2021 Half-Year Report
UniCredit Bank Czech Republic and Slovakia, a.s.

Issued on 21 September 2021

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

UniCredit Bank Czech Republic and Slovakia, a.s., Company Reg. No. 64948242, with its registered seat at Želetavská 1525/1, Prague 4, as an issuer of listed securities, submits to the public this Half-Year Report prepared in accordance with Section 119 of Act No. 256/2004 Coll. on Capital Market Undertakings as amended.

The Half-Year Report has not been audited.

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

Content

1. Commentary on the Bank's financial results

The UniCredit Bank Czech Republic and Slovakia Group (the "Group") achieved a net profit of CZK 3,324 million as at 30 June 2021, which is higher by 27.9% compared with profit of CZK 2,599 million as at 30 June 2020.

The increase in profitability is mainly impacted by the fact that the negative macroeconomic impacts of COVID-19 were limited in the first half of 2021 compared to the previous period, mainly thanks to government support programs already established during 2020, whether in the form of employment support (Antivirus program) or programs to reimburse operating costs or loan guarantee programs. The improvement of the macroeconomic outlook in the first half of 2021, compared with the same period in 2020, was also reflected in the calculation of expected credit losses (ECL), which resulted in reduction of ECL and release of impairment losses of approx. CZK 0.4 billion - further details can be found in Note c) of the part Financial Assets at amortized cost - loans and advances to clients in the interim consolidated financial statements that is part of this Half-year Report.

Statement of Comprehensive Income

Compared to the first half of 2020, net interest income decreased by 4.67% to CZK 6,079 million (CZK 6,377 million as at 30 June 2020). This is mainly the result of decreased interest rates, which occurred in the first half of 2021 in order to stabilize the Czech economy.

Net fee and commission income amounted to CZK 1,750 million (as at 30 June 2020: CZK 1,748 million),

Net profit from the sale or repurchase of financial instruments decreased by 37.79% to CZK 242 million (the value as at 30 June 2020 was CZK 389 million).

Income from trading increased by 51.23% from CZK 732 million as at 30 June 2020 to CZK 1 107 million as at 30 June 2021 mainly caused by FX differences.

Operating revenues reached CZK 9,215 million, compared to CZK 9,258 million as at 30 June 2020.

Administrative expenses were reported in the amount of CZK 3,849 million (as at 30 June 2020: CZK 3,804 million), a slight increase by 1.18%.

Impairment losses on financial assets at amortized cost decreased by 57.78% from CZK 1,793 million as at 30 June 2020 to CZK 757 million as at 30 June 2021, in line with the IFRS 9 methodology on Expected Loss calculation reflecting the updated macroeconomic scenario.

Statement of Financial Position

Assets

As at 30 June 2021, the Group's total assets amounted to CZK 955.7 billion, which represents an increase by 43.86% compared to 31 December 2020, when the balance sheet total was CZK 664.4 billion.

Financial assets at fair value through profit or loss increased by 21.61% from CZK 17.1 billion to CZK 20.2 billion since 31 December 2020.

Financial assets at fair value through other comprehensive income slightly up by 2.22% to CZK 21.0 billion (as at 31 December 2020 this value was CZK 20.5 billion).

Loans and advances to clients increased by 4.79% to a total of CZK 483.6 billion compared to 31 December 2020 (CZK 461.5 billion).

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

Loans and advances to banks increased by 196.71% compared to 31 December 2020 (CZK 406.4 billion as at 30 June 2021 compared to CZK 137.0 billion as at 31 December 2020), mainly due to an increase in receivables from reverse repo operations.

The value of tangible assets and assets from the right of use (including investment property) was CZK 6,747 million as at 30 June 2021 and represents a decrease by 6.80% compared to the value of CZK 7,239 million as at 31 December 2020.

The value of intangible assets increased by 2.11% from CZK 2,608 million as at 31 December 2020 to CZK 2,663 million as at 30 June 2020.

