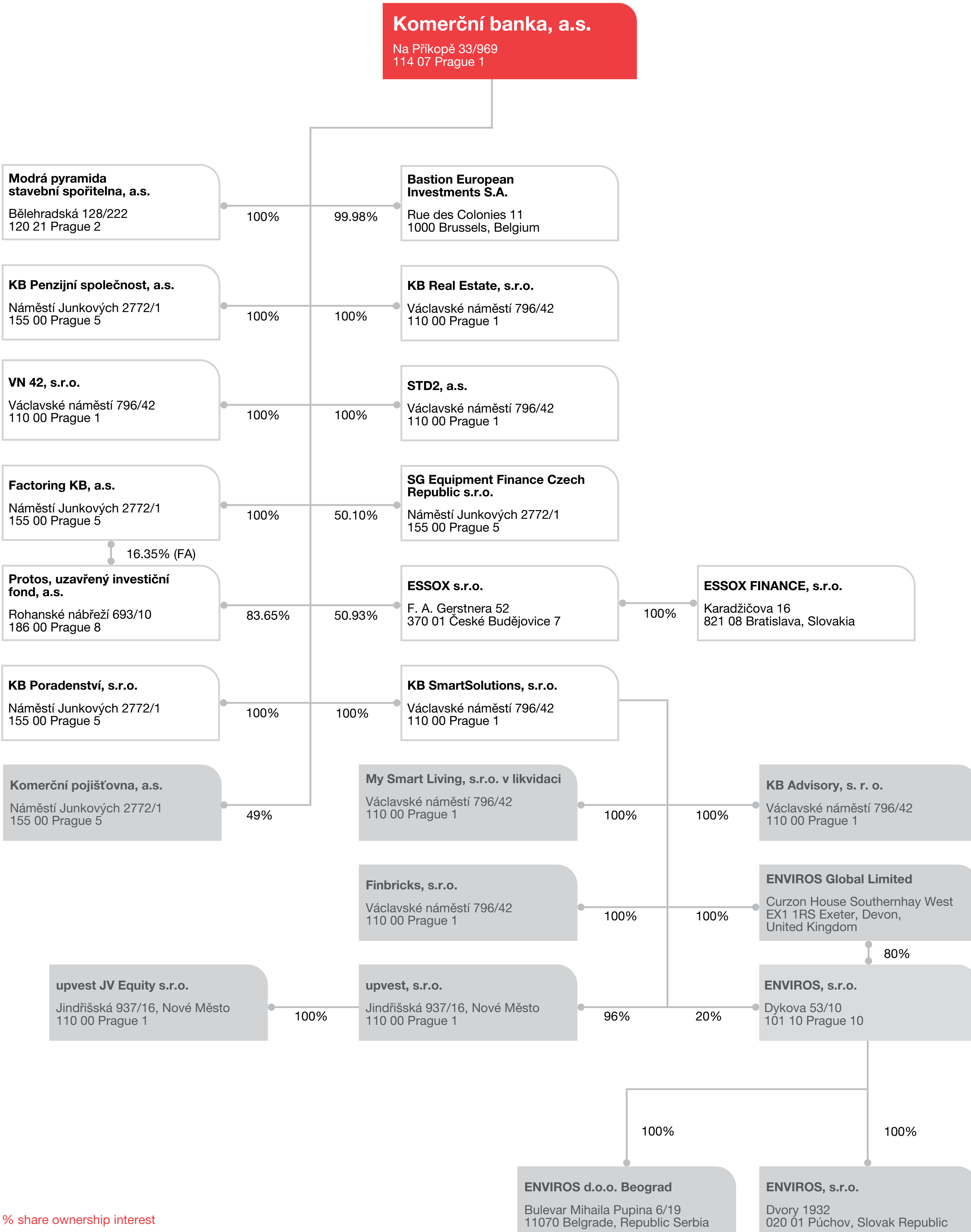
(hereinafter the **"Report on Relations"**)

Komerční banka, a.s., with its registered office in Prague 1, Na Příkopě 33/969, 114 07, Corporate ID: 45317054, incorporated in the Register of Companies maintained by the Municipal Court in Prague, Section B, File 1360, (hereinafter the "Company"), is part of a business group (holding company) where the following relations exist between the Company and its controlling entity and further between the Company and other entities controlled by the same controlling entity (hereinafter the "business group").

This Report on Relations was compiled in accordance with Section 82 et seq. of Act No. 90/2012 Coll., on Business Corporations and Co-operatives (the Business Corporations Act), as amended, for the year ended 31 December 2023, that is, from 1 January 2023 to 31 December 2023 (hereinafter the "reporting period").

I. Introduction

Structure of relations among entities within the business group:
In the period from 1 January 2023 to 31 December 2023, the Company was a member of the Société Générale S.A. Group, with its registered office at 29, BLD Haussmann, 75009 Paris, France, registration number in the French Register of Companies: R.C.S. Paris B552120222 (1955 B 12022) (hereinafter "SG" or "SG Paris"). Société Générale S.A.'s share in the voting rights of Komerční banka, a.s. was 60.73% and its share in the ownership interest of Komerční banka, a.s. was 60.35%. The structure of relations within the Group is as follows:


Komerční banka, a.s.
Na Příkopě 33/969
114 07 Prague 1
Modrá pyramida stavební spořitelna, a.s.
Bělehradská 128/222
120 21 Prague 2
100%
99.98%
Bastion European Investments S.A.
Rue des Colonies 11
1000 Brussels, Belgium
KB Penzijní společnost, a.s.
Náměstí Junkových 2772/1
155 00 Prague 5
100%
100%
KB Real Estate, s.r.o.
Václavské náměstí 796/42
110 00 Prague 1
VN 42, s.r.o.
Václavské náměstí 796/42
110 00 Prague 1
100%
100%
STD2, a.s.
Václavské náměstí 796/42
110 00 Prague 1
Factoring KB, a.s.
Náměstí Junkových 2772/1
155 00 Prague 5
100%
50.10%
SG Equipment Finance Czech Republic s.r.o.
Náměstí Junkových 2772/1
155 00 Prague 5
16.35% (FA)
Protos, uzavřený investiční fond, a.s.
Rohanské nábřeží 693/10
186 00 Prague 8
83.65%
50.93%
ESSOX s.r.o.
F. A. Gerstnera 52
370 01 České Budějovice 7
100%
ESSOX FINANCE, s.r.o.
Karadžičova 16
821 08 Bratislava, Slovakia
KB Poradenství, s.r.o.
Náměstí Junkových 2772/1
155 00 Prague 5
100%
100%
KB SmartSolutions, s.r.o.
Václavské náměstí 796/42
110 00 Prague 1
Komerční pojišťovna, a.s.
Náměstí Junkových 2772/1
155 00 Prague 5
49%
My Smart Living, s.r.o. v likvidaci
Václavské náměstí 796/42
110 00 Prague 1
100%
100%
KB Advisory, s. r. o.
Václavské náměstí 796/42
110 00 Prague 1
Finbricks, s.r.o.
Václavské náměstí 796/42
110 00 Prague 1
100%
100%
ENVIROS Global Limited
Curzon House Southernhay West
EX1 1RS Exeter, Devon,
United Kingdom
80%
upvest JV Equity s.r.o.
Jindřišská 937/16, Nové Město
110 00 Prague 1
100%
upvest, s.r.o.
Jindřišská 937/16, Nové Město
110 00 Prague 1
96%
20%
ENVIROS, s.r.o.
Dykova 53/10
101 10 Prague 10
100%
100%
ENVIROS d.o.o. Beograd
Bulevar Mihaila Pupina 6/19
11070 Belgrade, Republic Serbia
ENVIROS, s.r.o.
Dvory 1932
020 01 Púchov, Slovak Republic
% share ownership interest

The list of SG Group companies as shown in the Consolidated Financial Statements is annexed to the report.

During the 2023 reporting period, the Company had relationships with the following entities which are part of the Group:

Company	Registered office	SG's share in voting rights (%)
ALD AUTOMOTIVE s. r. o.	U Stavoservisu 527/1, 108 00 Prague 10, Czech Republic	100
ALD Automotive Eesti AS	Sõpruse pst 145, 13424 Tallinn, Estonia	75.01
ALD Automotive Magyarország Autópark	Budapest, Váci út 76, 1133 Hungary	100
ALD AUTOMOTIVE POLSKA	Zajęcza 2B, 00-351 Warsaw, Poland	100
ALD Automotive Slovakia s.r.o.	Panónska cesta 47, 851 01 Bratislava, Slovakia	100
Banca Romana Pentru Devzoltare (B.R.D.)	Boulevard Ion Mihalache no.1-7, sector I, Bucharest, Romania	100
BASTION EUROPEAN INVESTMENTS S.A.	Rue des Colonies 11, 1000 Brussels, Belgium	100
ESSOX FINANCE, s.r.o.	Karadžičova 16, 821 08 Bratislava, Slovakia	100
ESSOX s.r.o.	F. A. Gerstnera č. ev. 52, 370 01 České Budějovice 7, Czech Republic	100
ENVIROS, s.r.o.	Dykova 53/10, 101 00 Prague 10, Czech Republic	100
Factoring KB, a.s.	náměstí Junkových 2772/1, 155 00 Prague 5 – Stodůlky, Czech Republic	100
Finbricks, s.r.o.	Václavské náměstí 796/42, 110 00 Prague 1 – Nové Město, Czech Republic	100
GEFA BANK GmbH	Robert-Daum-Platz 1, 42117 Wuppertal, Germany	100
KB Advisory, s. r. o.	Václavské náměstí 796/42, 110 00 Prague 1 – Nové Město, Czech Republic	100
KB Penzijní společnost, a.s.	náměstí Junkových 2772/1, 155 00 Prague 5 – Stodůlky, Czech Republic	100
KB Poradenství, s.r.o.	náměstí Junkových 2772/1, 155 00 Prague 5 – Stodůlky, Czech Republic	100
KB Real Estate, s.r.o.	Václavské náměstí 796/42, 110 00 Prague 1 – Nové Město, Czech Republic	100
KB SmartSolutions, s.r.o.	Václavské náměstí 796/42, 110 00 Prague 1 – Nové Město, Czech Republic	100
Komerční pojišťovna, a. s.	náměstí Junkových 2772/1, 155 00 Prague 5 – Stodůlky, Czech Republic	100
Modrá pyramida stavební spořitelna, a.s.	Bělehradská 128, č. p. 222, 120 00 Prague 2, Czech Republic	100
My Smart Living, s.r.o. v likvidaci	Václavské náměstí 796/42, 110 00 Prague 1 – Nové Město, Czech Republic	100
Protos, uzavřený investiční fond, a.s.	Rohanské nábřeží 693/10, 186 00 Prague 8 – Karlín, Prague, Czech Republic	100
SG Equipment Finance Czech Republic s. r. o.	náměstí Junkových 2772/1, 155 00 Prague 5 – Stodůlky, Czech Republic	100
SG Issuer S.A.	15 Boulvard du Prince Henri Luxembourg, 1724, Luxembourg	100
SG Option Europe	17 Cours Valmy, La Defense Cedex, 92800, Paris, France	100
SG Private Banking (Suisse) SA	Rue de la Corraterie 6, Case Postale 5022, CH-1211 Geneva 11, Switzerland	100
SG Private wealth management SA	11-13 Avenue Emile Reuter L-2420 Luxembourg, Luxembourg	100
SG Securities Services	Via Benigno Crespi 19, 20159 Milan, Italy	100
SOCIETE GENERALE AFRICAN BUSINESS SERVICES S.A.S	55 boulevard Abdelmoumen, 20100 Casablanca, Maroko	100
SOCIETE GENERALE FACTORING	3 Rue Francis de Pressensé, 93210 Saint-Denis, France	100
SOCIETE GENERALE GLOBAL SOLUTION CENTRE ROMANIA	Campus 6, 6P Iuliu Maniu Boulevard, 6.3 Building, 8th Floor, District 6, 061103, Bucharest, Romania	100
Societe Generale International Ltd	Lyxor SG House, 41 Tower Hill London, EC3N 4SG, Great Britain	100
SOCIETE GENERALE LUXEMBOURG	11 avenue Emile Reuter, L-2420 Luxembourg	100
Société Générale S.A.	29, Boulevard Haussmann, Paris, France	0
SOCIETE GENERALE SENEGAL	19 Avenue Leopold Sedar Senghor, Dakar, Senegal	64.87
upvest s.r.o.	Italská 2581/67, 120 00 Vinohrady, Prague 2, Czech Republic	100
STD2, s.r.o.	Václavské náměstí 796/42, 110 00 Prague 1 – Nové Město, Czech Republic	100
VN 42, s.r.o.	Václavské náměstí 796/42, 110 00 Prague 1 – Nové Město, Czech Republic	100

Role of the Company within the aforementioned relationship structure
Komerční banka is the parent company of the KB Group and is part of the international financial group of Société Générale (hereinafter the “SG Group”). KB is a universal bank offering a wide range of services in the areas of retail, corporate, and investment banking on the territory of the Czech Republic. KB operates on the territory of the Slovak Republic using its branch abroad and focuses on serving large and medium-sized enterprises. The KB Group companies offer additional specialised services, including pension savings, building society schemes, leasing, factoring, consumer financing, and insurance. As a part of the KB Group, the Bank provides certain subsidiaries with trademark licences. Within the KB Group, Komerční banka provides certain IT services; operating services, services and advisory in the area of human resources; services and advisory within the framework of internal and external communication and marketing; services and consulting within the framework of internal audit; as well as advisory in the areas of compliance, operational risks, and insurance within the SG Group. The headquarters of Komerční banka and of the KB Group companies in Prague share common premises owned by the KB Group. The products of KB’s subsidiaries are sold using Komerční banka’s sales network. Komerční banka offers some of its products using, inter alia, the network of Modrá pyramida stavební spořitelna, a.s. Based on an outsourcing agreement, KB has been providing products and services of Factoring KB, a.s., since 1 April 2023.

KB creates and collects data on the whole control and management system and also provides these data, including data on KB, to SG. These data include, inter alia, budgets, business plans, business continuity and crisis management plans, and anti-money laundering measures.

KB intermediates SG’s control over KB’s subsidiaries and participates in the creation of group policies on the territory of the Czech Republic and Slovakia.

Manner and means of control
Société Générale, as the majority shareholder, exerts its influence on the Company’s activity by setting unified Group policy, by implementing internal regulations and corporate governance principles, and, furthermore, through the General Meeting. It has three representatives on the Bank’s nine-member Supervisory Board and one representative in the three-member Audit Committee. Currently, the audit committee has only two members. The general meeting of Komerční banka a.s., which will take place on April 24, 2024, will elect the third member of the Audit Committee. The candidate for member of the audit committee will be Delphine Garcin-Meunier.

One Société Générale employee is on secondment to the Board of Directors of Komerční banka as its member. Furthermore, based on a contract concluded between SG and KB, SG sends its employees on secondment to certain positions. At this time, there are five such employees in KB.

In accordance with Section 79 of the Business Corporations Act, SG is a controlling entity with respect to KB. The control is formally exercised by implementing SG’s methodologies in KB’s internal regulations, in particular in the area of risk management and capital adequacy. Furthermore, informal control takes place in the form of consultancy in individual areas of KB’s activity.

The intermediation of SG’s control over KB’s subsidiaries is formally represented by the implementation of KB’s methodologies in the subsidiaries’ internal regulations, and informal control takes the form of consultancy in individual areas of activity.

II. Relations within the Group

This section is not complete as it does not include contracts or relationships covered by banking secrecy. However, all such contracts and relationships have been reviewed and it can be stated that they were granted on standard terms and conditions as per the Company’s price list, taking into account the creditworthiness of the individual clients within the terms and conditions customary in the ordinary course of trade or inter-bank dealings. None of these contracts or relationships were made based on the instruction of the controlling person.

A. Significant transactions made in the reporting period at the initiative or in the interest of the controlling entity or entities controlled by the controlling entity and relating to assets exceeding 10% of the Company’s equity as determined based on the financial statements for the reporting period immediately preceding the reporting period for which the Report on Relations is prepared

Komerční banka, a.s. made no significant transactions which would not be subject to banking secrecy.

In previous periods, KB sold mortgage bonds in a total volume exceeding 10% of Komerční banka’s equity, upon which it paid returns in this reporting period.

B. Overview of mutual contracts between the controlled entity and the controlling entity or among controlled entities

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Agreement on the organisation of periodic control	ALD Automotive d.o.o. za operativni i financijski leasing, Société Générale S.A.	19 Aug 2019
Agreement on the organisation of periodic control	ALD Automotive Eesti AS, Société Générale S.A.	27 May 2019
Agreement on the organisation of periodic control	ALD Automotive Magyarország Autópark-kezelő és Finanszirozó Kft, Société Générale S.A.	24 Sep 2019
IGAD contract for EAA member states	ALD AUTOMOTIVE POLSKA, Société Générale S.A., ALD S.A.	1 May 2022
Lease of non-residential premises (Ostrava), including amendments	ALD Automotive s.r.o.	31 Oct 2003
Lease of non-residential premises and movable assets (České Budějovice), including amendments	ALD Automotive s.r.o.	27 Nov 2003
Mutual co-operation agreement	ALD Automotive s.r.o.	1 Aug 2007
Co-operation agreement – Jobs	ALD Automotive s.r.o.	9 Jun 2010
Service framework agreement – IT	ALD Automotive s.r.o.	31 Aug 2010
Accession to the rules of co-operation between KB and Group members in the area of sourcing and acquisitions	ALD Automotive s.r.o.	16 Aug 2011
Separate agreement no. 2 for the provision of technical infrastructure solution services, connectivity services, including amendments	ALD Automotive s.r.o.	1 Nov 2012
Co-operation agreement	ALD Automotive s.r.o.	29 Mar 2013
Agreement – Outsourcing of HR services (excluding Payroll)	ALD Automotive s.r.o.	1 Apr 2013
Framework agreement – Vehicle leasing	ALD Automotive s.r.o.	22 May 2013
Agreement for co-operation in performance of group risk insurance for employees no. 3280000000 as amended by subsequent amendments	ALD Automotive s.r.o.	29 Oct 2013
Framework agreement to lease a vehicle	ALD Automotive s.r.o.	7 Jan 2015
Lease of non-residential premises and payment of related services (Plzeň), including amendments	ALD Automotive s.r.o.	30 Sep 2015
Agreement for co-operation in performance of group insurance agreement of work-related accident and occupational disease insurance for Members of Board of Directors and administrators of the financial group of Komerční banka/Société Générale no. 334000000	ALD Automotive s.r.o.	26 Sep 2016
Lease of non-residential premises and payment of related services (Brno), including amendments	ALD Automotive s.r.o.	31 Dec 2016
Separate agreement no. 3 – IT infrastructure services	ALD Automotive s.r.o.	30 Jun 2017
Service contract – Outsourcing (HR services)	ALD Automotive s.r.o.	21 Dec 2017
Agreement on services: eDoceo	ALD Automotive s.r.o.	1 Apr 2018
Agreement – outsourcing of DPO services	ALD Automotive s.r.o.	16 May 2018
Service agreement – C4M access	ALD Automotive s.r.o.	14 Sep 2018
Lease of non-residential premises, movable assets, and payment of related services (Ústí nad Labem)	ALD Automotive s.r.o.	3 Jun 2019
MůjPodpis Service Agreement	ALD Automotive s.r.o.	14 Sep 2020
Separate agreement no. 5 – IT infrastructure services - Telephony Services	ALD Automotive s.r.o.	11 Dec 2020
Separate agreement no. 4 – IT infrastructure services	ALD Automotive s.r.o.	10 Feb 2021
Compliance Co-operation Agreement	ALD Automotive s.r.o.	24 Oct 2023
Purchase agreement for the sale of movable property	ALD Automotive s.r.o.	21 Dec 2023
Agreement on the organisation of periodic control	ALD Automotive s.r.o., Société Générale S.A.	19 Apr 2011
Agreement on the organisation of periodic control	ALD Automotive SIA, Société Générale S.A.	27 May 2019
Non-disclosure agreement	ALD Automotive Slovakia s. r. o.	9 Jul 2010
Service contract – Outsourcing (HR services)	ALD Automotive Slovakia s. r. o.	1 Jan 2016
Agreement for co-operation in performance of group insurance agreement of work-related accident and occupational disease insurance for Members of Board of Directors and administrators of the financial group of Komerční banka/Société Générale no. 334000000	ALD Automotive Slovakia s. r. o.	4 Aug 2016
Agreement – outsourcing of HR services (excluding Payroll), including amendment	ALD Automotive Slovakia s. r. o.	30 Dec 2016

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Co-operation Agreement	ALD Automotive Slovakia s. r. o.	19 Oct 2018
Agreement – Outsourcing of DPO services	ALD Automotive Slovakia s. r. o.	20 Feb 2019
Agreement on the organisation of periodic control	ALD Automotive UAB, Société Générale S.A.	27 May 2019
Custodian services agreement	BRD - GROUPE SOCIETE GENERALE SA	20 Oct 2011
RON Account Agreement	BRD - GROUPE SOCIETE GENERALE SA	16 Oct 2019
Memorandum on co-operation in the field of energy savings	ENVIROS, s.r.o.	21 Jun 2016
Non-disclosure agreement	ENVIROS, s.r.o.	11 Mar 2022
Job order 0000517230	ENVIROS, s.r.o.	27 Dec 2022
Co-operation Agreement (HR recruitment services)	ENVIROS, s.r.o.	1 Jan 2023
Co-operation Agreement	ENVIROS, s.r.o.	31 Jan 2023
Service agreement - outsourcing (HR services)	ENVIROS, s.r.o.	16 Mar 2023
Agreement - service: responsible representative – FVE	ENVIROS, s.r.o.	16 Apr 2023
Service agreement – KYS (Know Your Supplier) processing	ENVIROS, s.r.o.	25 May 2023
Separate agreement to the Co-operation Agreement – calculation of KB's carbon footprint	ENVIROS, s.r.o.	3 Jul 2023
Purchase Order 0000520216	ENVIROS, s.r.o.	17 Mar 2023
Purchase Order 0000520955	ENVIROS, s.r.o.	5 Apr 2023
Purchase Order 0000521785	ENVIROS, s.r.o.	26 Apr 2023
Purchase Order 0000521848	ENVIROS, s.r.o.	27 Apr 2023
Purchase Order 0000521849	ENVIROS, s.r.o.	27 Apr 2023
Purchase Order 0000522639	ENVIROS, s.r.o.	19 May 2023
Purchase Order 0000523652	ENVIROS, s.r.o.	19 Jun 2023
Purchase Order 0000528671	ENVIROS, s.r.o.	6 Nov 2023
Purchase Order 0000530385	ENVIROS, s.r.o.	15 Dec 2023
Purchase Order 0000530757	ENVIROS, s.r.o.	27 Dec 2023
Non-disclosure agreement	ESSOX FINANCE, s.r.o.	29 Nov 2016
Service agreement – outsourcing (HR services)	ESSOX FINANCE, s.r.o.	2 Jan 2017
Service framework agreement	ESSOX FINANCE, s.r.o.	15 Feb 2017
Agreement for co-operation in performance of group risk insurance agreement for employees	ESSOX FINANCE, s.r.o.	31 Mar 2017
Separate agreement no. 2 – Technical infrastructure services, identity and access	ESSOX FINANCE, s.r.o.	28 Dec 2017
Separate agreement no. 1 – Technical infrastructure services, connectivity	ESSOX FINANCE, s.r.o.	16 Jan 2018
Agreement – outsourcing of DPO services	ESSOX FINANCE, s.r.o.	24 May 2018
Co-operation agreement	ESSOX FINANCE, s.r.o.	27 Jun 2018
Compliance Co-operation Agreement	ESSOX FINANCE, s.r.o.	3 Dec 2020
Accession to the rules of co-operation between KB and Group members in the area of sourcing and acquisitions	ESSOX FINANCE, s.r.o.	16 May 2022
Agreement on the organisation of periodic control	ESSOX FINANCE, s.r.o., Société Générale S.A.	31 May 2019
Service agreement (client)	ESSOX s.r.o.	21 Sep 2005
Agreement on mutual co-operation, including amendments (beneficiary)	ESSOX s.r.o.	1 Aug 2007
Co-operation agreement	ESSOX s.r.o.	17 Sep 2008
Co-branded cards distribution agreement, including amendments	ESSOX s.r.o.	16 Jan 2009
Co-operation Agreement, including amendments	ESSOX s.r.o.	20 Oct 2009
Service agreement – outsourcing, including amendments (provider)	ESSOX s.r.o.	15 Dec 2009
Non-disclosure agreement	ESSOX s.r.o.	10 May 2010
Non-disclosure agreement	ESSOX s.r.o.	9 Jul 2010
Personal data processing framework agreement (administrator)	ESSOX s.r.o.	12 Apr 2011
Framework service agreement (recipient)	ESSOX s.r.o.	26 Apr 2011
Separate agreement no. 1 – Provision of services for access to KB’s external entity	ESSOX s.r.o.	30 Jun 2011
Contract for exchange of negative client information within KB/SG Financial Group in the Czech Republic	ESSOX s.r.o.	19 Aug 2011
Service Agreement - outsourcing (HR services), including amendments	ESSOX s.r.o.	21 Dec 2011
Co-operation Agreement, including amendments	ESSOX s.r.o.	1 Aug 2012