Liabilities

Liabilities to banks increased by 11.48% from CZK 105.5 billion as at 31 December 2020 to CZK 117.6 billion as at 30 June 2021. The growth is mainly due to an increase in liabilities from repo operations.

Liabilities to clients increased by 64.05% compared to 31 December 2020 to a total of CZK 697.5 billion (from CZK 425.1 billion as at 31 December 2020). The growth is mainly due to an increase in liabilities from repo operations.

Debt securities issued decreased by 7.20% to a total of CZK 9.7 billion (from CZK 10.5 billion as at 31 December 2020).

The Group strives to optimize the financing for its activities, leading to increased liabilities from repo operations. The client deposit base (current accounts and term deposits) reported only a moderate year-on-year increase, nevertheless, strong growth was reported by the retail segment. This increase in the stable deposit base creates room for further development of credit business and other services to clients. The Group takes always into account the Bank's prudential liquidity management (both short-term and structural).

Equity

The Group's equity amounted to CZK 86.2 billion as at 30 June 2021, which represents an increase of CZK 0.6 billion compared to 31 December 2020. Based on the recommendations presented by the CNB as part of stabilization measures in connection with COVID-19 in March 2020, no dividends have yet been paid to the sole shareholder from the 2019 and 2020 profits.

2. Expected development in 2021

The Group's results in the first half of 2021 continued to be affected by the economic recession and the consequences of COVID-19 with a view to the fading effect of restrictions due to COVID-19 and the economic recovery in the second half of 2021. The promise for the fulfillment of the planned financial results of the group is the expected gradual increase in key interest rates by the Czech National Bank leading to an increase in net interest income, as well as a lower need to create loan loss provisions. On the contrary, the expected income from fees and commissions will not yet fully reach the level of pre-crisis values in 2021, mainly due to reduced activities on the part of clients.

The Group recorded growth in both retail and corporate loans. Retail loans grew year-on-year mainly due to housing loans; maintaining the current growth rate is expected until the end of 2021. The volume of corporate loans grew despite the stagnation of corporate loans in the entire sector. The second half of the year is a promise for a further acceleration of the growth rate, mainly due to the renewed demand of corporate clients for investment financing, which was declining during the COVID-19 period.

On the client deposits side, the bank has achieved 8% growth in both retail and corporate since the beginning of the year.

Operating costs are growing year-on-year mainly due to non-personnel costs in the IT area (COVID-19 accelerated changes in clients' behavior and the group responded by accelerating its own digital transformation so that we can continue to support their changing needs.) which are however partially offset by lower costs in other categories of operating costs, eg lower costs for prevention and protection of employees due to the gradual disappearance of COVID-19. We also see an increase in personnel costs compared to the previous year, which reflects the increase in wages and employee benefits. We expect the same trend for the rest of this year.

In terms of risks, the Bank expects a significant reduction in the creation of loan loss provisions due to the improvement of the macroeconomic environment, while maintaining the historically highest levels of capital adequacy ratios.

3. Interim Consolidated Financial Statements as of 30 June 2021

UniCredit Bank Czech Republic and Slovakia, a.s.
Interim Consolidated Statement of Comprehensive Income for the period ended 30 June 2021
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in millions CZK)

	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020
Interest income, of which:	7 153	8 387
- interest income calculated using the effective interest method	5 840	7 942
Interest expenses	(1 074)	(2 010)
Net interest income	**6 079**	**6 377**
Fee and commission income	2 343	2 379
Fee and commission expenses	(593)	(631)
Net fee and commission income	**1 750**	**1 748**
Dividend income	2	2
Net income/(loss) from trading	1107	732
Net income/(loss) from hedging against risk of changes in fair value	-	-
Net income/(loss) from the sale or repurchase of:	242	389
Financial assets at amortised cost	165	36
Financial assets at fair value through other comprehensive income	94	353
Financial liabilities	(17)	-
Net income/(loss) from financial assets/liabilities at fair value through profit or loss, of which:	35	10
Mandatorily at fair value	35	10
Operating income	**9 215**	**9 258**
Impairment losses on:	(757)	(1 797)
Financial assets at amortised cost	(757)	(1 793)
Financial assets at fair value through other comprehensive income	-	(4)
Administrative expenses	(3 849)	(3 804)
Net provisions for risks and charges:	10	(88)
Loan commitments and guarantees given	10	(88)
Other net provisions	-	0
Depreciation and impairment of property, equipment and right of use assets	(489)	(522)
Amortisation and impairment of intangible assets	(277)	(241)
Other operating income and expenses	321	330
Operating expenses	**(4 284)**	**(4 325)**
Net income/(loss) on property and investment property measured at fair value	1	(12)
Profit/loss from equity investments	27	28
Profit/(loss) from the sale of non-financial assets	11	0
Profit before income tax	**4 213**	**3 152**
Income tax	(889)	(553)
Profit after tax	**3 324**	**2 599**
Net profit attributable to the Group's shareholders	**3 324**	**2 599**

as adopted by the European Union (in millions CZK)

	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020
Items that cannot be subsequently reclassified to profit or loss		
Reserve from revaluation of property used in business measured at fair value, of which:	**(17)**	**(1)**
Change in fair value	(10)	5
Transfer of the revaluation reserve into the retained earnings	(10)	(6)
Deferred tax	3	-
Items that can be subsequently reclassified to profit or loss		
Reserve from revaluation of hedging instruments in cash flow hedges, of which:	**(2 159)**	**2 995**
Change in fair value	(2 672)	3 702
Revaluation reclassified to profit or loss	-	0
Deferred tax	513	(707)
Reserve from revaluation of financial assets at fair value through other comprehensive income, of which:	**(62)**	**(330)**
Change in fair value	(5)	(73)
Revaluation reclassified to profit or loss	(72)	(336)
Deferred tax	15	79
Foreign exchange rate gains from the consolidation of a foreign branch	**(420)**	**597**
Other comprehensive income, net of tax	**(2 658)**	**3 261**
Other comprehensive income, net of tax, attributable to the Group's shareholders	**(2 658)**	**3 261**
Total comprehensive income, net of tax	**666**	**5 860**
Total comprehensive income, net of tax, attributable to the Group's shareholders	**666**	**5 860**

UniCredit Bank Czech Republic and Slovakia, a.s.
Interim Consolidated Statement of Financial Position as of 30 June 2021
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in millions CZK)

	30 Jun 2021	31 Dec 2020
Assets		
Cash and cash balances	4 051	4 072
Financial assets at fair value through profit or loss, of which:	20 773	17 082
Held for trading	20 195	16 542
Mandatorily at fair value	578	540
Financial assets at fair value through other comprehensive income	20 974	20 518
Financial assets at amortised cost, of which:	889 951	598 431
Loans and advances to banks	406 359	136 955
Loans and advances to customers	483 592	461 476
Positive fair value of hedging derivatives	6 506	10 385
Changes in fair value of the portfolio of hedged instruments	(30)	-
Equity investments	331	359
Property, equipment and right of use assets	6 747	6 879
Investment property	-	360
Intangible assets	2 663	2 608
Tax receivables, of which:	2 362	1 546
Current income tax	1 134	799
Deferred tax	1 228	747
Non-current assets held for sale	17	40
Other assets	1 391	2 072
Total assets	**955 736**	**664 352**
Liabilities		
Financial liabilities at fair value through profit or loss, of which:	20 223	16 812
Held for trading	20 223	16 812
Financial liabilities at amortised cost, of which:	824 798	541 139
Deposits from banks	117 629	105 519
Deposits from customers	697 450	425 147
Debt securities issued	9 719	10 473
Negative fair value of hedging derivatives	7 459	7 455
Changes in fair value of the portfolio of hedged instruments	(391)	1 636
Tax liabilities, of which:	951	905
Current income tax	162	57
Deferred tax	789	848
Other liabilities	15 023	9 312
Provisions for risks and charges	1 435	1 501
Total liabilities	**869 498**	**578 760**
Equity		
Issued capital	8 755	8 755
Share premium	3 495	3 495
Reserve funds from revaluation	(1 354)	1 304
Retained earnings and reserve funds	72 018	66 721
Profit for the period	3 324	5 317
Total shareholder's equity	**86 238**	**85 592**
Total liabilities and shareholder's equity	**955 736**	**664 352**