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Distribution agreement for product "Corporate Car Loans", including amendments	ESSOX s.r.o.	1 Aug 2012
Agreement for co-operation in performance of the contract for group risk insurance for employees no. 3280000000, including amendments	ESSOX s.r.o.	22 Aug 2012
Co-branded cards co-operation agreement	ESSOX s.r.o.	28 Dec 2012
Separate agreement no. 2 – provision of technical infrastructure solution services, service hosting, including amendments	ESSOX s.r.o.	29 Aug 2014
Service level agreement	ESSOX s.r.o.	25 Nov 2014
Agreement to enter into a lease of non-residential premises and payment of related services (future sub-lessee)	ESSOX s.r.o.	27 Mar 2015
Contract – soft collection	ESSOX s.r.o.	29 Apr 2015
Group insurance agreement for work-related accident and occupational disease insurance for Members of Board of Directors and administrators of the financial group of Komerční banka and Société Générale	ESSOX s.r.o.	14 Jul 2016
Service agreement, including amendments	ESSOX s.r.o.	3 Jan 2017
Memorandum of understanding – project AS/400 Lifecycle Renewal	ESSOX s.r.o.	3 Apr 2017
Separate agreement no. 3 – provision of technical infrastructure solution services, connectivity, including amendments	ESSOX s.r.o.	13 Dec 2017
Separate agreement no. 4 – provision of technical infrastructure solution services, physical hosting, including amendments	ESSOX s.r.o.	13 Dec 2017
Separate agreement no. 5 – provision of technical infrastructure solution services, identity and access	ESSOX s.r.o.	13 Dec 2017
Distribution Agreement for Product "Retail Car Loans"	ESSOX s.r.o.	15 Feb 2018
Agreement on services: eDoceo	ESSOX s.r.o.	31 Mar 2018
Agreement – outsourcing of DPO services	ESSOX s.r.o.	11 May 2018
Agreement on assignment of rights and obligations arising from the license agreement and licenses assignment agreement	ESSOX s.r.o.	7 Mar 2019
Service agreement, including amendments	ESSOX s.r.o.	17 Dec 2020
Compliance Co-operation Agreement	ESSOX s.r.o.	21 Jan 2021
AGREEMENT – SERVICES: Processing KYS – Know Your Supplier	ESSOX s.r.o.	27 Jan 2021
Contract on providing of online services	ESSOX s.r.o.	22 Mar 2021
Contract for the payment of insurance premium and of insurance broker's commission	ESSOX s.r.o.	10 Jun 2021
Service Level Agreement – reporting	ESSOX s.r.o.	20 Dec 2021
Co-operation agreement – cashshop	ESSOX s.r.o.	10 Jan 2022
AGREEMENT – OUTSOURCING OF SERVICES: Pilot Operation for New Tool	ESSOX s.r.o.	4 Mar 2022
Service agreement – C4M access	ESSOX s.r.o.	4 May 2022
Framework agreement for the rental of employee-driven motor vehicles	ESSOX s.r.o.	13 Jun 2022
Trademark License agreement	ESSOX s.r.o.	12 Jul 2022
Agreement to provide fictive cash-pooling for a separate legal entity, including amendments	ESSOX s.r.o.	1 Aug 2022
MEMORANDUM OF UNDERSTANDING	ESSOX s.r.o.	29 Sep 2022
Agreement on using KB eTrading	ESSOX s.r.o.	6 Jun 2023
Agreement – outsourcing of services: Data transfer to ČBA – IT application EDUCA	ESSOX s.r.o.	4 Oct 2023
Agreement – Outsourcing of services: Resistant AI/Label marker/OCR	ESSOX s.r.o.	26 Oct 2023
Agreement on Cancellation of Obligations under the Co-Branded cards Co-operation Agreement	ESSOX s.r.o.	15 Nov 2023
Agreement on the organisation of periodic control	ESSOX s.r.o., Société Générale S.A.	8 Jul 2019
License agreement – LOGO, including amendments	Factoring KB, a.s.	20 Dec 2004
Mutual Co-operation agreement, including amendments – provision of banking services to staff	Factoring KB, a.s.	1 Aug 2007
Lease of non-residential premises, movable assets, and payment of related services, including amendments (Ostrava)	Factoring KB, a.s.	18 Jun 2008
Framework agreement – personal data processing	Factoring KB, a.s.	1 Dec 2008
Sales agreement (Distribution agreement), including amendments	Factoring KB, a.s.	1 Dec 2008
Service Agreement – outsourcing (HR services), including amendments	Factoring KB, a.s.	4 Jan 2010
Co-operation agreement – posts (filling of posts)	Factoring KB, a.s.	28 Apr 2010

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Non-disclosure agreement	Factoring KB, a.s.	9 Aug 2010
Framework agreement for the provision of IT infrastructure services	Factoring KB, a.s.	8 Sep 2010
Accession to the rules of co-operation between KB and Group members in the area of sourcing and acquisitions	Factoring KB, a.s.	4 Oct 2010
Database usage license agreement	Factoring KB, a.s.	1 Apr 2011
Service agreement – C4M access, including amendments	Factoring KB, a.s.	24 May 2011
Agreement for co-operation in performance of contract for employee group risk insurance no. 3280000000	Factoring KB, a.s.	24 Aug 2012
IT – Separate agreement no. 1, Connectivity services, technical infrastructure solution services, including amendments	Factoring KB, a.s.	1 Dec 2012
IT – Separate agreement no. 2, Physical hosting of equipment, technical infrastructure solution services, including amendments	Factoring KB, a.s.	1 Dec 2012
IT – Separate agreement no. 3, IT Infrastructure hosting, provision of technical infrastructure solution services, including amendments	Factoring KB, a.s.	1 Dec 2012
Service contract – BI services, including amendments	Factoring KB, a.s.	27 Dec 2012
IT – Separate agreement no. 4, VoIP, provision of technical infrastructure solution services	Factoring KB, a.s.	31 Dec 2012
Framework Co-Operation Agreement No. 0000020447/0000), including amendments	Factoring KB, a.s.	31 Dec 2012
Agreement to provide HR services excluding payroll processing, including amendments	Factoring KB, a.s.	1 Jan 2013
Agreement services: data transfer – current accounts	Factoring KB, a.s.	1 Aug 2013
Agreement to provide postal services and destruction of document duplicates, including amendments	Factoring KB, a.s.	31 Oct 2013
Framework agreement for the rental of employee-driven motor vehicles	Factoring KB, a.s.	22 Sep 2014
Service level agreement – co-operation in the area of reporting and accounting	Factoring KB, a.s.	26 Nov 2014
Agreement to provide services regarding OHS, environmental protection and fire protection, including amendments	Factoring KB, a.s.	30 Jan 2015
IT – Separate agreement no. 5, E-mail, provision of technical infrastructure solution services	Factoring KB, a.s.	25 May 2015
Lease of non-residential premises, movable assets, and payment of related services, including amendments (Plzeň)	Factoring KB, a.s.	30 Sep 2015
Service contract – information security services	Factoring KB, a.s.	27 Oct 2015
IT – Separate agreement no. 7, End-user workplace (EUW), provision of technical infrastructure solution services	Factoring KB, a.s.	18 Jan 2016
IT – Separate agreement no. 8, Service desk (SD), provision of technical infrastructure solution services	Factoring KB, a.s.	18 Jan 2016
IT – Separate agreement no. 9, Identity and access, provision of technical infrastructure solution services	Factoring KB, a.s.	18 Jan 2016
IT – Separate agreement no. 10, Platform hosting, provision of technical infrastructure solution services	Factoring KB, a.s.	18 Jan 2016
IT – Separate agreement no. 11, DR (disaster recovery), provision of technical infrastructure solution services	Factoring KB, a.s.	18 Jan 2016
IT – Separate agreement no. 6, Fileshare, provision of technical infrastructure solution services	Factoring KB, a.s.	29 Feb 2016
Group Insurance Agreement of Work-Related Accident and Occupational Disease Insurance for Members of Board of Directors and Administrators of the Financial Group of Komerční banka No. 334000000	Factoring KB, a.s.	26 Sep 2016
Lease of non-residential premises and payment of related services, including amendments (Ústí nad Labem)	Factoring KB, a.s.	1 Apr 2017
IT – Separate agreement no. 12, SOC - Vulnerability detection (VD), provision of technical infrastructure solution services	Factoring KB, a.s.	28 Aug 2017
Lease of non-residential premises and payment of related services, including amendments (Brno)	Factoring KB, a.s.	14 Dec 2017
Agreement on services – eDoceo	Factoring KB, a.s.	1 Apr 2018
Sublease agreement	Factoring KB, a.s.	26 Apr 2018
Agreement – outsourcing of DPO services	Factoring KB, a.s.	26 Apr 2018
Agreement to provide internal audit services, including amendments	Factoring KB, a.s.	21 May 2019
KYS Processing	Factoring KB, a.s.	1 Oct 2020

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Compliance Co-operation Agreement	Factoring KB, a.s.	3 Dec 2020
Contract for the payment of insurance premium and of insurance broker's commission	Factoring KB, a.s.	10 Feb 2021
Lease of non-residential premises and payment of related services (Palmovka)	Factoring KB, a.s.	1 Oct 2021
Contract on a future agreement on the lease of non-residential premises and payment for services related to their use	Factoring KB, a.s.	1 Oct 2021
Sublease of non-residential premises and payment for services related to their use	Factoring KB, a.s.	1 Jan 2023
Contract – Outsourcing services, including amendments	Factoring KB, a.s.	28 Mar 2023
Protocol on the transfer and acceptance of the leased object (6)	Factoring KB, a.s.	1 Jun 2023
Agreement on assignment of contract (6)	Factoring KB, a.s., ALD Automotive s.r.o.	1 Jun 2023
Agreement – Services: Edu Portal	Finbricks, s.r.o.	1 Jan 2022
Co-operation agreement	Finbricks, s.r.o.	24 Mar 2022
Separate agreement for the purpose of providing HR requirements	Finbricks, s.r.o.	24 Mar 2022
Service agreement – outsourcing	Finbricks, s.r.o.	2 May 2022
Rules for co-operation between KB and Group members in the area of sourcing and procurement – version no. II	Finbricks, s.r.o.	16 Feb 2023
AGREEMENT – SERVICES: Use of the Finbricks product Whitebricks for Mojeplatba	Finbricks, s.r.o.	13 Jun 2023
Non-disclosure agreement	Finbricks, s.r.o.	13 Jul 2023
AGREEMENT – SERVICES: PSD2 AGGREGATION PLATFORM	Finbricks, s.r.o.	18 Dec 2023
Agreement for the rental of motor vehicles	KB Advisory, s.r.o.	15 Nov 2019
Co-operation agreement	KB Advisory, s.r.o.	23 Jan 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	24 Jan 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	24 Jan 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	24 Jan 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	24 Jan 2020
Service agreement – outsourcing (services)	KB Advisory, s.r.o.	14 Feb 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	24 Feb 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	1 Apr 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	13 May 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	22 Jun 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	22 Jun 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	22 Jun 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	25 Jun 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	11 Jul 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	21 Jul 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	21 Jul 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	21 Jul 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	21 Jul 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	21 Jul 2020
Commercial agency agreement	KB Advisory, s.r.o.	29 Jul 2020
Agreement on services: eDoceo	KB Advisory, s.r.o.	1 Aug 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	4 Aug 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	4 Aug 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	4 Aug 2020
Framework agreement	KB Advisory, s.r.o.	31 Aug 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	22 Oct 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	29 Oct 2020
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	7 Jan 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	7 Jan 2021
Separate agreement no. 5 Provision of technical infrastructure solution services, EUW	KB Advisory, s.r.o.	8 Jan 2021
Separate agreement no. 1 Provision of technical infrastructure solution services – Connectivity services	KB Advisory, s.r.o.	8 Jan 2021
Separate agreement no. 2 Provision of technical infrastructure solution services – Data Storage Services	KB Advisory, s.r.o.	8 Jan 2021

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Separate agreement no. 3 Provision of technical infrastructure solution services – Collaborative Services	KB Advisory, s.r.o.	8 Jan 2021
Separate agreement no. 4 Provision of technical infrastructure solution services – Integration Services	KB Advisory, s.r.o.	8 Jan 2021
Separate agreement no. 6 Provision of technical infrastructure solution services – Security	KB Advisory, s.r.o.	8 Jan 2021
Separate agreement no. 7 Provision of technical infrastructure solution services – Application Maintenance and Support	KB Advisory, s.r.o.	8 Jan 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	27 Jan 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	9 Feb 2021
Contract for the payment of insurance premium and of insurance broker's commission	KB Advisory, s.r.o.	17 Feb 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	4 Mar 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	15 Mar 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	15 Mar 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	18 Mar 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	18 Mar 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	23 Mar 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	23 Mar 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	30 Mar 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	30 Mar 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	12 Apr 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Apr 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	15 Apr 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	28 Apr 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	12 May 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	24 May 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	24 May 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	16 Jun 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	16 Jun 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	17 Jun 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	18 Jun 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	28 Jun 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	28 Jun 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	28 Jun 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	1 Jul 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	1 Jul 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	9 Jul 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Jul 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	15 Jul 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	16 Jul 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	2 Aug 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	4 Aug 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	25 Aug 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	25 Aug 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	10 Sep 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	24 Sep 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	30 Sep 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	12 Oct 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	12 Oct 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	20 Oct 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	22 Nov 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	17 Dec 2021
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	7 Jan 2022

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	7 Jan 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	7 Jan 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	31 Jan 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	7 Feb 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	7 Feb 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	9 Feb 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	9 Feb 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	2 Mar 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	2 Mar 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	2 Mar 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	2 Mar 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	5 Mar 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Mar 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Mar 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Mar 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Mar 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Mar 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Mar 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Mar 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	21 Mar 2022
Compliance Co-operation Agreement	KB Advisory, s.r.o.	4 Apr 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	7 Apr 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	7 Apr 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	7 Apr 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	2 May 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	10 May 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	10 May 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	10 May 2022
Rules for co-operation between KB and Group members in the area of sourcing and procurement	KB Advisory, s.r.o.	16 May 2022
Non-disclosure agreement	KB Advisory, s.r.o.	18 May 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	30 May 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	30 May 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	30 Jun 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	10 Aug 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	1 Sep 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	17 Oct 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	17 Oct 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	17 Oct 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	17 Oct 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	17 Oct 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	8 Dec 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	13 Dec 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	13 Dec 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	16 Dec 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	19 Dec 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	22 Dec 2022
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	9 Jan 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	17 Jan 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	2 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	8 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	8 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Feb 2023

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Feb 2023
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Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	15 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	15 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	15 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	15 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	15 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	17 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	20 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	20 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	20 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	20 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	20 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	20 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	20 Feb 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	21 Mar 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	21 Mar 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	21 Mar 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	21 Mar 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	21 Mar 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	21 Mar 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	21 Mar 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	21 Mar 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	23 Mar 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	24 Mar 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	24 Mar 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	24 Mar 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	24 Mar 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	17 Apr 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	26 Apr 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	1 Jun 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	1 Jun 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	1 Jun 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	1 Jun 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	1 Jun 2023

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	1 Jun 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	29 Jun 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	8 Aug 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	5 Sep 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Sep 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	14 Sep 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	2 Oct 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	12 Oct 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	25 Oct 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	30 Oct 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	30 Oct 2023
Separate service agreement, consultancy in the field of providing subsidies	KB Advisory, s.r.o.	6 Dec 2023
Licensing agreement, including amendments	KB Penzijní společnost, a.s.	20 Dec 2004
Personal data processing framework agreement	KB Penzijní společnost, a.s.	11 Aug 2006
Service agreement (sharing data from subsidiaries), including amendments	KB Penzijní společnost, a.s.	24 Nov 2006
Mutual Co-operation agreement, including amendments	KB Penzijní společnost, a.s.	1 Aug 2007
Agreement for Co-operation within the Group under S. 5a of Act No. 235/2004, the VAT Act, including amendments	KB Penzijní společnost, a.s.	19 Nov 2008
Agreement on KB Call Centre Services, including amendments	KB Penzijní společnost, a.s.	31 Dec 2009
Service agreement – outsourcing (HR services), including amendments	KB Penzijní společnost, a.s.	4 Jan 2010
Service agreement – outsourcing, including amendments	KB Penzijní společnost, a.s.	9 Jan 2010
Co-operation agreement – Jobs	KB Penzijní společnost, a.s.	28 Apr 2010
Non-disclosure agreement	KB Penzijní společnost, a.s.	9 Jul 2010
Rules for co-operation between KB and group members in the area of sourcing and procurement	KB Penzijní společnost, a.s.	13 Sep 2010
Framework agreement to provide IT services, including amendments	KB Penzijní společnost, a.s.	2 Nov 2010
Notification service contract (Contract no. 1 relating to Framework Agreement)	KB Penzijní společnost, a.s.	10 Jun 2011
Co-operation Agreement, including amendments	KB Penzijní společnost, a.s.	10 Aug 2012
Sublease agreement (parking), including amendments	KB Penzijní společnost, a.s.	10 Aug 2012
Agreement for co-operation in performance of the contract for employee group risk insurance	KB Penzijní společnost, a.s.	22 Aug 2012
Agreement – outsourcing of services (documentation processing)	KB Penzijní společnost, a.s.	25 Sep 2012
Contract for the provision of technical infrastructure services – Connectivity services (Contract no. 2 relating to Framework Agreement), including amendments	KB Penzijní společnost, a.s.	20 Dec 2012
Agreement for the provision of technical infrastructure solution services - Physical Hosting of Equipment (Agreement no. 3 to framework agreement), including amendments	KB Penzijní společnost, a.s.	20 Dec 2012
Agreement for the provision of technical infrastructure solution services – IT Infrastructure hosting – VMWare (Agreement no. 4 to framework agreement), including amendments	KB Penzijní společnost, a.s.	20 Dec 2012
Contract for the provision of technical infrastructure services – Voice over IP (Contract no. 5 relating to Framework Agreement)	KB Penzijní společnost, a.s.	31 Dec 2012
Agreement – outsourcing of HR services (excluding Payroll), including amendments	KB Penzijní společnost, a.s.	1 Jan 2013
Agreement – outsourcing of Services: operational risks, including amendments	KB Penzijní společnost, a.s.	25 Mar 2013
Service agreementz, including amendments	KB Penzijní společnost, a.s.	21 May 2013
Contract for the provision of technical infrastructure services – Fileshare service (Contract no. 6 relating to Framework Agreement)	KB Penzijní společnost, a.s.	8 Aug 2013
Contract for the provision of technical infrastructure services –Smartphone service (Contract no. 7 relating to Framework Agreement)	KB Penzijní společnost, a.s.	8 Aug 2013
Contract for the provision of technical infrastructure services – EUW service (Contract no. 8 relating to Framework Agreement)	KB Penzijní společnost, a.s.	8 Aug 2013
Contract for the provision of technical infrastructure services – Service desk (Contract no. 9 relating to Framework Agreement)	KB Penzijní společnost, a.s.	8 Aug 2013
Contract for the provision of technical infrastructure services – E-mail service (Contract no. 10 relating to Framework Agreement)	KB Penzijní společnost, a.s.	8 Aug 2013
Non-disclosure agreement	KB Penzijní společnost, a.s.	12 Aug 2013

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Contract for issue of payment place mandate	KB Penzijní společnost, a.s.	1 Oct 2013
Contract for personal data processing (in connection with contract for issue of payment place mandate)	KB Penzijní společnost, a.s.	1 Oct 2013
Service contract – outsourcing – BI services	KB Penzijní společnost, a.s.	1 Nov 2013
Contract for the provision of technical infrastructure services – identity and access (Contract no. 13 relating to Framework Agreement)	KB Penzijní společnost, a.s.	31 Jan 2014
Contract for the provision of technical infrastructure services – Platform hosting (Contract no. 11 relating to Framework Agreement)	KB Penzijní společnost, a.s.	17 Jun 2014
Framework agreement for the rental of employee-driven motor vehicles, including amendments	KB Penzijní společnost, a.s.	22 Sep 2014
2 x Backup site provision agreement	KB Penzijní společnost, a.s.	10 Nov 2014
Service level agreement	KB Penzijní společnost, a.s.	24 Nov 2014
Contract of mandate – supplier contract management, including amendments	KB Penzijní společnost, a.s.	31 Dec 2014
Contract for the provision of technical infrastructure services – KBPS application development (Contract no. 16 relating to Framework Agreement)	KB Penzijní společnost, a.s.	4 Mar 2015
Contract for the provision of technical infrastructure services – Application Support (Contract no. 17 relating to Framework Agreement)	KB Penzijní společnost, a.s.	4 Mar 2015
Agreement of Work-Related accident and occupational disease insurance for Members of Board of Directors and Administrators of the Financial Group of Komerční banka/Société Générale No. 333000000	KB Penzijní společnost, a.s.	23 Mar 2015
Agreement for the sublease of parking places no. 21866, including amendments	KB Penzijní společnost, a.s.	31 Mar 2015
Agreement to provide services regarding OHS, environmental protection and fire protection, including amendments	KB Penzijní společnost, a.s.	28 May 2015
Purchase agreement	KB Penzijní společnost, a.s.	7 Mar 2016
Contract for the provision of technical infrastructure services – HW rental (Contract no. 15 relating to Framework Agreement)	KB Penzijní společnost, a.s.	20 Jul 2016
Agreement for co-operation in performance of group insurance agreement of work-related accident and occupational disease insurance for Members of Board of Directors and administrators of the financial group of Komerční banka/Société Générale no. 334000000	KB Penzijní společnost, a.s.	12 Sep 2016
Contract for the provision of technical infrastructure services – Notification service (Contract no. 18 relating to Framework Agreement)	KB Penzijní společnost, a.s.	3 Oct 2016
Contract for the provision of technical infrastructure services and user accounts – Small application operation (Contract no. 14 relating to Framework Agreement)	KB Penzijní společnost, a.s.	16 Feb 2017
Framework agreement to provide electronic communication mobile services	KB Penzijní společnost, a.s.	28 Dec 2017
Sublease agreement	KB Penzijní společnost, a.s.	27 Mar 2018
Agreement on services: eDoceo	KB Penzijní společnost, a.s.	31 Mar 2018
Agreement – outsourcing of DPO services	KB Penzijní společnost, a.s.	26 Apr 2018
Agreement on provision of research	KB Penzijní společnost, a.s.	4 Jun 2018
Purchase agreement for the sale of movable property	KB Penzijní společnost, a.s.	20 Jun 2018
Service agreement – outsourcing (accounting services)	KB Penzijní společnost, a.s.	31 Dec 2018
Distribution agreement for products “Pension Saving Plan – Pillar II” and “Supplementary Pension Saving Plan with a State Contribution – Pillar III”, including amendments	KB Penzijní společnost, a.s.	18 Jul 2019
Purchase agreement for the sale of movable property	KB Penzijní společnost, a.s.	4 Mar 2020
Purchase agreement for the sale of movable property	KB Penzijní společnost, a.s.	1 Apr 2020
Purchase agreement for the sale of movable property	KB Penzijní společnost, a.s.	2 Sep 2020
Compliance Co-operation Agreement	KB Penzijní společnost, a.s.	3 Dec 2020
Contract for the payment of insurance premium and of insurance broker’s commission	KB Penzijní společnost, a.s.	12 Feb 2021
Service agreement	KB Penzijní společnost, a.s.	21 Apr 2021
Agreement on KB Contact Centre Services	KB Penzijní společnost, a.s.	11 May 2021
Memorandum of Supervision and Co-operation in Risk Area	KB Penzijní společnost, a.s.	28 May 2021
Agreement for the provision of technical infrastructure services – Middleware as a Service (Separete Agreement no. 19 relating to Framework Agreement)	KB Penzijní společnost, a.s.	8 Oct 2021
Memorandum of Supervision and Co-operation in Risk Area	KB Penzijní společnost, a.s.	15 Nov 2021