UniCredit Bank Czech Republic and Slovakia, a.s.
Interim Consolidated Statement of Changes in Equity for the period 1 January - 30 June 2021
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in millions CZK)

	Issued capital	Share premium	Reserve from revaluation of				Retained earnings and reserve funds				Profit for the period	Equity
			hedging instruments	financial assets at fair value through other compr. income	property measured at fair value	exchange rate gains/(losses) of a foreign branch	Reserve fund and other capital funds	Special-purpose reserve fund	FX differences from consolidation	Retained earnings		
Balance as of 1 January 2020	**8 755**	**3 495**	**(798)**	**564**	**261**	**(290)**	**5 243**	**13 240**	**(111)**	**38 132**	**10 122**	**78 613**
Transactions with owners, contributions from and distributions to owners												
Allocation of the prior year profit										10 122	(10 122)	-
Dividend								(1 626)		(3 435)		(5 061)
Consolidation impact									95	(16)		79
Total comprehensive income for the current period												
Net profit for the current period											2 599	2 599
Other comprehensive			2 995	(330)	(1)	597						3 261
Balance as of 30 June 2020	**8 755**	**3 495**	**2 197**	**234**	**260**	**307**	**5 243**	**11 614**	**(16)**	**44 803**	**2 599**	**79 491**
Balance as of 1 January 2021	**8 755**	**3 495**	**567**	**353**	**250**	**134**	**5 243**	**14 471**	**(47)**	**47 054**	**5 317**	**85 592**
Transactions with owners, contributions from and distributions to owners												
Allocation of the prior year profit										5 317	(5 317)	-
Dividend												
Consolidation impact									(52)	32		(20)
Total comprehensive income for the current period												
Net profit for the current period											3 324	3 324
Other comprehensive			**(2 159)**	**(62)**	**(17)**	**(420)**						(2 658)
Balance as of 30 June 2021	**8 755**	**3 495**	**(1 592)**	**291**	**233**	**(286)**	**5 243**	**14 471**	**(99)**	**52 403**	**3 324**	**86 238**

UniCredit Bank Czech Republic and Slovakia, a.s.
Interim Consolidated Statement of Cash Flows for the period 1 January - 30 June 2021
prepared in accordance with International Financial Reporting Standards
as adopted by the European Union (in millions CZK)