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Agreement for the lease of non-residential premises and payment of related services	KB Penzijní společnost, a.s.	2 Jan 2022
Agreement for future agreement for the lease of non-residential premises and payment of related services	KB Penzijní společnost, a.s.	2 Jan 2022
Memorandum of Supervision and Co-operation in Risk Area	KB Penzijní společnost, a.s.	14 Jan 2022
Sublease of non-residential premises and payment of related services no. 27013	KB Penzijní společnost, a.s.	1 Jan 2023
Framework agreement on the management of motor vehicles operated by the subsidiary	KB Penzijní společnost, a.s.	30 Jun 2023
Compliance Co-operation Agreement – outsourcing	KB Penzijní společnost, a.s.	20 Jul 2023
AGREEMENT – SERVICES and LICENSE: APPLICATION KBO	KB Penzijní společnost, a.s.	25 Jul 2023
Agreement on the transfer of client identification data in compliance with regulatory prudential rules	KB Penzijní společnost, a.s.	5 Sep 2023
Purchase agreement for the sale of movable property	KB Penzijní společnost, a.s.	6 Oct 2023
Agreement – outsourcing of services: KYC approval of KBPS's client	KB Penzijní společnost, a.s.	8 Nov 2023
Agreement on the organisation of periodic control, including amendments	KB Penzijní společnost, a.s., Société Générale S.A.	21 Jan 2011
Co-operation agreement	KB Poradenství, s.r.o.	27 Sep 2023
Agreement for cooperation within VAT group	KB Poradenství, s.r.o.	27 Sep 2023
Supplementary payment agreement	KB Poradenství, s.r.o.	10 Oct 2023
Service agreement	KB Poradenství, s.r.o.	10 Dec 2023
Real estate lease agreement, including amendments	KB Real Estate, s.r.o.	4 Jun 2012
Co-operation agreement regarding use of real estate, including amendments	KB Real Estate, s.r.o.	1 Sep 2012
Service agreement – outsourcing (accounting services)	KB Real Estate, s.r.o.	1 Apr 2015
Service agreement – outsourcing (support services)	KB Real Estate, s.r.o.	3 Nov 2015
Contract for the payment of insurance premium and of insurance broker's commission	KB Real Estate, s.r.o.	17 Feb 2021
Co-operation agreement	KB Real Estate, s.r.o.	3 Dec 2021
Purchase agreement for the sale of movable property	KB Real Estate, s.r.o.	10 Jun 2022
Service agreement	KB Real Estate, s.r.o.	1 Jul 2022
Lease agreement	KB Real Estate, s.r.o.	1 Jul 2022
Sub-lease of non-residential premises and payment of related services	KB Real Estate, s.r.o.	20 Dec 2022
Service agreement	KB Real Estate, s.r.o.	2 Jan 2023
Purchase agreement for the sale of movable property	KB Real Estate, s.r.o.	15 Feb 2023
Lease of non-residential premises and payment of related services	KB Real Estate, s.r.o.	28 Dec 2023
Group co-operation agreement under Sec. 5a of VAT Act no. 235/2004 Coll.	KB SmartSolutions, s.r.o.	7 Mar 2019
Business Co-operation agreement	KB SmartSolutions, s.r.o.	16 Oct 2020
Co-operation agreement	KB SmartSolutions, s.r.o.	10 Dec 2020
Rules for co-operation between KB and Group members in the area of sourcing and procurement	KB SmartSolutions, s.r.o.	10 Dec 2020
Contract for the payment of insurance premium and of insurance broker's commission	KB SmartSolutions, s.r.o.	10 Feb 2021
Compliance Co-operation Agreement	KB SmartSolutions, s.r.o.	20 Sep 2021
Service agreement – outsourcing	KB SmartSolutions, s.r.o.	3 Jan 2022
Supplementary payment agreement	KB SmartSolutions, s.r.o.	28 Jun 2023
Supplementary payment agreement	KB SmartSolutions, s.r.o.	20 Sep 2023
Agreement on providing advantageous conditions of KB products for KBSS employees	KB SmartSolutions, s.r.o.	5 Oct 2023
Agreement on co-operation in the field of consultations and synergies	KB SmartSolutions, s.r.o.	5 Dec 2023
Agreement on the organisation of periodic control	KB SmartSolutions, s.r.o., Société Générale S.A.	13 Feb 2023
Group insurance agreement, including amendments	Komerční pojišťovna, a.s.	9 Jan 2003
Framework co-operation agreement no. 3010000235 (Spektrum insurance program), including amendments	Komerční pojišťovna, a.s.	28 Jan 2003
Service agreement (Licensing agreement), including amendments	Komerční pojišťovna, a.s.	20 Dec 2004
Lease of non-residential premises (Brno), including amendments	Komerční pojišťovna, a.s.	31 May 2005
Contract to distribute "Merlin", including amendments	Komerční pojišťovna, a.s.	25 Apr 2006

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Contract to distribute “PATRON”	Komerční pojišťovna, a.s.	25 Apr 2006
Contract to distribute "Profi Merlin", including amendments	Komerční pojišťovna, a.s.	25 Apr 2006
Contract to distribute “PROFI PATRON”	Komerční pojišťovna, a.s.	25 Apr 2006
Contract to distribute "Vital Program and Vital Plus Program", including amendments	Komerční pojišťovna, a.s.	25 Apr 2006
Contract to distribute "RL Mortgage loans", including amendments	Komerční pojišťovna, a.s.	25 Apr 2006
Contract to distribute "Vital Grant", including amendments	Komerční pojišťovna, a.s.	25 Apr 2006
Contract to distribute "Vital", including amendments	Komerční pojišťovna, a.s.	25 Apr 2006
Payment co-operation agreement	Komerční pojišťovna, a.s.	29 May 2006
Contract to distribute "Travel Insurance", including amendments	Komerční pojišťovna, a.s.	14 Jul 2006
Contract to distribute "Vital Invest", including amendments	Komerční pojišťovna, a.s.	4 Oct 2006
Contract to distribute "Vital Premium", including amendments	Komerční pojišťovna, a.s.	18 Dec 2006
Agreement to accept payment cards – Internet, including amendments	Komerční pojišťovna, a.s.	29 Mar 2007
Agreement to provide a chip card reader	Komerční pojišťovna, a.s.	2 Apr 2007
Agreement to send electronic notifications of clearing	Komerční pojišťovna, a.s.	5 Jun 2007
Framework distribution agreement, including amendments	Komerční pojišťovna, a.s.	22 Jun 2007
Lease of non-residential premises, movable assets, and payment of related services (Ostrava)	Komerční pojišťovna, a.s.	29 Jun 2007
Agreement for collective consumer loans insurance no. 3010000000, including amendments	Komerční pojišťovna, a.s.	1 Aug 2007
Mutual Co-operation agreement (bank services conditions), including amendments	Komerční pojišťovna, a.s.	1 Aug 2007
Agreement for collective credit cards insurance no. 3040000000, including amendments	Komerční pojišťovna, a.s.	1 Nov 2007
Fees clearing agreement	Komerční pojišťovna, a.s.	1 Oct 2008
VAT Co-operation agreement, including amendments	Komerční pojišťovna, a.s.	21 Nov 2008
Agreement for collective payment cards insurance no. 2149500001, including amendments	Komerční pojišťovna, a.s.	26 Jan 2009
Co-operation agreement – synergy in using part of KB infrastructure	Komerční pojišťovna, a.s.	26 Mar 2009
Agreement for collective corporate loans insurance no. 3140000000 including amendments	Komerční pojišťovna, a.s.	5 May 2009
Contract to distribute "Brouček", including amendments	Komerční pojišťovna, a.s.	15 Jun 2009
Agreement for collective Merlin and Profi Merlin insurance, including amendments	Komerční pojišťovna, a.s.	5 Oct 2009
Custody agreement – Vital Invest Forte, including amendments	Komerční pojišťovna, a.s.	6 Oct 2009
Agreement for co-operation in portfolio valuation	Komerční pojišťovna, a.s.	9 Dec 2009
Agreement to accept electronic payments using Mojeplatba service, including amendments	Komerční pojišťovna, a.s.	14 Dec 2009
Agreement to provide call centre services	Komerční pojišťovna, a.s.	31 Dec 2009
Service agreement – Outsourcing (HR services), including amendments	Komerční pojišťovna, a.s.	21 Apr 2010
Confidentiality agreement	Komerční pojišťovna, a.s.	9 Jul 2010
Framework agreement for the provision of IT services no. 2040/2010/0000008044/0000 + 9 separate agreements, including amendments (separate agreement no. 6 terminated in 2020)	Komerční pojišťovna, a.s.	14 Sep 2010
Accession to the rules of co-operation between KB and Group members in the area of sourcing and acquisitions	Komerční pojišťovna, a.s.	15 Sep 2010
Contract regarding the financial instrument – fund Forte 5, 6, 7, 8	Komerční pojišťovna, a.s.	13 Dec 2010
Contract regarding two types of the collective insurance of KB cards "A karta" and "Lady" no. 3230000000, including amendments	Komerční pojišťovna, a.s.	31 Mar 2011
Contract regarding the financial instrument – fund Forte 9	Komerční pojišťovna, a.s.	21 Jul 2011
Contract regarding the financial instrument – fund Optimo 6Y EMTN	Komerční pojišťovna, a.s.	20 Sep 2011
Collective insurance agreement "Moje pojištění plateb" no. 3240000000, including amendments	Komerční pojišťovna, a.s.	7 Dec 2011
Collective insurance agreement "Profi pojištění plateb" no. 3250000000, including amendments	Komerční pojišťovna, a.s.	7 Dec 2011
Contract regarding the financial instrument – fund Optimo Commodities I	Komerční pojišťovna, a.s.	19 Dec 2011
Contract for employee group risk insurance no. 3280000000 + 1 agreement, including amendments	Komerční pojišťovna, a.s.	29 Feb 2012
Contract regarding the financial instrument – fund Optimo Commodities II	Komerční pojišťovna, a.s.	24 Apr 2012

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Contract to distribute "Vital Premium in EUR", including amendments	Komerční pojišťovna, a.s.	23 Nov 2012
Co-operation agreement no. 000020484/0000, including amendments	Komerční pojišťovna, a.s.	21 Dec 2012
Framework agreement to indemnify clients	Komerční pojišťovna, a.s.	21 Jan 2013
Contract for collective insurance of corporate cards and golden corporate cards no. 3290000000	Komerční pojišťovna, a.s.	21 Jan 2013
Adherence letter (of 3 July 2013)	Komerční pojišťovna, a.s.	3 Jul 2013
Agreement for optional collective consumer loans insurance no. 3300000000	Komerční pojišťovna, a.s.	16 Aug 2013
Contract to distribute "RLI MojeJistota", including amendments	Komerční pojišťovna, a.s.	27 Sep 2013
Contract of co-operation in the area of IFRS standards reporting	Komerční pojišťovna, a.s.	4 Dec 2014
Contract to distribute "Vital Premium in USD"	Komerční pojišťovna, a.s.	31 Mar 2015
Contract regarding new funds with guaranteed returns	Komerční pojišťovna, a.s.	27 Apr 2015
Agreement to provide fictive cash-pooling for a separate legal entity	Komerční pojišťovna, a.s.	23 Jun 2015
Contract regarding SGI Index (funds with guaranteed returns)	Komerční pojišťovna, a.s.	16 Sep 2015
Agreement to provide a chip card reader	Komerční pojišťovna, a.s.	1 Oct 2015
Service contract – Outsourcing – BI services	Komerční pojišťovna, a.s.	10 Dec 2015
Agreement to distribute "MojePojištění majetku", including amendments	Komerční pojišťovna, a.s.	25 Apr 2016
Agreement to insure members of the Board of Directors no. 334000000, including amendments	Komerční pojišťovna, a.s.	13 Jul 2016
Agreement to access to contract and personal data processing (insurance of members of the Board of Directors) no. 334000000	Komerční pojišťovna, a.s.	6 Oct 2016
Agreement to pay the cost of using the IBM Websphere application server license	Komerční pojišťovna, a.s.	1 Feb 2017
Contract for collective insurance Merlin Junior no. 4100000000	Komerční pojišťovna, a.s.	27 Mar 2018
Individual pricing agreement, including amendments	Komerční pojišťovna, a.s.	11 Apr 2018
Agreement – outsourcing of DPO services by Komerční banka, a.s.	Komerční pojišťovna, a.s.	24 May 2018
Agreement to provide a chip card reader	Komerční pojišťovna, a.s.	31 Jul 2018
Agreement of co-operation between Expert Centres	Komerční pojišťovna, a.s.	2 Nov 2018
Agreement to provide a chip card reader	Komerční pojišťovna, a.s.	14 Nov 2018
Agreement – documents archiving outsourcing services	Komerční pojišťovna, a.s.	2 Jan 2019
Distribution agreement for product "Vital Platinum Private"	Komerční pojišťovna, a.s.	1 Feb 2019
Service agreement – Bagman application	Komerční pojišťovna, a.s.	19 Feb 2019
Contract relating to financial instrument – Protective Private fund	Komerční pojišťovna, a.s.	30 Apr 2019
Service agreement – eDoceo	Komerční pojišťovna, a.s.	21 May 2019
Contract relating to financial instrument – Protective Private fund 2	Komerční pojišťovna, a.s.	10 Jun 2019
Contract relating to financial instrument – Protective Private fund 3	Komerční pojišťovna, a.s.	1 Oct 2019
Co-operation agreement – looking for potential clients (MutuMutu), including amendments	Komerční pojišťovna, a.s.	1 Dec 2019
Contract relating to financial instrument – Protective fund 9	Komerční pojišťovna, a.s.	12 Feb 2020
Contract relating to financial instrument – Protective fund 9	Komerční pojišťovna, a.s.	31 Mar 2020
Contract relating to financial instrument – Protective fund 10	Komerční pojišťovna, a.s.	4 Sep 2020
Contract relating to financial instrument – Protective fund 10	Komerční pojišťovna, a.s.	14 Sep 2020
Agreement on Vital products and MojeJistota insurance product remote contract conclusion and archiving	Komerční pojišťovna, a.s.	24 Sep 2020
Commitment Agreement – Protective 11	Komerční pojišťovna, a.s.	10 Dec 2020
Compliance Co-operation Agreement	Komerční pojišťovna, a.s.	21 Jan 2021
Providing KP IT application services for property insurance	Komerční pojišťovna, a.s.	9 Feb 2021
Contract for the payment of insurance premium and of insurance broker’s commission	Komerční pojišťovna, a.s.	17 Feb 2021
Contract termination agreement (Agreement on KB Call Centre Services)	Komerční pojišťovna, a.s.	30 Mar 2021
Sub-lease of non-residential premises and payment of related services (HK, Čelakovského)	Komerční pojišťovna, a.s.	28 Jun 2021
Contract of a future contract on sublease of non-residential premises and payment for services related to their use + Contract on sublease of non-residential premises	Komerční pojišťovna, a.s.	1 Oct 2021
Sublease agreement	Komerční pojišťovna, a.s.	24 Nov 2021
Contract for sublease of parking spaces, including amendments (Siemens)	Komerční pojišťovna, a.s.	24 Nov 2021

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Sub-lease of non-residential premises and payment of related services and loan agreement (Jihlava)	Komerční pojišťovna, a.s.	20 Dec 2021
Service agreement – Provision of postal services and disposal of duplicate documentation	Komerční pojišťovna, a.s.	22 Dec 2021
Agreement – Outsourcing of services: Fraud Document Detection – service as Pilot Test	Komerční pojišťovna, a.s.	24 May 2022
Agreement – Outsourcing services: Fraud Document Detection – service as revised Pilot Test	Komerční pojišťovna, a.s.	1 Dec 2022
Sub-lease of non-residential premises and payment of related services and movable property loan agreement	Komerční pojišťovna, a.s.	1 Jan 2023
Agreement on the sublease of parking spaces	Komerční pojišťovna, a.s.	1 Jan 2023
Assignment of rights and certificates of non-ownership	Komerční pojišťovna, a.s.	22 Mar 2023
Agreement – outsourcing of Service: Message Transfer via SWIFT Network	Komerční pojišťovna, a.s.	1 Jun 2023
Framework agreement on sub-lease of reference cars	Komerční pojišťovna, a.s.	1 Jun 2023
Memorandum of Understanding	Komerční pojišťovna, a.s.	26 Jun 2023
AGREEMENT – SERVICE and LICENSE: Application KBO2	Komerční pojišťovna, a.s.	31 Jul 2023
Agreement on the transfer of client identification data in compliance with regulatory prudential rules	Komerční pojišťovna, a.s.	11 Aug 2023
Agreement – clients data in ZOOM KB and KB Poradenství	Komerční pojišťovna, a.s.	29 Sep 2023
Agreement on collective insurance of payment cards and personal belongings No. 9999940002	Komerční pojišťovna, a.s.	15 Nov 2023
SEPARATE DISTRIBUTION AGREEMENT FOR PRODUCT “MojeCestování”	Komerční pojišťovna, a.s.	15 Nov 2023
Commitment agreement – Stabilita 3	Komerční pojišťovna, a.s., Société Générale S.A.	6 Jun 2023
Commitment agreement – Stabilita 5	Komerční pojišťovna, a.s., Société Générale S.A.	19 Sep 2023
Commitment Letter – Stabilita 6	Komerční pojišťovna, a.s., Société Générale S.A.	25 Oct 2023
Contract relating to financial instrument – fond Certus and Certus 2	Komerční pojišťovna, a.s., Société Générale S.A.	14 Jan 2013
Agreement on the organisation of periodic control, including amendments	Komerční pojišťovna, a.s., Société Générale S.A.	24 Jun 2013
Contract relating to financial instrument – fond Certus 5	Komerční pojišťovna, a.s., Société Générale S.A.	12 Jan 2016
Contract relating to financial instrument – fond Certus 6	Komerční pojišťovna, a.s., Société Générale S.A.	8 Mar 2016
Contract relating to financial instrument – fond Certus 7	Komerční pojišťovna, a.s., Société Générale S.A.	18 Aug 2016
Contract relating to financial instrument – fond Certus 8	Komerční pojišťovna, a.s., Société Générale S.A.	10 Feb 2017
Contract relating to financial instrument – fond Certus 9	Komerční pojišťovna, a.s., Société Générale S.A.	11 Aug 2017
Commitment Agreement – Protective 12	Komerční pojišťovna, a.s., Société Générale S.A.	15 Feb 2021
Commitment Agreement – Protective 13	Komerční pojišťovna, a.s., Société Générale S.A.	24 May 2021
Commitment Agreement – Protective 14	Komerční pojišťovna, a.s., Société Générale S.A.	3 Dec 2021
Commitment agreement (Stabilita) + attachements	Komerční pojišťovna, a.s., Société Générale S.A.	14 Mar 2022
Commitment agreement Stabilita + attachements	Komerční pojišťovna, a.s., Société Générale S.A.	14 Mar 2022
Commitment agreement Stabilita 2 + attachements	Komerční pojišťovna, a.s., Société Générale S.A.	30 Jun 2022
Commitment Agreement – Stabilita 4	Komerční pojišťovna, a.s., Société Générale S.A.	7 Mar 2023
AGREEMENT ON THE ORGANISATION OF PERIODIC CONTROL	Komerční pojišťovna, a.s., Société Générale S.A.	8 Nov 2023
Contract for the use of KB’s sales network – PO (products and customer intelligence)	Modrá pyramida stavební spořitelna, a.s.	1 Mar 2005

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Confidentiality Agreement – four-party contract – TTS (company secretary team)	Modrá pyramida stavební spořitelna, a.s.	11 Aug 2006
Lease agreement – garage parking places, including amendments	Modrá pyramida stavební spořitelna, a.s.	31 Jan 2007
Mutual Co-operation agreement of 31 August 2007, including amendments	Modrá pyramida stavební spořitelna, a.s.	1 Aug 2007
Outsourcing Agreement – Treasury – TF	Modrá pyramida stavební spořitelna, a.s.	7 Feb 2008
Lease of non-residential premises and payment of related services (Uherský Brod) – support services team	Modrá pyramida stavební spořitelna, a.s.	20 Nov 2008
Contract for co-operation within the Group under S. 5a of Act no. 235/2004, the VAT Act, as Amended, including amendments	Modrá pyramida stavební spořitelna, a.s.	27 Nov 2008
Confidentiality agreement relating to “HP OV SD license agreement” – IT	Modrá pyramida stavební spořitelna, a.s.	9 Feb 2009
Agreement to cover costs of license usage (replacing the oral agreement to cover costs of license usage of 2007), including amendments	Modrá pyramida stavební spořitelna, a.s.	28 May 2009
Framework agreement for personal data processing (MPSS as administrator, KB as processor) of 30 May 2009, including amendments	Modrá pyramida stavební spořitelna, a.s.	30 May 2009
Framework agreement for personal data processing (KB as administrator, MPSS as processor) of 30 May 2009 – PCI	Modrá pyramida stavební spořitelna, a.s.	30 May 2009
Agreement on KB call centre services of 1 January 2010 including cost re-invoicing from KB to MPSS in 2014 – MARK	Modrá pyramida stavební spořitelna, a.s.	1 Jan 2010
Confidentiality agreement relating to “Outsourcing agreement (HR services)”	Modrá pyramida stavební spořitelna, a.s.	27 Apr 2010
Confidentiality agreement relating to the “Contract of co-operation in the area of sourcing and procurement” – support services team	Modrá pyramida stavební spořitelna, a.s.	9 Jul 2010
Accession to the rules of co-operation between KB and FG members in the area of sourcing and acquisitions of 13 September 2010 – support services team	Modrá pyramida stavební spořitelna, a.s.	16 Sep 2010
Service Agreement – outsourcing (HR services), including amendments	Modrá pyramida stavební spořitelna, a.s.	30 Nov 2010
Framework service agreement of 24 January 2011, including amendments – support services team	Modrá pyramida stavební spořitelna, a.s.	24 Jan 2011
Separate distribution agreement (Perfektní půjčka) of 1 April 2011, including amendments	Modrá pyramida stavební spořitelna, a.s.	1 Apr 2011
Separate distribution agreement (MůjÚčet, G2.2) of 1 April 2011, including amendments	Modrá pyramida stavební spořitelna, a.s.	1 Apr 2011
Separate distribution agreement (A card, Lady card, VISA Elektron credit card) of 1 April 2011, including amendments	Modrá pyramida stavební spořitelna, a.s.	1 Apr 2011
Universal agreement to hand over cash in packaging – TF	Modrá pyramida stavební spořitelna, a.s.	15 May 2011
ATM placement contract no. 2004/2011/9526 – FT	Modrá pyramida stavební spořitelna, a.s.	3 Oct 2011
Separate agreement no. 4 of 31 October 2011 regarding framework agreement to provide IT services of 24 January 2011, including amendments	Modrá pyramida stavební spořitelna, a.s.	31 Oct 2011
Separate agreement no. 2 of 31 October 2011 under the Framework Agreement for IT delivery of 24 January 2011, including amendments	Modrá pyramida stavební spořitelna, a.s.	31 Oct 2011
Separate agreement no. 3 of 31 October 2011 under the Framework Agreement for IT delivery of 24 January 2011, including amendments	Modrá pyramida stavební spořitelna, a.s.	31 Oct 2011
Separate agreement no. 1 of 30 November 2011 under IT supply framework agreement of 24 January 2011, including amendments	Modrá pyramida stavební spořitelna, a.s.	30 Nov 2011
Outsourcing agreement: Assessment of real-estate-development-related risks for MPSS in KB – RISK system	Modrá pyramida stavební spořitelna, a.s.	20 Dec 2011
ATM placement contract no. 20076/0000 – FT	Modrá pyramida stavební spořitelna, a.s.	20 Feb 2012
ATM placement contract no. 20162/0000 – FT	Modrá pyramida stavební spořitelna, a.s.	2 Apr 2012
Separate agreement no. 5 relating to IT supply framework agreement – IT of 24 January 2011, including amendments	Modrá pyramida stavební spořitelna, a.s.	29 Jun 2012
Agreement for co-operation in performance of the contract for employee group risk insurance no. 3280000000, in the wording of amendment no. 1 of 29 June 2012 – support services team	Modrá pyramida stavební spořitelna, a.s.	10 Sep 2012
Co-operation agreement, including amendments	Modrá pyramida stavební spořitelna, a.s.	31 Jan 2013
Framework agreement to provide extra conditions to KB and SG Group employees – holders of MPSS building savings plans, including amendments	Modrá pyramida stavební spořitelna, a.s.	1 Nov 2013
Distribution agreement for products "Loans to housing co-operatives and apartment owners associations", including amendments	Modrá pyramida stavební spořitelna, a.s.	1 Nov 2013
Agreement on KB x MPSS Risk Management Co-operation and relating SLA (8 pieces) – RISK	Modrá pyramida stavební spořitelna, a.s.	31 Mar 2014
SLA – Agreement on Pre-Scoring of Clients and Negative Information Delivery – RISK	Modrá pyramida stavební spořitelna, a.s.	31 Mar 2014

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
SLA – Agreement on Scoring Model for HC and AO – RISK	Modrá pyramida stavební spořitelna, a.s.	31 Mar 2014
SLA – Agreement on Delivery of Inputs for Real Estate Revaluation – RISK	Modrá pyramida stavební spořitelna, a.s.	31 Mar 2014
SLA – Agreement on Exchange of Fraud Lists – RISK	Modrá pyramida stavební spořitelna, a.s.	31 Mar 2014
SLA – Agreement on Scoring Calculator for MPSS – RISK	Modrá pyramida stavební spořitelna, a.s.	31 Mar 2014
SLA – Agreement on Co-operation on IRBA Implementation in MPSS – RISK	Modrá pyramida stavební spořitelna, a.s.	31 Mar 2014
SLA – Agreement on Data Administration and delivery for Collecte Reporting – RISK	Modrá pyramida stavební spořitelna, a.s.	31 Mar 2014
SLA – Agreement on Risk services renumeration – RISK	Modrá pyramida stavební spořitelna, a.s.	31 Mar 2014
Sublease of non-residential premises and payment of related services – support services team	Modrá pyramida stavební spořitelna, a.s.	1 Sep 2014
Agreement to enter into a sublease of non-residential premises and payment of related services – support services team	Modrá pyramida stavební spořitelna, a.s.	1 Sep 2014
Service level agreement – co-operation in the area of accounting and reporting – TF	Modrá pyramida stavební spořitelna, a.s.	10 Dec 2014
Distribution agreement concerning the "Consumer Loan" product – PCI	Modrá pyramida stavební spořitelna, a.s.	18 Dec 2014
Agreement – Services PD/LGD Models for RWA calculation – RISK	Modrá pyramida stavební spořitelna, a.s.	18 Dec 2014
Agreement – outsourcing of HR services (excluding Payroll) – HR	Modrá pyramida stavební spořitelna, a.s.	29 Jan 2016
Contract for negative information exchange within KB/SG FG in the Czech Republic – RISK	Modrá pyramida stavební spořitelna, a.s.	19 Feb 2016
Contract for personal data protection and provision (debt collection) – RISK	Modrá pyramida stavební spořitelna, a.s.	29 Feb 2016
Memorandum of Understanding – co-operation within KB Group in collective claim assignment – RISK	Modrá pyramida stavební spořitelna, a.s.	3 Mar 2016
Agreement for co-operation in performance of the group insurance agreement on work-related accident and occupational disease insurance for Members of Board of Directors and administrators of the financial group of Komerční banka/SG no. 334000000 – support services team	Modrá pyramida stavební spořitelna, a.s.	27 Sep 2016
Separate agreement no. 6 regarding framework agreement to provide IT services of 24 January 2011 – IT	Modrá pyramida stavební spořitelna, a.s.	15 Feb 2017
Service agreement – outsourcing – data warehouse of 20 December 2017 – IT	Modrá pyramida stavební spořitelna, a.s.	20 Dec 2017
Separate agreement no. 7 regarding framework agreement to provide IT services of 24 January 2011 – IT	Modrá pyramida stavební spořitelna, a.s.	16 Feb 2018
Agreement – outsourcing of DPO services – support services team	Modrá pyramida stavební spořitelna, a.s.	23 Apr 2018
Separate agreement no. 8 regarding framework agreement to provide IT services of 24 January 2011 – IT	Modrá pyramida stavební spořitelna, a.s.	7 May 2018
Agreement on services: eDoceo of 12 June 2018 – HR	Modrá pyramida stavební spořitelna, a.s.	12 Jun 2018
Commercial agency agreement – housing consumer loan	Modrá pyramida stavební spořitelna, a.s.	22 Oct 2018
Online services outsourcing agreement – PCI	Modrá pyramida stavební spořitelna, a.s.	31 Jan 2019
Separate oral agreement for MP HOME implementation (CAAS) – IT	Modrá pyramida stavební spořitelna, a.s.	1 Oct 2019
Separate agreement no. 12 – service agreement – reporting regarding the Framework agreement of 24 January 2011 – IT	Modrá pyramida stavební spořitelna, a.s.	31 Oct 2019
ATM placement agreement no. 25070/0000 – TF	Modrá pyramida stavební spořitelna, a.s.	16 Apr 2020
Separate agreement no. 11 IDENTITY ACCESS (I&A) – licence for MP operators – IT	Modrá pyramida stavební spořitelna, a.s.	30 Sep 2020
Separate agreement no. 13 CMS Kentico components MP – IT	Modrá pyramida stavební spořitelna, a.s.	30 Sep 2020
Agreement to cooperate in accepting client identification and handing over bank information about clients – digital service team	Modrá pyramida stavební spořitelna, a.s.	7 Oct 2020
Agreement for the provision of company certificate	Modrá pyramida stavební spořitelna, a.s.	29 Oct 2020
MůjPodpis Service Agreement – PCI	Modrá pyramida stavební spořitelna, a.s.	29 Oct 2020
Contract for work and contract for assignment of property rights (housing factory) – IT, including amendments	Modrá pyramida stavební spořitelna, a.s.	22 Dec 2020
Contract for executing inspection SLC as part of permanent control – OpRisk	Modrá pyramida stavební spořitelna, a.s.	23 Dec 2020
Compliance co-operation agreement	Modrá pyramida stavební spořitelna, a.s.	5 Jan 2021
Contract for the payment of insurance premium and of insurance broker's commission	Modrá pyramida stavební spořitelna, a.s.	17 Feb 2021
Separate agreement no. 9 regarding Provision of technical infrastructure solution services – Telephony Services	Modrá pyramida stavební spořitelna, a.s.	16 Sep 2021
Separate agreement no. 10 regarding Provision of technical infrastructure solution services – End User Workplace	Modrá pyramida stavební spořitelna, a.s.	16 Sep 2021
Sub-lease of non-residential premises and payment of related services and movable property loan agreement	Modrá pyramida stavební spořitelna, a.s.	1 Nov 2021

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Contract for sublease of parking spaces	Modrá pyramida stavební spořitelna, a.s.	1 Nov 2021
Contract for sublease of parking spaces	Modrá pyramida stavební spořitelna, a.s.	8 Dec 2021
Contract for sublease of parking spaces	Modrá pyramida stavební spořitelna, a.s.	8 Dec 2021
Service Agreement	Modrá pyramida stavební spořitelna, a.s.	28 Dec 2021
Agreement on sublease of non-residential premises and payment of services connected with their use and Agreement on loan of movable property, including amendments	Modrá pyramida stavební spořitelna, a.s.	1 Jan 2022
Framework agreement on the management of motor vehicles operated by the subsidiary	Modrá pyramida stavební spořitelna, a.s.	22 Feb 2022
Framework agreement for the rental of employee-driven motor vehicles	Modrá pyramida stavební spořitelna, a.s.	22 Feb 2022
Agreement on the termination of the contract on the temporary assignment of employees	Modrá pyramida stavební spořitelna, a.s.	1 Mar 2022
Termination agreement of contract for employee temporary assignment	Modrá pyramida stavební spořitelna, a.s.	1 Mar 2022
Agreement on cancellation of obligations from the Agreement on co-operation in the matter of transfer of bank information about clients concluded on 7 October 2020	Modrá pyramida stavební spořitelna, a.s.	15 Mar 2022
Sub-lease of non-residential premises and payment of related services and movable property loan agreement	Modrá pyramida stavební spořitelna, a.s.	15 May 2022
Agreement on sublease of non-residential premises and payment of services connected with their use and Agreement on loan of movable property	Modrá pyramida stavební spořitelna, a.s.	1 Jul 2022
AGREEMENT – SERVICES: Support Services	Modrá pyramida stavební spořitelna, a.s.	1 Aug 2022
Agreement on lease of non-residential premises and payment of services connected with their use	Modrá pyramida stavební spořitelna, a.s.	26 Aug 2022
AGREEMENT – OUTSOURCING OF HUMAN RESOURCES SERVICES	Modrá pyramida stavební spořitelna, a.s.	20 Sep 2022
Sub-lease of non-residential premises and payment of related services and movable property loan agreement	Modrá pyramida stavební spořitelna, a.s.	1 Nov 2022
AGREEMENT – OUTSOURCING OF 3rd PARTIES MANAGEMENT SERVICES	Modrá pyramida stavební spořitelna, a.s.	16 Nov 2022
Sub-lease of non-residential premises and payment of related services	Modrá pyramida stavební spořitelna, a.s.	1 Dec 2022
AGREEMENT – OUTSOURCING OF COMMUNICATION SERVICES	Modrá pyramida stavební spořitelna, a.s.	7 Dec 2022
Frame agreement – outsourcing of services – ARTIFICIAL INTELIGENCE MODELS	Modrá pyramida stavební spořitelna, a.s.	22 Dec 2022
Sublease of non-residential premises and payment of related services and Agreement on the loan of movable property 26973	Modrá pyramida stavební spořitelna, a.s.	1 Jan 2023
Sublease of non-residential premises and payment of related services and Agreement on the loan of movable property 26970	Modrá pyramida stavební spořitelna, a.s.	1 Jan 2023
Purchase agreement for the sale of movable property	Modrá pyramida stavební spořitelna, a.s.	3 Jan 2023
Sub-lease of non-residential premises and payment of related services (Vrchlabí)	Modrá pyramida stavební spořitelna, a.s.	4 Jan 2023
Agreement – Bonus 300	Modrá pyramida stavební spořitelna, a.s.	15 Feb 2023
Termination agreement of sub-lease of non-residential premises and payment of related services	Modrá pyramida stavební spořitelna, a.s.	21 Feb 2023
AGREEMENT – OUTSOURCING OF POSTAL SERVICES	Modrá pyramida stavební spořitelna, a.s.	20 Mar 2023
Purchase agreement for the sale of movable property	Modrá pyramida stavební spořitelna, a.s.	21 Mar 2023
Purchase agreement for the sale of movable property	Modrá pyramida stavební spořitelna, a.s.	19 Apr 2023
AGREEMENT – OUTSOURCING SERVICES: KB HOUSING	Modrá pyramida stavební spořitelna, a.s.	15 May 2023
Purchase agreement for the sale of movable property	Modrá pyramida stavební spořitelna, a.s.	16 May 2023
Framework lease of non-residential premises and payment of related services	Modrá pyramida stavební spořitelna, a.s.	24 May 2023
Framework sublease of non-residential premises and payment of related services	Modrá pyramida stavební spořitelna, a.s.	24 May 2023
Framework sublease of non-residential premises and payment of related services	Modrá pyramida stavební spořitelna, a.s.	24 May 2023
Purchase agreement for the sale of movable property	Modrá pyramida stavební spořitelna, a.s.	6 Jun 2023
Framework agreement for the longterm rental of motor vehicles	Modrá pyramida stavební spořitelna, a.s.	13 Jun 2023
Sublease of non-residential premises and payment of related services and Agreement on the loan of movable property	Modrá pyramida stavební spořitelna, a.s.	30 Jun 2023
Purchase agreement for the sale of movable property	Modrá pyramida stavební spořitelna, a.s.	1 Aug 2023
Agreement – OUTSOURCING SERVICES: MANAGEMENT OF CLIENT INFORMATION IN ZOOM KB	Modrá pyramida stavební spořitelna, a.s.	27 Sep 2023
Agreement – OUTSOURCING SERVICES: MANAGEMENT OF CLIENT INFORMATION IN eKMEN MPSS	Modrá pyramida stavební spořitelna, a.s.	27 Sep 2023
Agreement – client data in ZOOM KB and KB Poradenství, s.r.o.	Modrá pyramida stavební spořitelna, a.s.	27 Sep 2023

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Agreement on the transfer of client identification data in compliance with regulatory prudential rules	Modrá pyramida stavební spořitelna, a.s.	29 Sep 2023
Agreement on cancellation of obligations from the contract: Agreement – services: Processing KYS – Know Your Supplier	Modrá pyramida stavební spořitelna, a.s.	30 Sep 2023
Purchase agreement for the sale of movable property	Modrá pyramida stavební spořitelna, a.s.	3 Nov 2023
Purchase agreement for the sale of movable property	Modrá pyramida stavební spořitelna, a.s.	19 Dec 2023
Purchase agreement for the sale of movable property	Modrá pyramida stavební spořitelna, a.s.	20 Dec 2023
Supplementary payment agreement	Modrá pyramida stavební spořitelna, a.s.	21 Dec 2023
Contract for exchange of negative client information within KB/SG Financial Group in the Czech Republic for the purpose of group synergies and united procedure in compliance with regulatory prudential rules and on the joint administration of personal data	Modrá pyramida stavební spořitelna, a.s., Factoring KB, a.s., SG Equipment Finance Czech Republic s.r.o., ESSOX s.r.o.	8 Jun 2023
Contract on common administration of personal data according to marketing consent	Modrá pyramida stavební spořitelna, a.s., Komerční pojišťovna, a.s., KB Penzijní společnost, a.s., Factoring KB, a.s., SG Equipment Finance Czech Republic s.r.o., ESSOX s.r.o., ALD Automotive s.r.o.	21 Jan 2021
Agreement on the use of personal data jointly managed according to marketing consent	Modrá pyramida stavební spořitelna, a.s., Komerční pojišťovna, a.s., KB Penzijní společnost, a.s., Factoring KB, a.s., SG Equipment Finance Czech Republic s.r.o., ESSOX s.r.o., ALD Automotive s.r.o.	21 Apr 2023
SG Group worldwide insurance program (Insurance premiums paid as per contract concluded between Société Générale S.A. and Komerční banka, a.s. for MPSS) – support services team	Modrá pyramida stavební spořitelna, a.s., Société Générale S.A.	30 Aug 2013 insurance periods 1 Jul 2019 – 30 Jun 2020, 1 Jul 2020 – 30 Jun 2021, 1 Jul 2022 – 30 Jun 2023, 1 Jul 2023 – 30 Jun 2024
Agreement on the organisation of periodic control	Modrá pyramida stavební spořitelna, a.s., Société Générale S.A.	21 Jan 2020
Service agreement – outsourcing (services), including amendments	My Smart Living, s.r.o.	23 May 2019
Commercial agency agreement	My Smart Living, s.r.o.	30 May 2019
Agreement on cost re-invoicing	My Smart Living, s.r.o.	26 Nov 2019
Agreement for the settlement of rights and obligations relating to CinCink operation	My Smart Living, s.r.o.	11 Jun 2020
Contract on transfer of the right to perform property copyright	My Smart Living, s.r.o.	26 Jul 2021
Service level agreement	Protos uzavřený investiční fond, a.s.	8 Dec 2014
Agreement on sending account statements via SWIFT MT 940 messages	Protos uzavřený investiční fond, a.s.	1 Nov 2016
Individual pricing agreement	SG Equipment Finance Czech Republic s.r.o.	15 Dec 2006
Mutual co-operation agreement	SG Equipment Finance Czech Republic s.r.o.	1 Aug 2007
Agreement on KB Call Centre services	SG Equipment Finance Czech Republic s.r.o.	31 Dec 2009
Data processing and service agreement	SG Equipment Finance Czech Republic s.r.o.	18 Feb 2010
Co-operation agreement – Jobs	SG Equipment Finance Czech Republic s.r.o.	14 Apr 2010
Co-operation agreement	SG Equipment Finance Czech Republic s.r.o.	30 Jun 2010
Non-disclosure agreement	SG Equipment Finance Czech Republic s.r.o.	9 Jul 2010
Rules for co-operation between KB and Group members in the area of sourcing and procurement	SG Equipment Finance Czech Republic s.r.o.	20 Sep 2010
Personal data processing framework agreement made between KB and SGEF	SG Equipment Finance Czech Republic s.r.o.	1 Dec 2010
Non-disclosure agreement	SG Equipment Finance Czech Republic s.r.o.	1 Dec 2010
Framework service agreement, including amendments	SG Equipment Finance Czech Republic s.r.o.	14 Dec 2010
Lease of non-residential premises and payment of related services (České Budějovice), including amendments	SG Equipment Finance Czech Republic s.r.o.	27 May 2011
Service agreement – outsourcing (HR services)	SG Equipment Finance Czech Republic s.r.o.	15 Jun 2011
Separate agreement no. 1 – Provision of technical infrastructure solution services – Connectivity services	SG Equipment Finance Czech Republic s.r.o.	1 Jun 2012

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Separate agreement no. 2 – Provision of technical infrastructure solution services – Physical hosting of equipment	SG Equipment Finance Czech Republic s.r.o.	1 Jun 2012
Separate agreement no. 3 – Provision of technical infrastructure solution services – IT Infrastructure hosting (VMWare), including amendments	SG Equipment Finance Czech Republic s.r.o.	1 Jun 2012
Agreement for co-operation in performance of the contract for employee group risk insurance	SG Equipment Finance Czech Republic s.r.o.	20 Aug 2012
Lease of non-residential premises and payment of related services (Bratislava), including amendments	SG Equipment Finance Czech Republic s.r.o.	30 Oct 2012
Agreement for the sublease of parking places (Prague), including amendments	SG Equipment Finance Czech Republic s.r.o.	30 Oct 2013
Service agreement, including amendments	SG Equipment Finance Czech Republic s.r.o.	30 Oct 2013
Agreement on reimbursement of cost	SG Equipment Finance Czech Republic s.r.o.	13 Dec 2013
Individual pricing agreement	SG Equipment Finance Czech Republic s.r.o.	27 Jun 2014
Service level agreement	SG Equipment Finance Czech Republic s.r.o.	1 Sep 2014
Framework agreement for the rental of employee-driven motor vehicles, including amendments	SG Equipment Finance Czech Republic s.r.o.	21 Oct 2014
Lease of non-residential premises and payment of related services (Ostrava), including amendments	SG Equipment Finance Czech Republic s.r.o.	1 Dec 2014
Lease of parking places, including amendments	SG Equipment Finance Czech Republic s.r.o.	30 Dec 2014
Lease of land, including amendments	SG Equipment Finance Czech Republic s.r.o.	19 Mar 2015
Lease of non-residential premises and payment of related services (Pilsen), including amendments	SG Equipment Finance Czech Republic s.r.o.	30 Sep 2015
Lease of non-residential premises, movable assets, and payment of related services (Ústí nad Labem), including amendments	SG Equipment Finance Czech Republic s.r.o.	28 Jan 2016
Service agreement – occupational health and safety, environmental protection and fire protection, including amendments	SG Equipment Finance Czech Republic s.r.o.	23 Feb 2016
Framework agreement for the rental of employee-driven motor vehicles (Bratislava)	SG Equipment Finance Czech Republic s.r.o.	17 May 2016
Database usage license agreement	SG Equipment Finance Czech Republic s.r.o.	29 Jun 2016
Service agreement – BI services, including amendments	SG Equipment Finance Czech Republic s.r.o.	30 Jun 2016
Co-operation agreement, including amendments	SG Equipment Finance Czech Republic s.r.o.	1 Sep 2016
Agreement – outsourcing of HR services (excluding Payroll)	SG Equipment Finance Czech Republic s.r.o.	1 Sep 2016
Contract for exchange of negative client information within KB/SG Financial Group in the Czech Republic	SG Equipment Finance Czech Republic s.r.o.	30 Jan 2017
Separate agreement no. 6 – Provision of technical infrastructure solution services – E-mail, including amendments	SG Equipment Finance Czech Republic s.r.o.	23 Mar 2017
Separate agreement no. 4 – Provision of technical infrastructure solution services – VoIP	SG Equipment Finance Czech Republic s.r.o.	23 Mar 2017
Separate agreement no. 7 – Provision of technical infrastructure solution services – Fileshare, including amendments	SG Equipment Finance Czech Republic s.r.o.	21 Jun 2017
Separate agreement no. 9 – Provision of technical infrastructure solution services – End user support	SG Equipment Finance Czech Republic s.r.o.	1 Jan 2018
Separate agreement no. 11 – Provision of technical infrastructure solution services – identity and access	SG Equipment Finance Czech Republic s.r.o.	19 Feb 2018
Separate agreement no. 5 – Provision of technical infrastructure solution services – HW lease	SG Equipment Finance Czech Republic s.r.o.	19 Feb 2018
Separate agreement no. 8 – Provision of technical infrastructure solution services – Servicedesk	SG Equipment Finance Czech Republic s.r.o.	20 Feb 2018
Separate agreement no. 10 – Provision of technical infrastructure solution services – Platform hosting	SG Equipment Finance Czech Republic s.r.o.	26 Feb 2018
Agreement – outsourcing of DPO services	SG Equipment Finance Czech Republic s.r.o.	1 May 2018
Agreement on services: eDoceo	SG Equipment Finance Czech Republic s.r.o.	31 Dec 2018
Agreement to use unreserved parking places, including amendments	SG Equipment Finance Czech Republic s.r.o.	1 Jun 2020
Agreement – services: Processing KYS – Know Your Supplier	SG Equipment Finance Czech Republic s.r.o.	5 Oct 2020
Compliance Co-operation Agreement	SG Equipment Finance Czech Republic s.r.o.	3 Dec 2020
Lease of non-residential premises and payment of related services	SG Equipment Finance Czech Republic s.r.o.	31 Dec 2020
Separate agreement no. 13 – Provision of technical infrastructure solution services, Security	SG Equipment Finance Czech Republic s.r.o.	10 Jan 2021
Contract for the payment of insurance premium and of insurance broker's commission	SG Equipment Finance Czech Republic s.r.o.	18 Feb 2021