	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020
Profit after tax	**3 324**	**2 599**
Adjustments for non-monetary items:		
Impairment losses of:	757	1 797
Financial assets at amortised costs	757	1 793
Financial assets at fair value through other comprehensive income	-	4
Revaluation of financial instruments	750	(906)
Net provisions for risks and charges:	(10)	88
Loan commitments and guarantees given	(10)	88
Other net provisions	-	-
Depreciation and impairment of property, equipment and right of use assets	489	522
Amortisation and impairment of intangible assets	277	241
Net income/(loss) from the sale or repurchase of:	(94)	(353)
Financial assets at fair value through other comprehensive income	(94)	(353)
Profit/(loss) from equity investments	28	37
Profit/(loss) from the sale of non-financial assets	(11)	-
Taxes	889	553
Unrealised foreign currency gains/(losses)	(420)	597
Other non-monetary adjustments	(2 211)	(638)
Operating profit before change in operating assets and liabilities	**3 768**	**4 537**
Financial assets at fair value through profit or loss, of which:	(4 486)	(10 560)
Held for trading	(4 483)	(9 541)
Mandatorily at fair value	(3)	(1 019)
Financial assets at amortised cost, of which:	(290 956)	(245 178)
Loans and advances to banks	(269 390)	(225 126)
Loans and advances to customers	(21 566)	(20 052)
Other assets	681	613
Financial liabilities at fair value through profit or loss, of which:	3 379	7 085
Held for Trading	3 379	7 085
Financial liabilities at amortised cost, of which:	284 661	246 645
Deposits from banks	12 334	41 392
Deposits from customers	272 327	205 253
Other liabilities	5 711	4 947
Income tax paid	(1 214)	(1 232)
Net cash flows from operating activities	**1 544**	**6 857**
(Acquisition)/sale and maturity of financial assets at fair value through other comprehensive income and other financial instruments	(1 128)	1 214
Gains from the sale of property and equipment and intangible assets	910	553
(Acquisition) of property and equipment and intangible assets	(313)	(111)
Dividends received	2	2
Net cash flows from investment activities	**(529)**	**1 658**
Dividends paid	-	-
Financial liabilities at amortised cost - debt securities issued and repaid	(852)	(8 605)
(Payment) of Lease liabilities	(184)	(194)
Net cash flows from financial activities	**(1 036)**	**(8 799)**
Cash and cash balances at the beginning of the period	**4 072**	**4 634**
Cash and cash balances at the end of the period	**4 051**	**4 350**
Interest received	7 282	9 476
Interest paid	(1 198)	(2 679)

CONSOLIDATION

The Group consists of the parent company UniCredit Bank Czech Republic and Slovakia, a.s., a joint stock company (hereinafter the "Bank" or the "Parent Company") with its registered office Želetavská 1525/1, 140 92, Praha 4 – Michle, 12 subsidiaries and 1 associate.

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

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

There was following change in the Group in the first half of 2021 compared to the Group as at 31 December 2020:
- the assets of the defunct company BACA Leasing Alfa s.r.o. were transferred to UniCredit Leasing CZ, a.s. as the successor company because of the intra-national amalgamation as of 1 January 2021.

ACCOUNTING POLICIES

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

Accounting rules, policies and accounting estimates and assumptions (apart from those affected by COVID-19 – see below) identical to the ones in the last annual financial statements as of 31 December 2020 have been applied to the interim financial statements. The amounts are in millions of Czech korunas (CZK million), unless stated otherwise.

In 2020 COVID-19 has affected the Czech Republic and Slovakia and continues to impact the uncertainty of predicted timing and extent of economic recovery in 2021 and beyond. The associated lockdown measures put in place by governments have affected the economic activity and, as consequence, Group profitability.

This circumstance has requested, as of 30 June 2021, a careful evaluation of certain items of financial statements whose recoverability depends on future cash flows projections by re-estimating the cash flows so to incorporate assumptions on the effects of COVID-19.

While evaluations have been made on the basis of information deemed to be reasonable and supportable as at 30 June 2021, the current scenario is affected by level of uncertainty whose outcome is not foreseeable at the moment and that may require changes in assessments performed in light of the evolution of the pandemic, the effect of relief measures put in place and the shape of economic recovery.

The slow-down in economic activity that resulted from COVID-19 and associated lockdown measures have also affected the assessment on credit exposure recoverability and the calculation of the associated loan loss provisions. On this matter it should be noted that, in accordance with IFRS9 accounting standard, their evaluation depends on forward-looking information and on the evolution of macro-economic scenarios used in the calculation of loan loss provisions. Considering COVID-19 and associated lock-down measures, the Group has updated macro-economic scenario to reflect this principle.