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Lease of non-residential premises and payment of related services	SG Equipment Finance Czech Republic s.r.o.	1 Dec 2021
Service agreement – C4M access	SG Equipment Finance Czech Republic s.r.o.	2 May 2022
Agreement for the sublease of non-residential premises and payment of related services	SG Equipment Finance Czech Republic s.r.o.	18 Jul 2022
Contract for sublease of parking spaces	SG Equipment Finance Czech Republic s.r.o.	16 Aug 2022
Purchase agreement for the sale of movable property	SG Equipment Finance Czech Republic s.r.o.	29 Aug 2022
Settlement agreement	SG Equipment Finance Czech Republic s.r.o.	31 Oct 2022
Contract for sublease of parking spaces	SG Equipment Finance Czech Republic s.r.o.	31 Dec 2022
Sub-lease of non-residential premises and payment of related services	SG Equipment Finance Czech Republic s.r.o.	1 Jan 2023
Agreement – clients data in ZOOM KB and KB Poradenství	SG Equipment Finance Czech Republic s.r.o.	29 Sep 2023
Agreement on the organisation of periodic control	SG Equipment Finance Czech Republic s.r.o., Société Générale S.A.	13 May 2019
Agreement on the organisation of periodic control	SG Equipment Finance Hungary Plc.	23 Aug 2019
Agreement on the organisation of periodic control	SG Equipment Finance Hungary Plc., Société Générale S.A.	23 Aug 2019
Shareholders´ agreement, including amendments	SG Equipment Finance SA	9 May 2011
Agreement on the organisation of periodic control	SG Equipment Leasing Hungary Ltd., Société Générale S.A.	23 Aug 2019
Agreement on the organisation of periodic control	SG Equipment Leasing Polska Sp. z o.o., Société Générale S.A.	27 May 2019
Sub-Distribution Agreement	SG HAMBROS BANK LIMITED	18 Mar 2014
Master Co-operation Agreement SG on Transfer Pricing with SG PRIV Entities/ Branches and SG Group Entities and Branches, relative to the service offering of Fixed Income Research	SG Private Banking s.a.	1 Jan 2013
Custody account agreement / Service Level Agreement, including amendments	SOCIETE GENERALE S.A. Oddział w Polsce	27 Oct 2009
AGREEMENT ON CONSULTANCY SERVICES	Societe Generale Expressbank EAD	1 Jan 2016
Inter-company agreement	Société Générale International Mobility	20 Mar 2019
Client service agreement	Société Générale Luxembourg	7 Jan 2020
Distribution agreement	Société Générale Private Wealth Management	29 Apr 2016
Contact Bank Agreement	Société Générale Private Wealth Management	29 Apr 2016
SOCIETE GENERALE GROUP RECRUIT	Société Générale S.A.	15 Apr 2009
SLA for the provision of domestic or international Sogecash money concentration services (international), pooling Société Générale SA into the group of SG Banks, including amendments	Société Générale S.A.	1 Jul 2009
INTRA-GROUP IT SERVICES FEES	Société Générale S.A.	11 Jun 2010
INTRA-GROUP CORPORATE SERVICES	Société Générale S.A.	11 Jun 2010
Co-operation agreement	Société Générale S.A.	14 Feb 2011
Contact bank agreement, including amendments	Société Générale S.A.	14 Feb 2011
Power of attorney	Société Générale S.A.	14 Feb 2011
Distribution agreement, including amendments	Société Générale S.A.	14 Feb 2011
Expenses of the inspection	Société Générale S.A.	14 Feb 2011
Service Level Agreement, including amendments	Société Générale S.A.	15 Feb 2011
Brokerage conformity agreement	Société Générale S.A.	15 Feb 2011
Agreement on contract bank, including amendments	Société Générale S.A.	15 Feb 2011
T3C Agreement, including amendments	Société Générale S.A.	22 Feb 2011
Request for consent for the transfer of the agreement to S2G	Société Générale S.A.	28 Feb 2011
Sub-Custody & Brokerage Services	Société Générale S.A.	19 May 2011
Local JV agreement relating to securities activities	Société Générale S.A.	15 Mar 2012
ACCESS TO THE SWIFTNET NETWORK AND RELATED SERVICES, including amendments	Société Générale S.A.	14 Sep 2012
Master Co-operation Agreement SG on Transfer Pricing with SG PRIV Entities/ Branches and SG Group Entities and Branches, relative to the service offering of Equity Research, including amendments	Société Générale S.A.	9 Nov 2012
Transfer pricing agreement on advisory activities	Société Générale S.A.	1 Jan 2013

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Convention	Société Générale S.A.	28 Jan 2013
IT Services Agreement, including amendments	Société Générale S.A.	1 Jan 2014
Due Diligence Questionnaire for Fund Providers	Société Générale S.A.	29 Jan 2014
SERVICE LEVEL AGREEMENT E-TRADING	Société Générale S.A.	1 Jun 2014
SLA for the provision of Sogecash Intraday Sweeping	Société Générale S.A.	1 Jul 2015
USD Clearing Services Agreement for Komerční banka	Société Générale S.A.	24 Aug 2015
INTERNAT. SOGEXPRESS AGREEMENT	Société Générale S.A.	24 Jun 2016
Service Level Agreement CUSTODY, including amendments	Société Générale S.A.	27 Oct 2016
iC – Customer Relationship Management (CRM) tool	Société Générale S.A.	30 Dec 2016
Market activities business – ECM transfer pricing agreement	Société Générale S.A.	1 Apr 2017
Client service agreement – regulatory capital calculation and allocation of operational risk	Société Générale S.A.	25 May 2017
Service Level Agreement SGSS S.p.A.	Société Générale S.A.	10 Oct 2017
Non-disclosure agreement pertaining to the communication of the official ISAE 3402 report	Société Générale S.A.	24 Nov 2017
Supplemental agreement	Société Générale S.A.	22 Feb 2018
Master service agreement	Société Générale S.A.	23 Apr 2019
Client service agreement	Société Générale S.A.	23 Apr 2019
Contract Renewal Notice to the Hosting contract	Société Générale S.A.	20 Jun 2019
Software as a Service Agreement Loansat – Covtrack	Société Générale S.A.	9 Jul 2019
Master Service Agreement, including amendments	Société Générale S.A.	5 Sep 2019
Operational memorandum for provision of GEMS tool	Société Générale S.A.	10 Oct 2019
Service level agreement	Société Générale S.A.	15 Oct 2019
Agreement to modify the agreement for temporary staff assignment	Société Générale S.A.	21 Oct 2019
Corporate Services Fees Agreement	Société Générale S.A.	25 Jan 2020
Data Protection Agreement	Société Générale S.A.	7 Feb 2020
Side Letter to the Licence and Services Agreement	Société Générale S.A.	2 Jun 2020
Services Contract	Société Générale S.A.	7 Aug 2020
Agreement for temporary staff assignment	Société Générale S.A.	1 Sep 2020
Master Service Agreement	Société Générale S.A.	3 Sep 2020
Intra-Group Frame Co-operation Agreement	Société Générale S.A.	12 Oct 2020
Share Purchase Agreement – VISA	Société Générale S.A.	29 Mar 2021
Agreement for temporary staff assignment	Société Générale S.A.	17 Dec 2021
MASTER SERVICE AGREEMENT (MSA) No. IBFS.C0131_01	Société Générale S.A.	22 Dec 2021
Novation Agreement	Société Générale S.A.	11 Feb 2022
Client Service Agreement	Société Générale S.A.	1 Jul 2022
Insurance program Société Générale S.A. (contract concluded between SG and the insurance companies Chubb European Group Limited, AIG Europe Ltd., ZÜRICH INSURANCE PLC, KB in the relationship as an insured person, insurance period 1/7/2022 – 30/6/2023)	Société Générale S.A.	1 Jul 2022
Master service agreement (MSA)	Société Générale S.A.	15 Nov 2022
Co-operation agreement	Société Générale S.A.	31 Mar 2008
Service agreement – Digitrade, including amendments	Société Générale S.A.	25 Nov 2021
MSA, Know your client – Know your bank	Société Générale S.A.	8 Feb 2022
Client Service Agreement to the MSA, Know your client – Know your bank	Société Générale S.A.	8 Feb 2022
IBFS-ONE SOFTWARE AGREEMENT	Société Générale S.A.	7 Oct 2022
SERVICE AGREEMENT AMLCOM	Société Générale S.A.	15 Feb 2023
Master service agreement (MSA)	Société Générale S.A.	22 Mar 2023
Data Protection Agreement – NextGen	Société Générale S.A.	27 Apr 2023
Client Service Agreement na DAA	Société Générale S.A.	5 Jun 2023
Nondisclosure Agreement	Société Générale S.A.	16 Jun 2023
Agreement on the organisation of periodic control	Société Générale S.A.	23 Oct 2023
Agreement on the organisation of periodic control	Société Générale S.A., SKB banka d.d. Ljubljana	15 Nov 2017

Title of contract (or subject matter of contract – if not clear from the title)	Contracting party	Date of contract
Agreement on the organisation of periodic control	Société Générale S.A., SOCIETE GENERALE S.A. Oddział w Polsce	23 Feb 2021
Uncommitted Overdraft Service Agreement	Société Générale, New York Branch	30 Aug 2019
Shareholder agreement	SOGECAP S.A.	26 Sep 2005
Mutual co-operation agreement	SOGEPROM Česká republika s.r.o.	25 Oct 2010
Service agreement – outsourcing (accounting services)	STD2, s.r.o.	1 Nov 2017
Service agreement – technical facility management, energy etc.	STD2, s.r.o.	29 Jun 2018
Lease of real estate, including amendments	STD2, s.r.o.	31 Aug 2018
Supplementary payment agreement	STD2, s.r.o.	4 Sep 2018
Co-operation agreement in respect of real estate usage	STD2, s.r.o.	31 Oct 2018
Contract for the payment of insurance premium and of insurance broker's commission	STD2, s.r.o.	17 Feb 2021
Lease of real estate, including amendments	STD2, s.r.o.	1 Jan 2022
Service agreement	STD2, s.r.o.	1 Jan 2022
Lease of non-residential premises and payment of related services	STD2, s.r.o.	20 Dec 2022
Service agreement	STD2, s.r.o.	2 Jan 2023
Lease of non-residential premises and payment of related services	STD2, s.r.o.	28 Dec 2023
Agreement of contract assignment	STD2, s.r.o., Arcadis Czech Republic s.r.o.	1 Nov 2017
Indicative terms of business co-operation in the field of real estate	upvest s.r.o.	1 Jul 2020
Commercial agency agreement	upvest s.r.o.	20 Feb 2021
Service agreement	upvest s.r.o.	30 Sep 2021
Commercial agency agreement	upvest s.r.o.	30 Sep 2021
Agreement for the provision of company certificate	upvest s.r.o.	24 Aug 2022
Service agreement – KYS (Know Your Supplier)	upvest s.r.o.	18 Jan 2023
Co-operation Agreement	upvest s.r.o.	21 Apr 2023
AGREEMENT – ACCESS TO THE SYSTEM EGJE	upvest s.r.o.	21 Jun 2023
Compliance Co-operation Agreement	upvest s.r.o.	22 Jun 2023
Agreement – Consultancy services – Real estate	upvest s.r.o.	17 Oct 2023
Co-operation agreement – tipping of interested parties	upvest s.r.o.	28 Nov 2023
Agreement for co-operation within VAT group	VN 42, s.r.o.	15 Jul 2014
Service agreement – outsourcing (accounting services)	VN 42, s.r.o.	3 Nov 2014
Contract for the transfer of technical improvement	VN 42, s.r.o.	26 Feb 2018
Contracts for lease of movable assets	VN 42, s.r.o.	1 Jan 2021
Contract for the payment of insurance premium and of insurance broker's commission	VN 42, s.r.o.	17 Feb 2021
Service agreement (support services by KB SuSe regarding technical facility management, energy, fire protection, OHS etc.)	VN 42, s.r.o.	1 Jul 2022
Sub-lease of non-residential premises and payment of related services	VN 42, s.r.o.	1 Jul 2022
Purchase agreement for the sale of movable property	VN 42, s.r.o.	23 Feb 2023
Lease of non-residential premises and payment of related services	VN 42, s.r.o.	1 Jul 2023
Service agreement (support services by KB SuSe regarding technical facility management, energy, fire protection, OHS etc.)	VN 42, s.r.o.	1 Jul 2023

C. Assessment of advantages and disadvantages arising from the relations within the Group and assessment of detriment

Advantages and disadvantages arising from the relations within the Group

The SG Group is diversified and provides universal banking services. The entire Group takes advantage of mutual synergic effects, including project pooling, a strong international brand, and the know-how of SG and all the Group companies. KB, for example, uses SG's global network to provide Trade Finance Products and in the area of payments where it uses SG's wide network. Thanks to the Group, it is possible for KB to use the global cash pooling network, offer transnational solutions in the cash management area, and offer SG products. KB benefits from SG's global experience in the Global Finance Platform area. KB provides certain subsidiaries with its distribution channels and provides certain services, such as management of human resources, information technologies and data processing, compliance, internal audit, and risk management. Based on an outsourcing agreement, KB provides activities and services of Factoring KB, a.s., and some activities of Modrá pyramida stavební spořitelna, a.s. Modrá pyramida stavební spořitelna, a.s. provides KB with services in the area of KB Bydlení. The advantages from the Company's integration into the SG Group contribute to the Company's positive financial results.

Assessment of detriment
The Company's Board of Directors has reviewed all arrangements between the Company and the companies that were part of the Group during the 2023 reporting period and states that the Company incurred no detriment as a result of any contracts, agreements, or any other legal acts made or adopted by the Company in the reporting period or as a result of any other influence otherwise exerted by Société Générale S. A. as the controlling entity.

The report does not include contracts which are subject to banking secrecy under the Banking Act. The Board of Directors has, nevertheless, assessed these contracts from the perspective of potential detriment and stated that KB also did not suffer any detriment arising from these contracts.

In Prague on 29 February 2024

Jan Juchelka m. p.
Chairman of the Board of Directors
Komerční banka, a.s.

Jitka Haubová m. p.
Member of the Board of Directors
Komerční banka, a.s.

The structure of relationships within whole SG Group

% of voting interest

Country	Company	Type of company	Share of voting rights as of 31/12/2023
Algeria			
	ALD AUTOMOTIVE ALGERIE SPA	Specialist Financing	99.99
	SOCIETE GENERALE ALGERIE	Bank	100
Australia			
	SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD	Broker	100
	SOCIETE GENERALE SYDNEY BRANCH	Bank	100
Austria			
	ALD AUTOMOTIVE FUHRPARKMANAGE MENT UND LEASING GMBH	Specialist Financing	100
	FLOTTENMANAGEMENT GMBH	Specialist Financing	49
	LEASEPLAN OSTERREICH FUHRPARKMANAGEMENT GMBH	Specialist Financing	100
	SG VIENNE	Bank	100
Belarus			
	ALD AUTOMOTIVE LLC	Specialist Financing	0
Belgium			
	AXUS FINANCE SRL	Specialist Financing	100
	AXUS SA/NV	Specialist Financing	100
	BASTION EUROPEAN INVESTMENTS S.A.	Financial Company	100
	BUMPER BE	Financial Company	100
	LEASEPLAN FLEET MANAGEMENT N.V.	Specialist Financing	100
	LEASEPLAN PARTNERSHIPS & ALLIANCES	Specialist Financing	100
	LEASEPLAN TRUCK N.V.	Specialist Financing	100
	PARCOURS BELGIUM	Real Estate and Real Estate Financing	100
	SG BRUXELLES	Bank	100
	SG EQUIPMENT FINANCE BENELUX B.V. BELGIAN BRANCH	Specialist Financing	100
	SOCIETE GENERALE IMMOBEL	Financial Company	100
Benin			
	SOCIETE GENERALE BENIN	Bank	94.1
Bermuda			
	CATALYST RE INTERNATIONAL LTD.	Insurance	100
Brazil			
	ALD AUTOMOTIVE S.A.	Specialist Financing	100
	ALD CORRETORA DE SEGUROS LTDA	Specialist Financing	100
	BANCO SOCIETE GENERALE BRASIL S.A.	Bank	100
	LEASEPLAN ARRENDAMENTO MERCANTIL S.A.	Specialist Financing	100
	LEASEPLAN BRASIL LTDA.	Specialist Financing	100
	SOCIETE GENERALE EQUIPMENT FINANCE S/A - ARRENDAMENTO MERCANTIL	Specialist Financing	100
Bulgaria			
	ALD AUTOMOTIVE EOOD	Specialist Financing	100
Burkina Faso			
	SOCIETE GENERALE BURKINA FASO	Bank	52.61
Cameroon			
	SOCIETE GENERALE CAMEROUN	Bank	58.08
Canada			
	13406300 CANADA INC.	Bank	100

Country	Company	Type of company	Share of voting rights as of 31/12/2023
	SG MONTREAL SOLUTION CENTER 2 INC.	Services	100
	SG MONTREAL SOLUTION CENTER INC.	Services	100
	SOCIETE GENERALE (CANADA BRANCH)	Bank	100
	SOCIETE GENERALE CAPITAL CANADA INC	Broker	100
Cayman Islands			
	AEGIS HOLDINGS (OFFSHORE) LTD.	Financial Company	100
Chad			
	SOCIETE GENERALE TCHAD	Bank	67.92
Chile			
	ALD AUTOMOTIVE LIMITADA	Specialist Financing	100
China			
	SOCIETE GENERALE (CHINA) LIMITED	Bank	100
	SOCIETE GENERALE LEASING AND RENTING CO. LTD	Specialist Financing	100
Colombia			
	ALD AUTOMOTIVE S.A.S	Specialist Financing	100
Congo			
	SOCIETE GENERALE CONGO	Bank	0
Croatia			
	ALD AUTOMOTIVE D.O.O. ZA. OPERATIVNI I FINANCIJSKI LEASING	Specialist Financing	100
	ALD FLEET SERVICES D.O.O ZA TRGOVINU I USLUGE	Specialist Financing	100
Czech Republic			
	ALD AUTOMOTIVE S.R.O.	Specialist Financing	100
	ESSOX S.R.O.	Specialist Financing	100
	FACTORING KB, A.S.	Financial Company	100
	KB PENZIJNI SPOLECNOST, A.S.	Financial Company	100
	KB REAL ESTATE, S.R.O.	Real Estate and Real Estate Financing	100
	KB SMARTSOLUTIONS, S.R.O.	Bank	100
	KOMERCNI BANKA, A.S.	Bank	60.73
	KOMERCNI POJISTOVNA, A.S.	Insurance	100
	MODRA PYRAMIDA STAVEBNI SPORITELNA, A.S.	Financial Company	100
	PROTOS S.R.O.	Financial Company	100
	SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O.	Specialist Financing	100
	SOGEPROM CESKA REPUBLIKA S.R.O.	Real Estate and Real Estate Financing	100
	SOGEPROM MICHLE S.R.O.	Real Estate and Real Estate Financing	100
	STD2, S.R.O.	Group Real Estate Management Company	100
	VN 42, S.R.O.	Real Estate and Real Estate Financing	100
	WORLDLINE CZECH REPUBLIC S.R.O.	Services	40
Denmark			
	ALD AUTOMOTIVE A/S	Specialist Financing	100
	AUTO CLAIM HANDLING DANMARK A/S	Specialist Financing	100
	LEASEPLAN DANMARK A/S	Specialist Financing	100
	NF FLEET A/S	Specialist Financing	80
Equatorial Guinea			
	SOCIETE GENERALE DE BANQUES EN GUINEE EQUATORIALE	Bank	57.23
Estonia			
	ALD AUTOMOTIVE EESTI AS	Specialist Financing	75.01
Finland			
	AXUS FINLAND OY	Specialist Financing	100
	NF FLEET OY	Specialist Financing	80

Country	Company	Type of company	Share of voting rights as of 31/12/2023
France			
	29 HAUSSMANN EQUILIBRE	Financial Company	87.1
	29 HAUSSMANN EURO CREDIT - PART-C	Financial Company	60.05
	29 HAUSSMANN EURO RDT	Financial Company	58.1
	29 HAUSSMANN SELECTION EUROPE - K	Financial Company	45.23
	29 HAUSSMANN SELECTION MONDE	Portfolio Management	68.7
	908 REPUBLIQUE	Real Estate and Real Estate Financing	40
	ADMINISTRATIVE AND MANAGEMENT SERVICES	Specialist Financing	100
	AIR BAIL	Specialist Financing	100
	AIX - BORD DU LAC -3	Real Estate and Real Estate Financing	50
	AIX - BORD DU LAC -4	Real Estate and Real Estate Financing	0
	ALD	Specialist Financing	68.97
	ALFORTVILLE BAIGNADE	Real Estate and Real Estate Financing	40
	AMPERIM	Real Estate and Real Estate Financing	50
	AMUNDI CREDIT EURO - P	Financial Company	0
	ANNEMASSE-ILOT BERNARD	Real Estate and Real Estate Financing	80
	ANTALIS SA	Financial Company	100
	ANTARES	Real Estate and Real Estate Financing	45
	ANTARIUS	Insurance	100
	ARTISTIK	Real Estate and Real Estate Financing	30
	AVIVA INVESTORS RESERVE EUROPE	Financial Company	0
	BANQUE COURTOIS	Bank	0
	BANQUE FRANCAISE COMMERCIALE OCEAN INDIEN	Bank	50
	BANQUE KOLB	Bank	0
	BANQUE LAYDERNIER	Bank	0
	BANQUE NUGER	Bank	0
	BANQUE POUYANNE	Bank	0
	BANQUE RHONE ALPES	Bank	0
	BANQUE TARNEAUD	Bank	0
	BAUME LOUBIERE	Real Estate and Real Estate Financing	40
	BERCK RUE DE BOUVILLE	Real Estate and Real Estate Financing	25
	BERLIOZ	Insurance	84.05
	BEZIERS-LA COURONDELLE	Real Estate and Real Estate Financing	50
	BOURSORAMA MASTER HOME LOANS FRANCE	Specialist Financing	100
	BOURSORAMA SA	Broker	100
	BREMANY LEASE SAS	Specialist Financing	100
	BUMPER FR 2022-1	Financial Company	100
	CARBURAUTO	Group Real Estate Management Company	50
	CEGELEASE	Real Estate and Real Estate Financing	100
	CENTRE IMMO PROMOTION	Real Estate and Real Estate Financing	60
	CHARTREUX LOT A1	Real Estate and Real Estate Financing	0
	COMPAGNIE FINANCIERE DE BOURBON	Specialist Financing	100
	COMPAGNIE FONCIERE DE LA MEDITERRANEE (CFM)	Group Real Estate Management Company	100
	COMPAGNIE GENERALE DE LOCATION D'EQUIPEMENTS	Specialist Financing	99.89
	CONTE	Group Real Estate Management Company	50
	CREDIT DU NORD	Bank	0
	DARWIN DIVERSIFIE 0-20	Portfolio Management	0
	DARWIN DIVERSIFIE 40-60	Portfolio Management	79.78
	DARWIN DIVERSIFIE 80-100	Portfolio Management	78.34
	DISPONIS	Specialist Financing	100

Country	Company	Type of company	Share of voting rights as of 31/12/2023
	ECHIQUIER AGENOR EURO SRI MID CAP	Insurance	40.85
	ESNI - COMPARTIMENT SG-CREDIT CLAIMS -1	Financial Company	0
	ETOILE CAPITAL	Financial Company	100
	ETOILE MULTI GESTION EUROPE-C	Insurance	0
	ETOILE MULTI GESTION USA -PART P	Insurance	0
	F.E.P. INVESTISSEMENTS	Real Estate and Real Estate Financing	100
	FCC ALBATROS	Portfolio Management	0
	FCT LA ROCHE	Specialist Financing	100
	FEEDER LYX E ST50 D6	Portfolio Management	100
	FEEDER LYXOR CAC40 D2-EUR	Portfolio Management	100
	FENWICK LEASE	Specialist Financing	100
	FINASSURANCE SNC	Insurance	99
	FRANFINANCE	Specialist Financing	99.99
	FRANFINANCE LOCATION	Specialist Financing	100
	GALYBET	Real Estate and Real Estate Financing	100
	GENEBANQUE	Bank	100
	GENECAL FRANCE	Specialist Financing	100
	GENECAR - SOCIETE GENERALE DE COURTAGE D'ASSURANCE ET DE REASSURANCE	Insurance	100
	GENECOMI FRANCE	Specialist Financing	100
	GENEFIM	Real Estate and Real Estate Financing	100
	GENEFINANCE	Portfolio Management	100
	GENEGIS I	Group Real Estate Management Company	100
	GENEGIS II	Group Real Estate Management Company	100
	GENEPIERRE	Real Estate and Real Estate Financing	60.34
	GENEVALMY	Group Real Estate Management Company	100
	HAGA NYGATA	Specialist Financing	0
	HIPPOLYTE	Specialist Financing	100
	HYUNDAI CAPITAL FRANCE (EX SEFIA)	Specialist Financing	50
	ILOT AB	Real Estate and Real Estate Financing	80
	IMMOBILIERE PROMEX	Real Estate and Real Estate Financing	35
	INVESTIR IMMOBILIER NORMANDIE	Real Estate and Real Estate Financing	100
	INVESTISSEMENT 81	Financial Company	100
	IVRY CHAUSSINAND	Real Estate and Real Estate Financing	64
	JSJ PROMOTION	Real Estate and Real Estate Financing	45
	LA CORBEILLERIE	Real Estate and Real Estate Financing	40
	LA FONCIERE DE LA DEFENSE	Real Estate and Real Estate Financing	100
	LEASEPLAN FRANCE S.A.S.	Specialist Financing	100
	LES ALLEES DE L'EUROPE	Real Estate and Real Estate Financing	34
	LES JARDINS D'ALHAMBRA	Real Estate and Real Estate Financing	35
	LES JARDINS DE L'ALCAZAR	Real Estate and Real Estate Financing	0
	LES JARDINS DU VILLAGE	Real Estate and Real Estate Financing	80
	LES MESANGES	Real Estate and Real Estate Financing	55
	LES TROIS LUCS 13012	Real Estate and Real Estate Financing	100
	LES VILLAS VINCENTI	Real Estate and Real Estate Financing	30
	L'HESPEL	Real Estate and Real Estate Financing	30
	LOTISSEMENT DES FLEURS	Real Estate and Real Estate Financing	30
	LYON LA FABRIC	Real Estate and Real Estate Financing	50
	LYX ACT EURO CLIMAT-D3EUR	Insurance	100
	LYX ACT EURO CLIMAT-DEUR	Insurance	100