Further details can be found in Note c) of the part Financial Assets at amortized cost - loans and advances to customers in the interim consolidated financial statements.

as adopted by the European Union (in millions CZK)

CASH AND CASH BALANCES

	30 Jun 2021	31 Dec 2020
Cash in hand	3 923	3 891
Other balances with central banks	128	181
Total	**4 051**	**4 072**

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Held for Trading

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

	Level 1	Level 2	Level 3	Total
30 Jun 2021				
Debt securities	1 072	510	-	1 582
Derivatives	31	18 267	315	18 613
Total	**1 103**	**18 777**	**315**	**20 195**

	Level 1	Level 2	Level 3	Total
31 Dec 2020				
Debt securities	518	516	-	1 034
Derivatives	32	15 259	217	15 508
Total	**550**	**15 775**	**217**	**16 542**

(ii) Based on the Type of Issuer

	30 Jun 2021	31 Dec 2020
Debt securities		
Public administration	1 582	1 034
Total	**1 582**	**1 034**

as adopted by the European Union (in millions CZK)

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

	Level 1	Level 2	Level 3	Total
30 Jun 2021				
Debt securities	17 978	2 562	414	20 954
Shares	-	-	20	20
Total	**17 978**	**2 562**	**434**	**20 974**

	Level 1	Level 2	Level 3	Total
31 Dec 2020				
Debt securities	18 006	2 441	64	20 511
Shares	-	-	7	7
Total	**18 006**	**2 441**	**71**	**20 518**

(b) Based on the Type of Issuer

	30 Jun 2021	31 Dec 2020
Debt securities		
Credit institutions	2 562	-
Government institutions	13 618	15 078
Other	4 774	5 433
Shares		
Other	20	7
Total	**20 974**	**20 518**

(c) Participation interests

Business name	Registered office	Date of acquisition	Acquisition price	Net book value 2021	Net book value 2020	Share of the Group as of 30 Jun 2021	Share of the Group as of 31 Dec 2020
CBCB - Czech Banking Credit Bureau, a.s. (bank register)	Prague	10 Oct 2001	0.24	0.24	0.24	20%	20%
Total			**0.24**	**0.24**	**0.24**	**-**	**-**

as adopted by the European Union (in millions CZK)

FINANCIAL ASSETS AT AMORTISED COST - LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of Receivables from Customers, by Type

Corporate Customers

	Stage 1			Stage 2			Stage 3			Total		
	Gross amount incl. modif. impact	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount
30 Jun 2021												
Current accounts (overdrafts)	27 557	(175)	27 382	6 987	(164)	6 823	2 722	(2 301)	421	37 266	(2 640)	34 626
Reverse repos	2 502	-	2 502	-	-	-	-	-	-	2 502	-	2 502
Mortgage loans	88 921	(291)	88 630	11 893	(186)	11 707	3 667	(2 259)	1 408	104 481	(2 736)	101 745
Credit cards	6	-	6	2	-	2	2	(1)	1	10	(1)	9
Leases	17 409	(104)	17 305	3 071	(104)	2 967	1 594	(956)	638	22 074	(1 164)	20 910
Factoring	7 773	(38)	7 735	16	-	16	56	(32)	24	7 845	(70)	7 775
Debt securitites	8 443	-	8 443	-	-	-	-	-	-	8 443	-	8 443
Other loans	138 525	(473)	138 052	12 622	(261)	12 361	3 650	(2 023)	1 627	154 797	(2 757)	152 040
Total	**291 136***	**(1 081)**	**290 055**	**34 591**	**(715)**	**33 876**	**11 691**	**(7 572)**	**4 119**	**337 418**	**(9 368)**	**328 050**

* The balance also includes unamortized modification loss of MCZK 12.