Country	Company	Type of company	Share of voting rights as of 31/12/2023
	LYXOR ACTIONS EURO CLIMAT D4 EUR	Insurance	100
	LYXOR GL OVERLAY F	Portfolio Management	87.27
	LYXOR SKYFALL FUND	Insurance	88.98
	MEDITERRANEE GRAND ARC	Real Estate and Real Estate Financing	50
	NORBAIL IMMOBILIER	Real Estate and Real Estate Financing	0
	NORBAIL SOFERGIE	Real Estate and Real Estate Financing	100
	NORMANDIE REALISATIONS	Real Estate and Real Estate Financing	100
	ONYX	Group Real Estate Management Company	50
	OPCI SOGECAPIMMO	Real Estate and Real Estate Financing	100
	ORADEA VIE	Insurance	100
	ORPAVIMOB	Specialist Financing	100
	PARCOURS	Specialist Financing	100
	PARCOURS ANNECY	Specialist Financing	100
	PARCOURS BORDEAUX	Specialist Financing	100
	PARCOURS NANTES	Specialist Financing	100
	PARCOURS STRASBOURG	Specialist Financing	100
	PARCOURS TOURS	Specialist Financing	100
	PAREL	Services	0
	PHILIPS MEDICAL CAPITAL FRANCE	Specialist Financing	60
	PIERRE PATRIMOINE	Financial Company	100
	PLEASE	Specialist Financing	99.31
	PRAGMA	Real Estate and Real Estate Financing	100
	PRIMONIAL DOUBLE IMMO	Real Estate and Real Estate Financing	100
	PRIORIS	Specialist Financing	95
	PROGEREAL (EX-PROGEREAL SA)	Real Estate and Real Estate Financing	25.01
	PROJECTIM	Real Estate and Real Estate Financing	100
	RED & BLACK AUTO LEASE FRANCE 1	Financial Company	100
	RED & BLACK AUTO LEASE FRANCE 2	Financial Company	100
	RED & BLACK CONSUMER FRANCE 2013	Financial Company	100
	RED & BLACK HOME LOANS FRANCE 1	Financial Company	0
	RED & BLACK HOME LOANS FRANCE 2	Financial Company	100
	REEZOCORP	Specialist Financing	96.88
	RIVAPRIM REALISATIONS	Real Estate and Real Estate Financing	100
	S.C.I. DU DOMAINE DE STONEHAM	Real Estate and Real Estate Financing	50
	SAGEMCOM LEASE	Specialist Financing	100
	SAINTE-MARTHE ILOT C	Real Estate and Real Estate Financing	40
	SAINTE-MARTHE ILOT D	Real Estate and Real Estate Financing	40
	SAINT-MARTIN 3	Real Estate and Real Estate Financing	0
	SARL BORDEAUX-20-26 RUE DU COMMERCE	Real Estate and Real Estate Financing	30
	SARL D'AMENAGEMENT DU MARTINET	Real Estate and Real Estate Financing	50
	SARL DE LA VECQUERIE	Real Estate and Real Estate Financing	32.5
	SARL SEINE CLICHY	Real Estate and Real Estate Financing	100
	SAS AMIENS -AVENUE DU GENERAL FOY	Real Estate and Real Estate Financing	100
	SAS BF3 NOGENT THIERS	Real Estate and Real Estate Financing	20
	SAS BONDUES - COEUR DE BOURG	Real Estate and Real Estate Financing	25
	SAS COPRIM RESIDENCES	Real Estate and Real Estate Financing	100
	SAS ECULLY SO'IN	Real Estate and Real Estate Financing	0
	SAS FOCH SULLY	Real Estate and Real Estate Financing	0
	SAS MERIGNAC OASIS URBAINE	Real Estate and Real Estate Financing	90
	SAS NOAHO AMENAGEMENT	Real Estate and Real Estate Financing	100
	SAS NORMANDIE HABITAT	Real Estate and Real Estate Financing	0

Country	Company	Type of company	Share of voting rights as of 31/12/2023
	SAS NORMANDIE RESIDENCES	Real Estate and Real Estate Financing	100
	SAS NOYALIS	Real Estate and Real Estate Financing	0
	SAS ODESSA	Real Estate and Real Estate Financing	49
	SAS PARNASSE	Real Estate and Real Estate Financing	0
	SAS PAYSAGES	Real Estate and Real Estate Financing	51
	SAS PROJECTIM IMMOBILIER	Real Estate and Real Estate Financing	100
	SAS RESIDENCE AUSTRALIS	Real Estate and Real Estate Financing	0
	SAS RESIDENCIAL	Real Estate and Real Estate Financing	0
	SAS ROANNE LA TRILOGIE	Real Estate and Real Estate Financing	41
	SAS SCENES DE VIE	Real Estate and Real Estate Financing	50
	SAS SOAX PROMOTION	Real Estate and Real Estate Financing	58.5
	SAS SOGEBROWN POISSY	Real Estate and Real Estate Financing	0
	SAS SOGEMYSJ	Real Estate and Real Estate Financing	51
	SAS SOGEPROM TERTIAIRE	Real Estate and Real Estate Financing	0
	SAS SOJEPRIM	Real Estate and Real Estate Financing	100
	SAS TIR A L'ARC AMENAGEMENT	Real Estate and Real Estate Financing	50
	SAS TOUR D2	Real Estate and Real Estate Financing	50
	SAS VILLENEUVE D'ASCQ - RUE DES TECHNIQUES BUREAUX	Real Estate and Real Estate Financing	50
	SCCV 282 MONTOLIVET 12	Real Estate and Real Estate Financing	60
	SCCV ALFORTVILLE MANDELA	Real Estate and Real Estate Financing	49
	SCCV BAC GALLIENI	Real Estate and Real Estate Financing	51
	SCCV BAHIA	Real Estate and Real Estate Financing	0
	SCCV BOIS-GUILLAUME PARC DE HALLEY	Real Estate and Real Estate Financing	50
	SCCV BOURG BROU	Real Estate and Real Estate Financing	60
	SCCV BRON CARAVELLE	Real Estate and Real Estate Financing	50
	SCCV CAEN CASERNE MARTIN	Real Estate and Real Estate Financing	100
	SCCV CAEN PANORAMIK	Real Estate and Real Estate Financing	40
	SCCV CANNES JOURDAN	Real Estate and Real Estate Financing	50
	SCCV CHARTREUX LOT C	Real Estate and Real Estate Financing	50
	SCCV CHARTREUX LOT E	Real Estate and Real Estate Financing	100
	SCCV CHARTREUX LOTS B-D	Real Estate and Real Estate Financing	0
	SCCV CHOISY LOGEMENT	Real Estate and Real Estate Financing	100
	SCCV CLICHY BAC D'ASNIERES	Real Estate and Real Estate Financing	75
	SCCV CLICHY BRC	Real Estate and Real Estate Financing	50
	SCCV COLOMBES	Real Estate and Real Estate Financing	49
	SCCV COMPIEGNE ROYALLIEU	Real Estate and Real Estate Financing	30
	SCCV COMPIEGNE - RUE DE L'EPARGNE	Real Estate and Real Estate Financing	35
	SCCV CUGNAUX-LEO LAGRANGE	Real Estate and Real Estate Financing	50
	SCCV DEVILLE-CARNOT	Real Estate and Real Estate Financing	60
	SCCV DUNKERQUE PATINOIRE DEVELOPPEMENT	Real Estate and Real Estate Financing	50
	SCCV EIFFEL FLOQUET	Real Estate and Real Estate Financing	0
	SCCV EPRON - ZAC L'OREE DU GOLF	Real Estate and Real Estate Financing	70
	SCCV ERAGNY GUICHARD	Real Estate and Real Estate Financing	51
	SCCV ESPACES DE DEMAIN	Real Estate and Real Estate Financing	50
	SCCV ETERVILLE ROUTE D'AUNAY	Real Estate and Real Estate Financing	50
	SCCV EURONANTES 1E	Real Estate and Real Estate Financing	50
	SCCV FAVERGES	Real Estate and Real Estate Financing	100
	SCCV GAMBETTA LA RICHE	Real Estate and Real Estate Financing	25
	SCCV GIGNAC MOUSSELINE	Real Estate and Real Estate Financing	70
	SCCV GIVORS ROBICHON	Real Estate and Real Estate Financing	85
	SCCV GOELETTES GRAND LARGE	Real Estate and Real Estate Financing	50
	SCCV HEROUVILLE ILOT A2	Real Estate and Real Estate Financing	33.33

Country	Company	Type of company	Share of voting rights as of 31/12/2023
	SCCV ISTRES PAPAILLE	Real Estate and Real Estate Financing	70
	SCCV JA LE HAVRE 22 COTY	Real Estate and Real Estate Financing	40
	SCCV JDA OUISTREHAM	Real Estate and Real Estate Financing	50
	SCCV KYMA MERIGNAC	Real Estate and Real Estate Financing	30
	SCCV LA BAULE - LES JARDINS D'ESCOUBLAC	Real Estate and Real Estate Financing	25
	SCCV LA MADELEINE - PRE CATELAN	Real Estate and Real Estate Financing	51
	SCCV LA MADELEINE SAINT-CHARLES	Real Estate and Real Estate Financing	50
	SCCV LA PORTE DU CANAL	Real Estate and Real Estate Financing	50
	SCCV LACASSAGNE BRICKS	Real Estate and Real Estate Financing	49
	SCCV LE BOUSCAT CARRE SOLARIS	Real Estate and Real Estate Financing	0
	SCCV LE CENTRAL C1.4	Real Estate and Real Estate Financing	33.4
	SCCV LE CENTRAL C1.5A	Real Estate and Real Estate Financing	33.3
	SCCV LE CENTRAL C1.7	Real Estate and Real Estate Financing	33.3
	SCCV LES BASTIDES FLEURIES	Real Estate and Real Estate Financing	64.29
	SCCV LES ECRIVAINS	Real Estate and Real Estate Financing	70
	SCCV LES HAUTS VERGERS	Real Estate and Real Estate Financing	55
	SCCV LES PATIOS D'OR DE FLEURY LES AUBRAIS	Real Estate and Real Estate Financing	80
	SCCV LES SUCRES	Real Estate and Real Estate Financing	50
	SCCV LESQUIN PARC	Real Estate and Real Estate Financing	50
	SCCV L'IDEAL - MODUS 1.0	Real Estate and Real Estate Financing	80
	SCCV LILLE - JEAN MACE	Real Estate and Real Estate Financing	33.4
	SCCV LOOS GAMBETTA	Real Estate and Real Estate Financing	35
	SCCV MARCQ EN BAROEUL GABRIEL PERI	Real Estate and Real Estate Financing	20
	SCCV MARQUETTE CALMETTE	Real Estate and Real Estate Financing	50
	SCCV MASSY NOUAILLE	Real Estate and Real Estate Financing	80
	SCCV MEHUL 34000 (ex-SCCV MEHUL	Real Estate and Real Estate Financing	70
	SCCV MONROC - LOT 3	Real Estate and Real Estate Financing	50
	SCCV MONS EQUATION	Real Estate and Real Estate Financing	50
	SCCV NICE ARENAS	Real Estate and Real Estate Financing	100
	SCCV NOGENT PLAISANCE	Real Estate and Real Estate Financing	60
	SCCV NOISY BOISSIERE	Real Estate and Real Estate Financing	51
	SCCV PARIS ALBERT	Real Estate and Real Estate Financing	50
	SCCV PRADES BLEU HORIZON	Real Estate and Real Estate Financing	50
	SCCV QUAI DE SEINE A ALFORTVILLE	Real Estate and Real Estate Financing	51
	SCCV QUAI NEUF BORDEAUX	Real Estate and Real Estate Financing	35
	SCCV ROUEN 27 ANGLAIS	Real Estate and Real Estate Financing	0
	SCCV ROUSSET - LOT 03	Real Estate and Real Estate Financing	70
	SCCV SAINT JUST DAUDET	Real Estate and Real Estate Financing	80
	SCCV SAY	Real Estate and Real Estate Financing	35
	SCCV SENGHOR	Real Estate and Real Estate Financing	35
	SCCV SENSORIUM BUREAUX	Real Estate and Real Estate Financing	50
	SCCV SENSORIUM LOGEMENT	Real Estate and Real Estate Financing	50
	SCCV SOGAB ILE DE FRANCE	Real Estate and Real Estate Financing	80
	SCCV SOGAB ROMAINVILLE	Real Estate and Real Estate Financing	80
	SCCV SOGEPROM LYON HABITAT	Real Estate and Real Estate Financing	100
	SCCV SOPRAB IDF (EX SCCV ROMAINVILLE DUMAS)	Real Estate and Real Estate Financing	70
	SCCV ST MARTIN DU TOUCH ILOT S9	Real Estate and Real Estate Financing	50
	SCCV SWING RIVE GAUCHE	Real Estate and Real Estate Financing	0
	SCCV TALENCE PUR	Real Estate and Real Estate Financing	0
	SCCV TOULOUSE LES IZARDS	Real Estate and Real Estate Financing	51
	SCCV TRETS CASSIN LOT 4	Real Estate and Real Estate Financing	70
	SCCV VERNAISON - RAZAT	Real Estate and Real Estate Financing	0

Country	Company	Type of company	Share of voting rights as of 31/12/2023
	SCCV VERNONNET-FIESCHI	Real Estate and Real Estate Financing	51
	SCCV VILLA CHANZY	Real Estate and Real Estate Financing	40
	SCCV VILLA VALERIANE	Real Estate and Real Estate Financing	30
	SCCV VILLAS URBAINES	Real Estate and Real Estate Financing	80
	SCCV VILLENAVE D'ORNON GARDEN VO	Real Estate and Real Estate Financing	25
	SCCV VILLENEUVE BONGARDE T2	Real Estate and Real Estate Financing	51
	SCCV VILLENEUVE D'ASCQ-RUE DES TECHNIQUES	Real Estate and Real Estate Financing	50
	SCCV VILLENEUVE VILLAGE BONGARDE	Real Estate and Real Estate Financing	51
	SCCV VILLEURBANNE TEMPO	Real Estate and Real Estate Financing	100
	SCCV WAMBRECHIES RESISTANCE	Real Estate and Real Estate Financing	50
	SCI 1134, AVENUE DE L'EUROPE A CASTELNAU LE LEZ	Real Estate and Real Estate Financing	50
	SCI 637 ROUTE DE FRANS	Real Estate and Real Estate Financing	0
	SCI AQPRIM PROMOTION	Real Estate and Real Estate Financing	50
	SCI ASC LA BERGEONNERIE	Real Estate and Real Estate Financing	0
	SCI AVARICUM	Real Estate and Real Estate Financing	0
	SCI CENTRE IMMO PROMOTION RESIDENCES	Real Estate and Real Estate Financing	100
	SCI CHELLES AULNOY MENDES FRANCE	Real Estate and Real Estate Financing	50
	SCI DU PARC SAINT ETIENNE	Real Estate and Real Estate Financing	40
	SCI ETAMPES NOTRE-DAME	Real Estate and Real Estate Financing	50
	SCI LA MANTILLA COMMERCES	Real Estate and Real Estate Financing	0
	SCI L'ACTUEL	Real Estate and Real Estate Financing	30
	SCI LAVOISIER	Real Estate and Real Estate Financing	80
	SCI LE HAMEAU DES GRANDS PRES	Real Estate and Real Estate Financing	0
	SCI LE MANOIR DE JEREMY	Real Estate and Real Estate Financing	0
	SCI LES CASTELLINES	Real Estate and Real Estate Financing	0
	SCI LES JARDINS DE LA BOURBRE	Real Estate and Real Estate Financing	0
	SCI LES JARDINS D'IRIS	Real Estate and Real Estate Financing	60
	SCI LES JARDINS DU BLAVET	Real Estate and Real Estate Financing	40
	SCI LES PORTES DU LEMAN	Real Estate and Real Estate Financing	70
	SCI LINAS COEUR DE VILLE 1	Real Estate and Real Estate Financing	71
	SCI LOCMINE- LAMENNAIS	Real Estate and Real Estate Financing	30
	SCI L'OREE DES LACS	Real Estate and Real Estate Financing	0
	SCI MONTPELLIER JACQUES COEUR	Real Estate and Real Estate Financing	50
	SCI PRIMO E+	Real Estate and Real Estate Financing	100
	SCI PRIMO N+	Real Estate and Real Estate Financing	100
	SCI PRIMO N+2	Real Estate and Real Estate Financing	100
	SCI PRIMO N+3	Real Estate and Real Estate Financing	100
	SCI PROJECTIM HABITAT	Real Estate and Real Estate Financing	100
	SCI PROJECTIM MARCQ COEUR DE VILLE	Real Estate and Real Estate Financing	0
	SCI PRONY	Real Estate and Real Estate Financing	0
	SCI QUINTEFEUILLE	Real Estate and Real Estate Financing	30
	SCI RESIDENCE DU DONJON	Real Estate and Real Estate Financing	40
	SCI RHIN ET MOSELLE 1	Real Estate and Real Estate Financing	100
	SCI RIVAPRIM HABITAT	Real Estate and Real Estate Financing	100
	SCI RIVAPRIM RESIDENCES	Real Estate and Real Estate Financing	100
	SCI SAINT OUEN L'AUMONE - L'OISE	Real Estate and Real Estate Financing	0
	SCI SAINT-DENIS WILSON	Real Estate and Real Estate Financing	60
	SCI SCS IMMOBILIER D'ENTREPRISES	Real Estate and Real Estate Financing	66
	SCI SOGECIP	Real Estate and Real Estate Financing	100
	SCI SOGECTIM	Real Estate and Real Estate Financing	100
	SCI SOGEPROM LYON RESIDENCES	Real Estate and Real Estate Financing	100
	SCI TERRES NOUVELLES FRANCILIENNES	Real Estate and Real Estate Financing	0

Country	Company	Type of company	Share of voting rights as of 31/12/2023
	SCI TOULOUSE CENTREDA 3	Real Estate and Real Estate Financing	100
	SCI VILLA EMILIE	Real Estate and Real Estate Financing	35
	SCI VITAL BOUHOT 16-22 NEUILLY SUR SEINE	Real Estate and Real Estate Financing	40
	SERVIPAR	Specialist Financing	100
	SG 29 HAUSSMANN	Financial Company	100
	SG ACTIONS EURO	Insurance	0
	SG ACTIONS EURO SELECTION	Financial Company	40.05
	SG ACTIONS FRANCE	Portfolio Management	38.14
	SG ACTIONS LUXE-C	Insurance	84.25
	SG ACTIONS MONDE	Insurance	0
	SG ACTIONS MONDE EMERGENT	Insurance	60.05
	SG ACTIONS US	Portfolio Management	65.06
	SG AMUNDI ACTIONS FRANCE ISR - PART-C	Financial Company	60.05
	SG AMUNDI ACTIONS MONDE EAU - PART-C	Financial Company	60.05
	SG AMUNDI MONETAIRE ISR	Portfolio Management	100
	SG AMUNDI MONETAIRE ISR - PART P-C	Financial Company	60.05
	SG AMUNDI OBLIG ENTREPRISES EURO ISR - PART-C	Financial Company	60.05
	SG BLACKROCK ACTIONS US ISR	Portfolio Management	100
	SG BLACKROCK FLEXIBLE ISR	Portfolio Management	100
	SG BLACKROCK OBLIGATIONS EURO ISR - PART-C	Financial Company	60.05
	SG CAPITAL DEVELOPPEMENT	Portfolio Management	100
	SG FINANCIAL SERVICES HOLDING	Portfolio Management	100
	SG FLEXIBLE	Portfolio Management	92.48
	SG OBLIG ETAT EURO - PART P-C	Financial Company	60.05
	SG OBLIG ETAT EURO-R	Insurance	79.94
	SG OBLIGATIONS	Insurance	82.92
	SG OPCIMMO	Real Estate and Real Estate Financing	97.95
	SG OPTION EUROPE	Broker	100
	SG VALOR ALPHA ACTIONS FRANCE	Financial Company	72.77
	SGA 48-56 DESMOULINS	Real Estate and Real Estate Financing	99
	SGA AXA IM US CORE HY LOW CARBON	Insurance	100
	SGA AXA IM US SD HY LOW CARBON	Insurance	100
	SGA INFRASTRUCTURES	Insurance	100
	SGB FINANCE S.A.	Specialist Financing	51
	SGEF SA	Specialist Financing	100
	SGI 10-16 VILLE L'EVEQUE	Insurance	100
	SGI 1-5 ASTORG	Insurance	100
	SGI HOLDING SIS	Group Real Estate Management Company	100
	SGI PACIFIC	Insurance	89.53
	SHINE	Financial Company	93.97
	SNC COEUR 8EME MONPLAISIR	Real Estate and Real Estate Financing	30
	SNC D'AMENAGEMENT FORUM SEINE ISSY LES MOULINEAUX	Real Estate and Real Estate Financing	33.33
	SNC HPL ARROMANCHES	Real Estate and Real Estate Financing	100
	SNC NEUILLY ILE DE LA JATTE	Real Estate and Real Estate Financing	40
	SNC PROMOSEINE	Real Estate and Real Estate Financing	33.33
	SOCIETE ANONYME DE CREDIT A L'INDUSTRIE FRANCAISE (CALIF)	Bank	100
	SOCIETE CIVILE IMMOBILIERE CAP THALASSA	Real Estate and Real Estate Financing	45
	SOCIETE CIVILE IMMOBILIERE CAP VEYRE	Real Estate and Real Estate Financing	50
	SOCIETE CIVILE IMMOBILIERE DE DIANE	Real Estate and Real Estate Financing	30
	SOCIETE CIVILE IMMOBILIERE DE PIERLAS	Real Estate and Real Estate Financing	28
	SOCIETE CIVILE IMMOBILIERE DES COMBEAUX DE TIGERY	Real Estate and Real Estate Financing	100

Country	Company	Type of company	Share of voting rights as of 31/12/2023
	SOCIETE CIVILE IMMOBILIERE ESTEREL TANNERON	Real Estate and Real Estate Financing	30
	SOCIETE CIVILE IMMOBILIERE FONTENAY -ESTIENNES D'ORVES	Real Estate and Real Estate Financing	50
	SOCIETE CIVILE IMMOBILIERE GAMBETTA DEFENSE V	Real Estate and Real Estate Financing	20
	SOCIETE CIVILE IMMOBILIERE LE BOTERO	Real Estate and Real Estate Financing	0
	SOCIETE CIVILE IMMOBILIERE LES HAUTS DE L'ESTAQUE	Real Estate and Real Estate Financing	35
	SOCIETE CIVILE IMMOBILIERE LES HAUTS DE SEPTEMES	Real Estate and Real Estate Financing	25
	SOCIETE CIVILE IMMOBILIERE MIRECRAU	Real Estate and Real Estate Financing	35
	SOCIETE CIVILE IMMOBILIERE VERT COTEAU	Real Estate and Real Estate Financing	35
	SOCIETE DE BOURSE GILBERT DUPONT	Financial Company	100
	SOCIETE DE COURTAGES D'ASSURANCES GROUPE	Broker	100
	SOCIETE DE LA RUE EDOUARD VII	Portfolio Management	100
	SOCIETE DE SERVICES FIDUCIAIRES (2SF)	Financial Company	33.33
	SOCIETE DES TERRAINS ET IMMEUBLES PARISIENS (STIP)	Group Real Estate Management Company	100
	SOCIETE DU PARC D'ACTIVITE DE LA VALENTINE	Real Estate and Real Estate Financing	0
	SOCIETE GENERALE	Bank	100
	SOCIETE GENERALE - FORGE	Services	90.9
	SOCIETE GENERALE CAPITAL FINANCE	Portfolio Management	100
	SOCIETE GENERALE CAPITAL PARTENAIRES	Portfolio Management	100
	SOCIETE GENERALE FACTORING	Specialist Financing	100
	SOCIETE GENERALE POUR LE DEVELOPPEMENT DES OPERATIONS DE CREDIT-BAIL IMMOBILIER "SOGEBAIL"	Real Estate and Real Estate Financing	100
	SOCIETE GENERALE REAL ESTATE	Real Estate and Real Estate Financing	100
	SOCIETE GENERALE SCF	Financial Company	100
	SOCIETE GENERALE SECURITIES SERVICES HOLDING	Portfolio Management	100
	SOCIETE GENERALE SFH	Specialist Financing	100
	SOCIETE GENERALE VENTURES	Portfolio Management	100
	SOCIETE IMMOBILIERE DU 29 BOULEVARD HAUSSMANN	Group Real Estate Management Company	100
	SOCIETE MARSEILLAISE DE CREDIT	Bank	0
	SOFIDY CONVICTIONS IMMOBILIERES	Insurance	0
	SOGE BEAUJOIRE	Group Real Estate Management Company	100
	SOGE PERIVAL I	Group Real Estate Management Company	100
	SOGE PERIVAL II	Group Real Estate Management Company	100
	SOGE PERIVAL III	Group Real Estate Management Company	100
	SOGE PERIVAL IV	Group Real Estate Management Company	100
	SOGEACT.SELEC.M ON	Portfolio Management	99.78
	SOGEAX	Real Estate and Real Estate Financing	60
	SOGECAMPUS	Group Real Estate Management Company	100
	SOGECAP	Insurance	100
	SOGECAP - DIVERSIFIED LOANS FUND	Specialist Financing	100
	SOGECAP ACTIONS PROTEGEES - PART-C/D	Financial Company	60.05
	SOGECAP DIVERSIFIE 1	Portfolio Management	100
	SOGECAP EQUITY OVERLAY (FEEDER)	Insurance	100
	SOGECAP LONG TERME N°1	Financial Company	100
	SOGECAPIMMO 2	Insurance	90.84
	SOGEFIM HOLDING	Portfolio Management	100
	SOGEFIMUR	Specialist Financing	100

Country	Company	Type of company	Share of voting rights as of 31/12/2023
	SOGEFINANCEMENT	Specialist Financing	100
	SOGEFINERG France	Specialist Financing	100
	SOGEFONTENAY	Group Real Estate Management Company	100
	SOGELEASE FRANCE	Specialist Financing	100
	SOGEMARCHE	Group Real Estate Management Company	100
	SOGEPARTICIPATIONS	Portfolio Management	100
	SOGEPIERRE	Financial Company	100
	SOGEPROM	Real Estate and Real Estate Financing	100
	SOGEPROM ALPES HABITAT	Real Estate and Real Estate Financing	100
	SOGEPROM CENTRE-VAL DE LOIRE	Real Estate and Real Estate Financing	100
	SOGEPROM COTE D'AZUR	Real Estate and Real Estate Financing	100
	SOGEPROM ENTREPRISES	Real Estate and Real Estate Financing	100
	SOGEPROM LYON	Real Estate and Real Estate Financing	100
	SOGEPROM PARTENAIRES	Real Estate and Real Estate Financing	100
	SOGEPROM REALISATIONS	Real Estate and Real Estate Financing	100
	SOGEPROM SERVICES	Real Estate and Real Estate Financing	100
	SOGEPROM SUD REALISATIONS	Real Estate and Real Estate Financing	100
	SOGESSUR	Insurance	100
	SOGEVIMMO	Group Real Estate Management Company	98.75
	ST BARNABE 13004	Real Estate and Real Estate Financing	50
	STAR LEASE	Specialist Financing	100
	TEMSYS	Specialist Financing	100
	TRANSACTIS	Services	50
	TREEZOR SAS	Financial Company	95.35
	URBANISME ET COMMERCE PROMOTION	Real Estate and Real Estate Financing	100
	VALMINVEST	Group Real Estate Management Company	100
	VG PROMOTION	Real Estate and Real Estate Financing	35
	VIENNE BON ACCUEIL	Real Estate and Real Estate Financing	50
	VILLA D'ARMONT	Real Estate and Real Estate Financing	40
French Polynesia			
	BANQUE DE POLYNESIE	Bank	72.1
	SOGELEASE BDP "SAS"	Specialist Financing	100
Germany			
	ALD AUTOLEASING D GMBH	Specialist Financing	100
	ALD INTERNATIONAL GMBH	Specialist Financing	100
	ALD INTERNATIONAL GROUP HOLDINGS GMBH	Specialist Financing	100
	ALD LEASE FINANZ GMBH	Specialist Financing	100
	BANK DEUTSCHES KRAFTFAHRZEUGG EWERBE GMBH	Specialist Financing	90
	BDK LEASING UND SERVICE GMBH	Specialist Financing	100
	CAR PROFESSIONAL FUHRPARKMANAGE MENT UND BERATUNGSGESELL SCHAFT MBH & CO. KG	Specialist Financing	100
	CARPOOL GMBH	Broker	100
	FLEETPOOL GMBH	Specialist Financing	100
	GEFA BANK GMBH	Specialist Financing	100
	GEFA VERSICHERUNGSDI ENST GMBH	Specialist Financing	100
	HANSEATIC BANK GMBH & CO KG	Specialist Financing	75
	HANSEATIC GESELLSCHAFT FUR BANKBETEILIGUNGEN MBH	Portfolio Management	100
	HSCE HANSEATIC SERVICE CENTER GMBH	Services	100
	INTERLEASING DELLO HAMBURG G.M.B.H.	Specialist Financing	100

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	LEAN AUTOVERMIETUNG GMBH	Specialist Financing	100
	LEASEPLAN DEUTSCHLAND GMBH	Specialist Financing	100
	LEASEPLAN SERVICES GMBH	Specialist Financing	100
	LEASEPLAN VERSICHERUNGSVERMITTLUNGSGESELLSCHAFT MBH	Specialist Financing	100
	PHILIPS MEDICAL CAPITAL GMBH	Specialist Financing	60
	RED & BLACK AUTO GERMANY 10	Financial Company	100
	RED & BLACK AUTO GERMANY 4 UG (HAFTUNGSBESCHR ANKT)	Financial Company	100
	RED & BLACK AUTO GERMANY 6 UG	Financial Company	0
	RED & BLACK AUTO GERMANY 7	Financial Company	100
	RED & BLACK AUTO GERMANY 8	Financial Company	100
	RED & BLACK AUTO GERMANY 9 UG (HAFTUNGSBESCHR ANKT)	Financial Company	100
	SG EQUIPMENT FINANCE GMBH	Specialist Financing	100
	SG FRANCFORT	Bank	100
	SOCIETE GENERALE EFFEKTEN GMBH	Financial Company	100
	SOCIETE GENERALE SECURITIES SERVICES GMBH	Specialist Financing	100
	SOGECAP DEUTSCHE NIEDERLASSUNG	Insurance	100
	SOGESSUR DEUTSCHE NIEDERLASSUNG	Insurance	100
Ghana			
	SOCIETE GENERAL GHANA PLC (EX-SOCIETE GENERALE GHANA LIMITED)	Bank	60.22
Gibraltar			
	HAMBROS (GIBRALTAR NOMINEES) LIMITED	Services	100
	SG KLEINWORT HAMBROS (GIBRALTAR) LIMITED (ex-SG KLEINWORT HAMBROS BANK (GIBRALTAR) LIMITED)	Bank	100
	SG KLEINWORT HAMBROS BANK LIMITED GIBRALTAR BRANCH	Bank	100
Greece			
	ALD AUTOMOTIVE S.A. LEASE OF CARS	Bank	100
	LEASEPLAN HELLAS COMMERCIAL VEHICLE LEASING AND FLEET MANAGEMENT SERVICES SINGLE-MEMBER SOCIETE ANON	Specialist Financing	100
Guernsey Island			
	CDS INTERNATIONAL LIMITED	Services	100
	HAMBROS (GUERNSEY NOMINEES) LTD	Services	100
	HTG LIMITED	Services	0
	KLEINWORT BENSON INTERNATIONAL TRUSTEES LIMITED	Bank	100
	SG KLEINWORT HAMBROS BANK (CI) LIMITED, GUERNSEY BRANCH	Bank	0
	SG KLEINWORT HAMBROS BANK LIMITED GUERNSEY BRANCH	Bank	100
Guinea			
	SOCIETE GENERALE GUINEE	Bank	57.93
Hong Kong			
	SG ASSET FINANCE (HONG KONG) LIMITED	Broker	100
	SG CAPITAL FINANCE (ASIA PACIFIC) LIMITED	Financial Company	100
	SG CAPITAL FINANCE (HONG KONG) LIMITED	Financial Company	100
	SG CORPORATE FINANCE (ASIA PACIFIC) LIMITED	Financial Company	100
	SG CORPORATE FINANCE (HONG KONG) LIMITED	Financial Company	100
	SG FINANCE (ASIA PACIFIC) LIMITED	Financial Company	100
	SG FINANCE (HONG KONG) LIMITED	Financial Company	100
	SG HONG KONG	Bank	100
	SG LEASING (HONG KONG) LIMITED	Financial Company	100
	SG SECURITIES (HK) LIMITED	Broker	100
	SG SECURITIES ASIA INTERNATIONAL HOLDINGS LIMITED	Broker	100
	SGL ASIA HK	Real Estate and Real Estate Financing	100
	SOCIETE GENERALE ASIA LTD	Financial Company	100
	TH INVESTMENTS (HONG KONG) 1 LIMITED	Financial Company	100
	TH INVESTMENTS (HONG KONG) 5 LIMITED	Financial Company	100

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Hungary			
	ALD AUTOMOTIVE MAGYARORSZAG AUTOPARK-KEZELO ES FINANSZIROZO KORLATOLT FELELOSSEGU TARSASAG	Specialist Financing	100
	LEASEPLAN HUNGARIA GEPJARMU KEZELO ES FIANNSZIROZO RESZVENYTARSASAG	Specialist Financing	100
	SG EQUIPMENT FINANCE HUNGARY ZRT	Specialist Financing	100
India			
	ALD AUTOMOTIVE PRIVATE LIMITED	Specialist Financing	100
	LEASE PLAN INDIA PRIVATE LTD.	Specialist Financing	100
	LEASEPLAN FLEET MANAGEMENT INDIA PVT. LTD.	Specialist Financing	100
	SG MUMBAI	Bank	100
	SOCIETE GENERALE GLOBAL SOLUTION CENTRE INDIA	Services	100
	SOCIETE GENERALE SECURITIES INDIA PRIVATE LIMITED	Broker	100
Ireland			
	ALD RE PUBLIC LIMITED COMPANY (ex-ALD RE DESIGNATED ACTIVITY COMPANY)	Insurance	100
	EURO INSURANCES DESIGNATED ACTIVITY COMPANY	Insurance	100
	IRIS SPV PLC SERIES MARK	Financial Company	100
	IRIS SPV PLC SERIES SOGECAP	Financial Company	100
	LEASEPLAN DIGITAL B.V. (DUBLIN BRANCH)	Services	100
	LEASEPLAN FINANCE B.V. (DUBLIN BRANCH OF LEASEPLAN FINANCE B.V.)	Specialist Financing	100
	LEASEPLAN FLEET MANAGEMENT SERVICES IRELAND LTD.	Specialist Financing	100
	MERRION FLEET MANAGEMENT LIMITED	Specialist Financing	0
	NB SOG EMER EUR -I	Financial Company	100
	SG DUBLIN	Bank	100
	SG KLEINWORT HAMBROS PRIVATE INVESTMENT OFFICE SERVICES LIMITED	Bank	100
	SGBT FINANCE IRELAND DESIGNATED ACTIVITY COMPANY	Specialist Financing	100
	SOCIETE GENERALE SECURITIES SERVICES, SGSS (IRELAND) LIMITED	Financial Company	100
Isle of Man			
	KBBIOM LIMITED	Bank	100
	KBTIOM LIMITED	Bank	0
Italy			
	ALD AUTOMOTIVE ITALIA S.R.L	Specialist Financing	100
	FIDITALIA S.P.A	Specialist Financing	100
	FRAER LEASING SPA	Specialist Financing	86.91
	LEASEPLAN ITALIA S.P.A.	Specialist Financing	100
	MORIGI FINANCE S.R.L.	Specialist Financing	100
	RED & BLACK AUTO ITALY S.R.L	Specialist Financing	100
	SG EQUIPMENT FINANCE ITALY S.P.A.	Specialist Financing	100
	SG FACTORING SPA	Specialist Financing	100
	SG LEASING SPA	Specialist Financing	100
	SG LUXEMBOURG ITALIAN BRANCH	Specialist Financing	100
	SG MILAN	Bank	100
	SOCIETE GENERALE SECURITIES SERVICES S.P.A.	Bank	100
	SOGECAP SA RAPPRESENTANZA GENERALE PER L'ITALIA (ex-SOCECAP SA RAPPRESENTANZA GENERALE PER L'ITALIA)	Insurance	100
	SOGESSUR SA RAPPRESENTANZA GENERALE PER L'ITALIA (ex-SOGESSUR SA)	Insurance	100
Ivory Coast			
	SOCIETE GENERALE AFRICAN BUSINESS SERVICES ABIDJAN	Services	100
	SOCIETE GENERALE CAPITAL SECURITIES WEST AFRICA	Portfolio Management	100
	SOCIETE GENERALE COTE D'IVOIRE	Bank	73.25

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Japan			
	SG TOKYO	Bank	100
	SOCIETE GENERALE HAUSSMANN MANAGEMENT JAPAN LIMITED	Portfolio Management	100
	SOCIETE GENERALE SECURITIES JAPAN LIMITED	Broker	100
Jersey Island			
	ELMFORD LIMITED	Services	100
	HANOM I LIMITED	Financial Company	100
	HANOM II LIMITED	Financial Company	0
	HANOM III LIMITED	Financial Company	0
	J D CORPORATE SERVICES LIMITED	Services	100
	KLEINWORT BENSON CUSTODIAN SERVICES LIMITED	Bank	0
	SG HAMBROS NOMINEES (JERSEY) LIMITED	Financial Company	0
	SG HAUSSMANN FUND	Financial Company	0
	SG KLEINWORT HAMBROS (CI) LIMITED (ex-SG KLEINWORT HAMBROS BANK (CI) LIMITED)	Bank	100
	SG KLEINWORT HAMBROS BANK LIMITED, JERSEY BRANCH	Bank	100
	SG KLEINWORT HAMBROS CORPORATE SERVICES (CI) LIMITED	Portfolio Management	100
	SG KLEINWORT HAMBROS TRUST COMPANY (CI) LIMITED	Financial Company	100
	SGKH TRUSTEES (CI) LIMITED	Services	100
Latvia			
	ALD AUTOMOTIVE SIA	Specialist Financing	75
Lithuania			
	UAB ALD AUTOMOTIVE	Specialist Financing	75
Luxembourg			
	ALD INTERNATIONAL SERVICES S.A.	Specialist Financing	100
	AXUS LUXEMBOURG SA	Specialist Financing	100
	BARTON CAPITAL SA	Specialist Financing	100
	BUMPER DE S.A.	Financial Company	100
	CODEIS COMPARTIMENT A0084	Financial Company	100
	CODEIS COMPARTIMENT A0076	Financial Company	100
	CODEIS SECURITIES S.A.	Financial Company	100
	COVALBA	Financial Company	100
	GOLDMAN SACHS 2 G EM M DBP ID	Financial Company	0
	INFRAMEWA CO-INVEST SCSP	Financial Company	60.05
	IVEFI S.A.	Financial Company	100
	LEASEPLAN GLOBAL PROCUREMENT (A LUXEMBOURGISH BRANCH OF LEASEPLAN GLOBAL B.V.)	Specialist Financing	100
	MERIBOU INVESTMENTS SA	Specialist Financing	100
	MOOREA FUND SG CREDIT MILLESIME 2028 RE (EUR CAP)	Financial Company	60.05
	MOOREA GLB BALANCED	Financial Company	68.08
	MOOREA SUSTAINABLE US EQUITY RE	Financial Company	60.05
	PIONEER INVESTMENTS DIVERSIFIED LOANS FUND	Specialist Financing	100
	RED & BLACK AUTO LEASE GERMANY 3 S.A.	Financial Company	100
	RED & BLACK AUTO LEASE GERMANY S.A.	Financial Company	100
	SALINGER S.A	Bank	100
	SG ISSUER	Financial Company	100
	SG LUCI	Insurance	100
	SGBT ASSET BASED FUNDING SA	Financial Company	100
	SGBTCI	Financial Company	100
	SGL ASIA	Real Estate and Real Estate Financing	100
	SGL RE	Insurance	100
	SOCIETE GENERALE CAPITAL MARKET FINANCE	Bank	100

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	SOCIETE GENERALE FINANCING AND DISTRIBUTION	Bank	100
	SOCIETE GENERALE LIFE INSURANCE BROKER SA	Insurance	100
	SOCIETE GENERALE LUXEMBOURG	Bank	100
	SOCIETE GENERALE LUXEMBOURG LEASING	Specialist Financing	100
	SOCIETE GENERALE PRIVATE WEALTH MANAGEMENT S.A.	Financial Company	100
	SOCIETE GENERALE RE SA	Insurance	100
	SOCIETE IMMOBILIERE DE L'ARSENAL	Group Real Estate Management Company	100
	SOGELIFE	Insurance	100
	SOLYS	Financial Company	0
	SPIRE SA - COMPARTIMENT 2021-51	Financial Company	100
	SURYA INVESTMENTS S.A.	Specialist Financing	100
	ZEUS FINANCE LEASING S.A.	Specialist Financing	100
Madagascar			
	BFV - SOCIETE GENERALE	Bank	70
Malaysia			
	ALD MHC MOBILITY SERVICES MALAYSIA SDN BHD	Specialist Financing	60
Mauritania			
	SOCIETE GENERALE MAURITANIE	Bank	100
Mauritius			
	SG SECURITIES BROKING (M) LIMITED	Broker	100
Mexico			
	ALD AUTOMOTIVE S.A. DE C.V.	Specialist Financing	100
	ALD FLEET SA DE CV SOFOM ENR	Specialist Financing	100
	LEASEPLAN MEXICO S.A. DE C.V.	Specialist Financing	100
	SGFP MEXICO, S.A. DE C.V.	Financial Company	100
Monaco			
	SOCIETE DE BANQUE MONACO	Bank	0
	SOCIETE GENERALE PRIVATE BANKING (MONACO)	Bank	99.99
	SOCIETE GENERALE (SUCCURSALE MONACAO)	Bank	100
Morocco			
	ALD AUTOMOTIVE SA (ex-ALD AUTOMOTIVE SA MAROC)	Specialist Financing	50
	ATHENA COURTAGE	Insurance	99.99
	FONCIMMO	Group Real Estate Management Company	100
	INVESTIMA SA	Bank	58.48
	LA MAROCAINE VIE	Insurance	99.98
	SG MAROCAINE DE BANQUES	Bank	57.67
	SOCIETE D' EQUIPEMENT DOMESTIQUE ET MENAGER "EQDOM"	Specialist Financing	57.09
	SOCIETE GENERALE AFRICAN BUSINESS SERVICES S.A.S	Services	100
	SOCIETE GENERALE DE LEASING AU MAROC	Specialist Financing	100
	SOCIETE GENERALE OFFSHORE	Financial Company	99.94
	SOGECAPITAL GESTION	Financial Company	99.95
	SOGECAPITAL PLACEMENT	Portfolio Management	99.97
	SOGEFINANCEMENT MAROC	Specialist Financing	100
Netherlands			
	AALH PARTICIPATIES B.V.	Specialist Financing	100
	ACCIDENT MANAGEMENT SERVICES (AMS) B.V.	Specialist Financing	100
	ALVARENGA INVESTMENTS B.V.	Specialist Financing	100
	ASTEROLD B.V.	Financial Company	100
	AXUS FINANCE NL B.V.	Specialist Financing	100
	AXUS NEDERLAND BV	Specialist Financing	100
	BRIGANTIA INVESTMENTS B.V.	Financial Company	100

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	BUMPER NL 2020-1 B.V.	Financial Company	100
	BUMPER NL 2022-1 B.V.	Financial Company	100
	CAPEREA B.V.	Specialist Financing	100
	FIRENTA B.V.	Specialist Financing	100
	FORD FLEET MANAGEMENT B.V.	Specialist Financing	50.1
	HERFSTTAFEL INVESTMENTS B.V.	Specialist Financing	100
	HORDLE FINANCE B.V.	Financial Company	100
	LEASE BEHEER HOLDING B.V.	Specialist Financing	100
	LEASE BEHEER VASTGOED B.V.	Real Estate and Real Estate Financing	100
	LEASEPLAN CN HOLDING B.V.	Specialist Financing	100
	LEASEPLAN CORPORATION N.V.	Financial Company	100
	LEASEPLAN DIGITAL B.V.	Services	100
	LEASEPLAN FINANCE B.V.	Specialist Financing	100
	LEASEPLAN GLOBAL B.V.	Specialist Financing	100
	LEASEPLAN NEDERLAND N.V.	Specialist Financing	100
	LEASEPLAN RECHTSHULP B.V.	Specialist Financing	100
	LP GROUP B.V.	Specialist Financing	100
	MONTALIS INVESTMENT BV	Specialist Financing	100
	SG AMSTERDAM	Bank	100
	SG EQUIPMENT FINANCE BENELUX BV	Specialist Financing	100
	SOGELEASE B.V.	Specialist Financing	100
	SOGELEASE FILMS	Specialist Financing	100
	TRANSPORT PLAN B.V.	Specialist Financing	100
	TYNEVOR B.V.	Financial Company	100
New Caledonia			
	CREDICAL	Specialist Financing	98.05
	SOCALFI	Financial Company	100
	SOCIETE GENERALE CALEDONIENNE DE BANQUE	Bank	90.09
Norway			
	ALD AUTOMOTIVE AS	Specialist Financing	0
	LEASEPLAN NORGE AS	Specialist Financing	100
	NF FLEET AS	Specialist Financing	80
Peru			
	ALD AUTOMOTIVE PERU S.A.C.	Specialist Financing	100
Poland			
	ALD AUTOMOTIVE POLSKA SP Z O.O.	Specialist Financing	100
	FLEET ACCIDENT MANAGEMENT SERVICES SP Z O.O.	Broker	100
	LEASEPLAN FLEET MANAGEMENT (POLSKA) SP Z O.O.	Specialist Financing	100
	SG EQUIPMENT LEASING POLSKA SP Z.O.O.	Specialist Financing	100
	SOCIETE GENERALE S.A. ODDZIAL W POLSCE	Bank	100
	SOGECAP SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	100
	SOGESSUR SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	100
Portugal			
	FLEET COVER-SOCIEDADE MEDIACAO DE SEGUROS, LDA	Broker	100
	LEASEPLAN PORTUGAL COMERCIO E ALUGUER DE AUTOMÓVEIS E EQUIPAMENTOS UNIPESSOAL LDA.	Specialist Financing	100
	SGALD AUTOMOTIVE SOCIEDADE GERAL DE COMERCIO E ALUGUER DE BENS SA	Specialist Financing	0
Romania			
	ACCIDENT MANAGEMENT SERVICES S.R.L.	Specialist Financing	100
	ALD AUTOMOTIVE SRL	Specialist Financing	100
	BRD - GROUPE SOCIETE GENERALE SA	Bank	60.17

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	BRD ASSET MANAGEMENT SAI SA	Portfolio Management	100
	BRD FINANCE IFN S.A.	Financial Company	100
	BRD SOGELEASE IFN S.A.	Specialist Financing	100
	LEASEPLAN ROMANIA S.R.L.	Specialist Financing	100
	LEASEPLAN SERVICE CENTER S.R.L.	Specialist Financing	100
	S.C. ROGARIU IMOBILIARE S.R.L.	Real Estate and Real Estate Financing	75
	SOCIETE GENERALE GLOBAL SOLUTION CENTRE ROMANIA	Services	100
	SOGEPROM ROMANIA SRL	Real Estate and Real Estate Financing	100
	SOGESSUR S.A PARIS - SUCURSALA BUCURESTI	Insurance	100
Russian Federation			
	ALD AUTOMOTIVE OOO	Specialist Financing	0
	LEASEPLAN RUS LLC	Specialist Financing	100
Senegal			
	SOCIETE GENERALE SENEGAL	Bank	64.87
Serbia			
	ALD AUTOMOTIVE D.O.O BEOGRAD	Specialist Financing	100
Singapore			
	SG MARKETS (SEA) PTE. LTD.	Broker	100
	SG SECURITIES (SINGAPORE) PTE. LTD.	Broker	100
	SG SINGAPOUR	Bank	100
	SG TRUST (ASIA) LTD	Financial Company	100
Slovakia			
	ALD AUTOMOTIVE SLOVAKIA S. R. O.	Specialist Financing	100
	ESSOX FINANCE, S.R.O	Specialist Financing	100
	INSURANCEPLAN, S.R.O.	Specialist Financing	100
	KOMERCNI BANKA SLOVAKIA, A.S. POBOCKA ZAHRANICNEJ BANKY	Bank	100
	LEASEPLAN SLOVAKIA S.R.O.	Specialist Financing	100
	SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O. – ORGANIZACNA ZLOZKA (SLOVAK RUPUBLIC BRANCH)	Specialist Financing	100
Slovenia			
	ALD AUTOMOTIVE OPERATIONAL LEASING DOO	Specialist Financing	100
South Africa			
	SG JOHANNESBURG	Bank	100
South Korea			
	SG SECURITIES KOREA CO., LTD.	Broker	100
	SG SEOUL	Bank	100
Spain			
	ALD AUTOMOTIVE S.A.U	Specialist Financing	100
	ALTURA MARKETS, SOCIEDAD DE VALORES, SA	Broker	50
	GARANTHIA PLAN S.L.	Broker	100
	GENEFIM SUCURSAL EN ESPANA	Real Estate and Real Estate Financing	100
	LEASE PLAN SERVICIOS S.A.U.	Specialist Financing	100
	PAYXPERT SPAIN	Financial Company	100
	PIRAMBU S.L.	Financial Company	100
	SG EQUIPMENT FINANCE IBERIA, E.F.C, S.A.U (EX-SG EQUIPMENT FINANCE IBERIA, E.F.C, S.A.)	Specialist Financing	100
	SOCGEN FINANCIACIONES IBERIA, S.L.	Bank	100
	SOCGEN INVERSIONES FINANCIERAS S.L. (EX-SOCGEN INVERSIONES FINANCIERAS SA)	Financial Company	100
	SOCIETE GENERALE SUCCURSAL EN ESPANA	Bank	100
	SODEPROM	Real Estate and Real Estate Financing	100
	SOLUCIONES DE RENTING Y MOVILIDAD, S.L. (SOCIEDAD UNIPERSONAL)	Specialist Financing	100

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Sweden			
	ALD AUTOMOTIVE AB	Specialist Financing	100
	CLAIMS MANAGEMENT SVERIGE AB	Specialist Financing	100
	LEASEPLAN SVERIGE AB	Specialist Financing	100
	NF FLEET AB	Specialist Financing	80
	SOCIETE GENERALE SA BANKFILIAL SVERIGE	Bank	100
Switzerland			
	ALD AUTOMOTIVE AG	Specialist Financing	100
	ALL-IN A.G.	Specialist Financing	100
	LEASEPLAN (SCHWEIZ) A.G.	Specialist Financing	100
	SG EQUIPMENT FINANCE SCHWEIZ AG	Specialist Financing	100
	SG ZURICH	Bank	100
	SOCIETE GENERALE PRIVATE BANKING (SUISSE) S.A.	Bank	100
Taiwan			
	SG SECURITIES (HONG KONG) LIMITED TAIPEI BRANCH	Broker	100
	SG TAIPEI	Bank	100
Thailand			
	SOCIETE GENERALE SECURITIES (THAILAND) LTD.	Broker	100
Togo			
	SOCIETE GENERALE TOGO	Bank	100
Tunisia			
	UNION INTERNATIONALE DE BANQUES	Bank	52.34
Turkey			
	ALD AUTOMOTIVE TURIZM TICARET ANONIM SIRKETI	Specialist Financing	100
	LEASEPLAN OTOMOTIV SERVIS VE TICARET A.S.	Specialist Financing	100
	SG ISTANBUL	Bank	100
Ukraine			
	ALD AUTOMOTIVE UKRAINE LIMITED LIABILITY COMPANY	Specialist Financing	100
United Arab Emirates			
	LEASEPLAN EMIRATES FLEET MANAGEMENT - LEASEPLAN EMIRATES LLC, UAE	Specialist Financing	49
	SOCIETE GENERALE, DIFC BRANCH (EX-SOCIETE GENERALE DUBAI)	Bank	100
United Kingdom			
	ACR	Financial Company	100
	ALD AUTOMOTIVE GROUP LIMITED	Specialist Financing	100
	ALD AUTOMOTIVE LIMITED	Specialist Financing	100
	AUTOMOTIVE LEASING LIMITED	Specialist Financing	100
	BRIGANTIA INVESTMENTS B.V. (UK BRANCH)	Financial Company	100
	BUMPER UK 2019-1 FINANCE PLC	Financial Company	100
	BUMPER UK 2021-1 FINANCE PLC	Financial Company	100
	COMPAGNIE GENERALE DE LOCATION D'EQUIPEMENTS UK	Specialist Financing	100
	DIAL CONTRACTS LIMITED	Specialist Financing	100
	DIAL VEHICLE MANAGEMENT SERVICES LTD	Specialist Financing	99.6
	FENCHURCH NOMINEES LIMITED	Bank	100
	FORD FLEET MANAGEMENT UK LIMITED	Specialist Financing	100
	FRANK NOMINEES LIMITED	Bank	100
	HORDLE FINANCE B.V. (UK BRANCH)	Financial Company	100
	INTERNAL FLEET PURCHASING LIMITED	Specialist Financing	100
	INULA HOLDING UK LIMITED	Specialist Financing	100
	JWB LEASING LIMITED PARTNERSHIP	Financial Company	100
	KBIM STANDBY NOMINEES LIMITED	Bank	100
	KBPB NOMINEES LIMITED	Bank	100

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	KH COMPANY SECRETARIES LIMITED	Bank	100
	KLEINWORT BENSON FARMLAND TRUST (MANAGERS) LIMITED	Bank	75
	LANGBOURN NOMINEES LIMITED	Bank	100
	LEASEPLAN UK LIMITED	Specialist Financing	100
	PAYXPERT SERVICES LTD	Financial Company	60
	RED & BLACK AUTO LEASE UK 1 PLC	Specialist Financing	100
	ROBERT BENSON, LONSDALE & CO. (CANADA) LIMITED	Bank	100
	SG (MARITIME) LEASING LIMITED	Specialist Financing	100
	SG EQUIPMENT FINANCE (DECEMBER) LIMITED	Specialist Financing	100
	SG FINANCIAL SERVICES LIMITED	Financial Company	100
	SG HAMBROS (LONDON) NOMINEES LIMITED	Financial Company	100
	SG HAMBROS TRUST COMPANY LIMITED	Financial Company	100
	SG HEALTHCARE BENEFITS TRUSTEE COMPANY LIMITED	Financial Company	100
	SG INVESTMENT LIMITED	Financial Company	100
	SG KLEINWORT HAMBROS BANK LIMITED	Bank	100
	SG KLEINWORT HAMBROS LIMITED	Bank	100
	SG KLEINWORT HAMBROS TRUST COMPANY (UK) LIMITED	Bank	100
	SG LEASING (ASSETS) LIMITED	Specialist Financing	100
	SG LEASING (CENTRAL 3) LIMITED	Specialist Financing	100
	SG LEASING (GEMS) LIMITED	Specialist Financing	100
	SG LEASING (JUNE) LIMITED	Specialist Financing	100
	SG LEASING (MARCH) LIMITED	Specialist Financing	100
	SG LEASING (USD) LIMITED	Specialist Financing	100
	SG LEASING IX	Specialist Financing	100
	SG LONDRES	Bank	100
	SOCGEN NOMINEES (UK) LIMITED	Financial Company	100
	SOCIETE GENERALE EQUIPMENT FINANCE LIMITED	Specialist Financing	100
	SOCIETE GENERALE INTERNATIONAL LIMITED	Broker	100
	SOCIETE GENERALE INVESTMENTS (U.K.) LIMITED	Financial Company	100
	STRABUL NOMINEES LIMITED	Financial Company	100
	TYNEVOR B.V. (UK BRANCH)	Financial Company	100
United States of America			
	AEGIS HOLDINGS (ONSHORE) INC.	Financial Company	100
	SG AMERICAS EQUITIES CORP.	Financial Company	100
	SG AMERICAS OPERATIONAL SERVICES, LLC	Services	100
	SG AMERICAS SECURITIES HOLDINGS, LLC	Bank	100
	SG AMERICAS SECURITIES, LLC	Broker	100
	SG AMERICAS, INC.	Financial Company	100
	SG CONSTELLATION, INC.	Financial Company	0
	SG EQUIPMENT FINANCE USA CORP.	Specialist Financing	100
	SG MORTGAGE FINANCE CORP.	Financial Company	100
	SG MORTGAGE SECURITIES, LLC	Portfolio Management	100
	SG STRUCTURED PRODUCTS, INC	Specialist Financing	100
	SOCIETE GENERALE (NEW YORK)	Bank	100
	SOCIETE GENERALE FINANCIAL CORPORATION	Financial Company	100
	SOCIETE GENERALE INVESTMENT CORPORATION	Financial Company	100
	SOCIETE GENERALE LIQUIDITY FUNDING, LLC	Financial Company	100

Note: For a certain period of 2023, the Group included companies in which the share at the end of the reporting period was zero

Report by the Supervisory Board

Throughout 2023, the Supervisory Board carried out the tasks as defined by law and by the Articles of Association of the Bank. It supervised the exercise of powers by the Board of Directors, checked the accounts and other accounting records of Komerční banka, a.s., ascertained the effectiveness of the management and control system, and made its regular assessments.

Having checked the Bank's separate and consolidated financial statements for the period from 1 January 2023 to 31 December 2023, the Supervisory Board reports that the accounts and accounting records were maintained in a transparent manner and in accordance with generally binding regulations providing for banks book-keeping. The accounts and accounting records show all important aspects of the financial situation of Komerční banka, a.s., and the financial statements prepared on their basis give a true and fair view of the Bank's and Group's accounting and financial situation.

The Supervisory Board recommends that the general meeting approve the annual (separate) and consolidated financial statements and the proposal for the distribution of profit for the year 2023 as proposed by the Board of Directors of the Bank.

The Supervisory Board checked the Report on Relations among Related Entities in 2023, drawn up under Section 82 et seq. of the Corporations Act, and states on the basis of the presented documents that, during the accounting period from 1 January 2023 to 31 December 2023, Komerční banka, a.s. did not suffer any harm resulting from any contracts, agreements, other legal acts made or adopted by the Bank or from any influence otherwise exerted by Société Générale.

Prague, 7 March 2024

On behalf of the Supervisory Board of Komerční banka, a.s

Delphine Garcin-Meunier
Chair

Management affidavit

To the best of our knowledge, we believe that the separate and consolidated financial statements for the period from 1 January 2023 to 31 December 2023, prepared in accordance with the applicable set of financial reporting standards, gives a true and fair view of the assets, liabilities, financial situation and financial results of the Bank and the entities included in the consolidation scope, and this annual financial report prepared in accordance with the laws on accounting provides a true overview of the development, results and situation of the Bank and the entities included in the consolidation scope in the year 2023, including a description of the main risks and uncertainties which they are facing.

Prague, 18 March 2024

Signed on behalf of the Board of Directors:

Jan Juchelka
Chairman of the Board of Directors and Chief Executive Officer

Haubová Jitka

Jitka Haubová
Member of the Board of Directors

Independent Auditor's Report

to the Shareholders of Komerční banka, a.s.

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Court in Prague, Section C,
File 24349
ID. No.: 49620592
Tax ID. No.: CZ49620592

„ The report below represents the auditor's report that relates solely and exclusively to the official annual financial report prepared in the XHTML format. “

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Komerční banka a.s.

Having its registered office at: Na Příkopě 33 č.p. 969, 114 07 Prague 1

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Komerční banka, a.s. and its subsidiaries (hereinafter also the "Group") and separate financial statements of Komerční banka, a.s. (hereinafter also the "Company") prepared on the basis of IFRS Accounting Standards as adopted by the European Union.

The consolidated financial statements comprise the consolidated statement of financial position as of 31 December 2023, consolidated statement of income and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information (the "Consolidated Financial Statements").

The separate financial statements comprise the separate statement of financial position as of 31 December 2023, separate statement of income and separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including material accounting policy information (the "Separate Financial Statements").

In our opinion:

- The accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of the Group as of 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.
- The accompanying Separate Financial Statements give a true and fair view of the financial position of the Company as of 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, Regulation (EU) No. 537/2014 of the European Parliament and of the Council and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application guidelines. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Consolidated and Separate Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated and Separate Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	Related audit procedures
Allowances for the loans and advances	
At 31 December 2023, gross loans and advances to customers and banks (hereinafter “loans”) amounted to CZK 1 257 296 million and CZK 1 179 286 million for the Group and the Company, respectively, against which allowances for loans to customers and banks (hereinafter “allowances”) of CZK 12 110 million and CZK 9 717 million, respectively, were recorded. The allowances are determined either (i) individually for significant non-performing exposures (Stage 3) or (ii) using statistical models for performing loans (Stage 1 and 2) and insignificant non-performing exposures (Stage 3). The measurement of allowances for loans is deemed a key audit matter due to the level of judgement applied by the Management especially with regard to identifying impaired receivables and quantifying loan impairment. The level of uncertainty and level of subjectiveness of management judgments relating to the 2023 financial reporting remained high due to deteriorated geopolitical situation. The most significant judgements applied in determining allowances are: • Assumptions used in the expected credit loss (ECL) statistical models such as the probability of default, recovery rates and macroeconomic factors reflected in forward-looking information ; and assumptions in post-model adjustments • Timely identification of exposures with a significant increase in credit risk (Stage 2) and non-performing exposures (Stage 3) in the context of the deteriorated geopolitical situation; and • Valuation of collateral and assumptions used in expected future cash flows on individually assessed credit-impaired exposures. *Further information about loan impairment is disclosed in Note 3.5.5.11, Note 22 and Note 43A to the Consolidated Financial Statements and in Note 3.5.5.11, Note 22 and Note 42A to the Separate Financial Statements.* *The management provided further information about the impacts from the deteriorated geopolitical situation on the loan portfolio and impairment in Note 3.3.3, Note 3.5.5.11 and Note 43A to the Consolidated Financial Statements and in Note 3.3.3, Note 3.5.5.11 and Note 42A to the Separate Financial Statements.*	Based on our risk assessment and industry knowledge, we examined the allowances, evaluated the methodology applied and the assumptions used. Together with our specialists, we reperformed the calculation of the allowances. We tested the design and operating effectiveness of selected key internal controls the management of the Bank has established for the impairment assessment and allowance recognition. With the assistance of our IT specialists, we tested IT controls relating to access rights and change management of relevant IT applications. <u>Assumptions used in the expected credit loss models</u> In cooperation with our specialists we assessed the model methodology and the results of the back-testing for selected internal models. We assessed whether the modelling assumptions considered relevant risks, were relevant in the light of historical experience and future outlook, economic climate and the circumstances of customers. We reviewed the adequacy of management judgments as regards the probability of loan default and the estimated amount of loss given default. In light of the extreme volatility in economic scenarios caused by the current deteriorated geopolitical situation, we assessed whether the macroeconomic and other parameters used in the ECL statistical models and post-model adjustments fairly reflect the expected degree of defaults and recoverability of loans in the future. <u>Identification of exposures with a significant increase in credit risk and non-performing loans</u> We tested system-based and manual controls of the timely classification of loans to the relevant stage. In cooperation with our specialists, we evaluated revised methodology and assumptions used for staging models and we recalculated the staging on a portfolio basis. We tested a sample of loans and advances (including loans that had not been classified by the management as Stage 3) to make our own assessment as to whether impairment had occurred and to assess whether impairment had been identified in a timely manner. <u>Allowances for individually assessed credit-impaired loans</u> We tested controls of the regular assessment and approval of allowances by the management. We selected a sample of loans and, where we deemed them impaired, assessed the expected future cash flows including assessment of the collateral valuation, application of different scenarios and scenario weight. Our testing took

Key audit matter	Related audit procedures
	into consideration borrower's financial status and performance in the current deteriorated geopolitical situation.
Interest and fee income recognition	
For the year ended 31 December 2023 the gross interest income amounted to CZK 119 128 million and CZK 114 097 million for the Group and the Company, respectively. Total fee and commission income for the same period amounted to CZK 7 967 million and CZK 6 621 million for the Group and the Company, respectively. These items are the main contributors to the net operating income of the Company and the Group affecting their profitability, with their main source being customer loans and deposits. While interest income is recognised on an accruals basis over the expected life of a financial instrument, the recognition of fee income depends on the nature of the fees as follows: • Fees and commissions that represent an integral component of the effective interest rate of a financial instrument; and • Fees and commissions for services and acts performed – the income from these fees is recognised at a point in time when the respective services are provided or the act is performed. If the fees and commissions relate to a longer period, they are recognised over the period on a straight-line basis. The specifics of revenue recognition and a large volume of individually small transactions, which depends on the quality of input data relating to interest and fees and on IT solutions for their recognition, resulted in this matter being identified as a key audit matter. *The management provided further information about interest and fee income in Note 3.5.2.1, Note 3.5.2.2, Note 5 and Note 6 to the Consolidated Financial Statements and in Note 3.5.2.1, Note 3.5.2.2, Note 5 and Note 6 to the Separate Financial Statements.*	Based on our risk assessment and industry knowledge, we evaluated the methodology applied and the assumptions used by the management. We tested the design and operating effectiveness of the key internal controls and focused on: • Assessment of interest/fees recognition during new product validation; • Input data related to interest/fees on customer loans and deposits, including authorisation of the changes in the interest and fees price list and authorisation of non-standard interest/fees; • Recognition of fees and interest income and the management oversight; and • IT controls relating to access rights and change management of relevant IT applications with the assistance of our IT specialists. We also performed the following procedures with regard to interest and fee income recognition: We evaluated the accounting treatment applied by the Bank to determine whether the methodology complies with the requirements of the relevant accounting standard. We focused our testing on verification of the correct classification of: • Fees that are identified as directly attributable to the financial instrument; and • Fees that are not identified as directly attributable to the financial instrument. We evaluated the mathematical formulas used for accruing the relevant income over the expected life of the financial instrument. We analysed the accuracy of the recognised amount of interest income and fee and commission income using substantive analytical tests and data analytics.

Other Information in the Annual Financial Report

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Financial Report other than the Consolidated and Separate Financial Statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the Consolidated and Separate Financial Statements does not cover the other information. In connection with our audit of the Consolidated and Separate Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated and Separate Financial Statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the Consolidated and Separate Financial Statements is, in all material respects, consistent with the Consolidated and Separate Financial Statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group and the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

<u>Responsibilities of the Company's Board of Directors and Supervisory Board for the Consolidated and Separate Financial Statements</u>

The Board of Directors is responsible for the preparation and fair presentation of the Consolidated and Separate Financial Statements in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of Consolidated and Separate Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated and Separate Financial Statements, the Board of Directors is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.
The Supervisory Board is responsible for overseeing the Group and Company's financial reporting process.

<u>Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements</u>

Our objectives are to obtain reasonable assurance about whether the Consolidated and Separate Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated and Separate Financial Statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated and Separate Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated and Separate Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated and Separate Financial Statements, including the disclosures, and whether the Consolidated and Separate Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors, the Supervisory Board and the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the Consolidated and Separate Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Report on Relations among Related Entities (the "Report on Relations")

We have reviewed the factual accuracy of the information included in the accompanying Report on Relations of Komerční banka, a.s. for the year ended 31 December 2023 which is included in the Financial part of this Annual Financial Report in chapter "Report on Relations among Related Entities". This Report on Relations is the responsibility of the Company's Statutory Body. Our responsibility is to express our view on the Report on Relations based on our review.

We conducted our review in accordance with Auditing Standard 56 issued by the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the Report on Relations is free of material factual misstatements. A review is limited primarily to inquiries of the Company's personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the Report on Relations and, accordingly, we do not express an audit opinion.

Nothing has come to our attention based on our review that indicates that the information contained in the Report on Relations of Komerční banka, a.s. for the year ended 31 December 2023 contains material factual misstatements.

The Company has decided not to disclose amounts under related party contracts citing business secrecy restrictions.

Report on Other Legal and Regulatory Requirements

In compliance with Article 10(2) of Regulation (EU) No 537/2014 of the European Parliament and of the Council, we provide the following information in our independent auditor's report, which is required in addition to the requirements of International Standards on Auditing:

<u>Appointment of the Auditor and the Period of Engagement</u>

We were appointed as the auditors of the Company by the General Meeting of Shareholders on 20 April 2023 and our total uninterrupted engagement including previous renewals has lasted for 9 years.

<u>Consistence with the Additional Report to the Audit Committee</u>

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 18 March 2024 in accordance with Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of Regulation (EU) No 537/2014 of the European Parliament and of the Council were provided. In addition, there are no other non-audit services which were provided by us to the Company and its controlled undertakings, and which have not been disclosed in the annual financial report.

Report on Compliance with the ESEF Regulation

We have conducted a reasonable assurance engagement on the verification of compliance of the financial statements included in the annual financial report with the provisions of Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation") that apply to the financial statements.

Responsibilities of the Board of Directors

The Company's Board of Directors is responsible for the preparation of the financial statements in compliance with the ESEF Regulation. Inter alia, the Company's Board of Directors is responsible for:

- The design, implementation and maintenance of the internal control relevant for the application of the requirements of the ESEF Regulation;
- The preparation of all financial statements included in the annual financial report in the valid XHTML format; and
- The selection and use of XBRL mark-ups in line with the requirements of the ESEF Regulation.

Auditor's Responsibilities

Our task is to express a conclusion whether the financial statements included in the annual financial report are, in all material respects, in compliance with the requirements of the ESEF Regulation, based on the audit evidence obtained. Our reasonable assurance engagement was conducted in accordance with the International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (hereinafter "ISAE 3000").

The nature, timing and scope of the selected procedures depend on the auditor's judgment. A reasonable assurance is a high level of assurance; however, it is not a guarantee that the examination conducted in accordance with the above standard will always detect a potentially existing material non-compliance with the requirements of the ESEF Regulation.

As part of our work, we performed the following procedures:

- We obtained an understanding of the requirements of the ESEF Regulation;
- We obtained an understanding of the Company's internal control relevant for the application of the requirements of the ESEF Regulation;
- We identified and evaluated risks of material non-compliance with the ESEF Regulation, whether due to fraud or error; and
- Based on this, we designed and performed procedures responsive to those risks and aimed at obtaining a reasonable assurance for the purposes of expressing our conclusion.

The aim of our procedures was to assess whether

- The financial statements included in the annual financial report were prepared in the valid XHTML format;
- The disclosures in the consolidated financial statements were marked up where required by the ESEF Regulation and all mark-ups meet the following requirements:
    - XBRL mark-up language was used;
    - The elements of the core taxonomy specified in the ESEF Regulation with the closest accounting meaning were used, unless an extension taxonomy element was created in compliance with the ESEF Regulation; and
    - The mark-ups comply with the common rules for mark-ups pursuant to the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

In our opinion, the Company's financial statements for the year ended 31 December 2023 included in the annual financial report are, in all material respects, in compliance with the requirements of the ESEF Regulation.

In Prague on 18 March 2024

Audit firm:

Deloitte Audit s.r.o.
registration no. 079

Statutory auditor:

David Batal
registration no. 2147

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