	Stage 1			Stage 2			Stage 3			Total		
	Gross amount incl. modif. impact	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount
31 Dec 2020												
Current accounts (overdrafts)	23 263	(160)	23 103	6 603	(181)	6 422	3 104	(2 481)	623	32 970	(2 822)	30 148
Reverse repos	-	-	-	-	-	-	-	-	-	-	-	-
Mortgage loans	102 785	(375)	102 410	10 983	(290)	10 693	4 354	(2 287)	2 067	118 122	(2 952)	115 170
Credit cards	4	0	4	3	0	3	2	(1)	1	9	(1)	8
Leases	18 980	(156)	18 824	3 755	(165)	3 590	1 314	(893)	421	24 049	(1 214)	22 835
Factoring	7 842	(42)	7 800	59	(4)	55	35	(11)	24	7 936	(57)	7 879
Debt securitites	-	-	-	-	-	-	-	-	-	-	-	-
Other loans	125 139	(502)	124 637	7 824	(338)	7 486	4 910	(1 405)	3 505	137 873	(2 245)	135 628
Total	**278 013***	**(1 235)**	**276 778**	**29 227**	**(978)**	**28 249**	**13 719**	**(7 078)**	**6 641**	**320 959**	**(9 291)**	**311 668**

* The balance also includes modification loss of MCZK 16 recorded as of 31 December 2020.

as adopted by the European Union (in millions CZK)

Retail Customers

	Stage 1			Stage 2			Stage 3			Total		
	Gross amount incl. modif. impact	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount
30 Jun 2021												
Current accounts (overdrafts)	1 097	(7)	1 090	233	(16)	217	211	(172)	39	1 541	(195)	1 346
Mortgage loans	130 860*	(93)	130 767	2 723	(97)	2 626	623	(191)	432	134 206	(381)	133 825
Credit cards and consumer loans	7 505**	(81)	7 424	1 191	(142)	1 049	361	(267)	94	9 057	(490)	8 567
Leases	2 272	(11)	2 261	267	(9)	258	132	(64)	68	2 671	(84)	2 587
Other loans	8 647	(56)	8 591	532	(35)	497	283	(154)	129	9 462	(245)	9 217
Total	**150 381**	**(248)**	**150 133**	**4 946**	**(299)**	**4 647**	**1 610**	**(848)**	**762**	**156 937**	**(1 395)**	**155 542**

* The balance also includes unamortized modification loss of MCZK 33.
** The balance also includes unamortized modification loss of MCZK 4.

	Stage 1			Stage 2			Stage 3			Total		
	Gross amount incl. modif. impact	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount	Gross amount	Impair. losses	Net amount
31 Dec 2020												
Current accounts (overdrafts)	1 030	(7)	1 023	251	(13)	238	291	(251)	40	1 572	(271)	1 301
Mortgage loans	122 621*	(132)	122 489	3 561	(133)	3 428	799	(272)	527	126 981	(537)	126 444
Credit cards and consumer loans	7 459**	(84)	7 375	1 356	(177)	1 179	412	(294)	118	9 227	(555)	8 672
Leases	2 546	(17)	2 529	279	(13)	266	112	(61)	51	2 937	(91)	2 846
Other loans	10 080	(71)	10 009	479	(34)	445	230	(139)	91	10 789	(244)	10 545
Total	**143 736**	**(311)**	**143 425**	**5 926**	**(370)**	**5 556**	**1 844**	**(1 017)**	**827**	**151 506**	**(1 698)**	**149 808**

* The balance also includes modification loss of MCZK 36 recorded as of 31 December 2020.
** The balance also includes modification loss of MCZK 5 recorded as of 31 December 2020.

as adopted by the European Union (in millions CZK)

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

	30 Jun 2021	31 Dec 2020
Financial institutions	32 236	25 107
Non-financial institutions	273 276	273 615
Government sector	22 538	12 946
Individuals and others	155 542	149 808
Total	**483 592**	**461 476**

(c) Analysis of Receivables from Customers in terms of the COVID-19 impact

The Czech economy endured the spring wave of COVID-19 lockdowns better than in the previous year, so it managed to catch up with part of its previous losses. In the second quarter, GDP grew by 8.2% year on year at constant prices and added 2.6% in the first half of the year. However, compared to the end of the pre-pandemic year 2019, the performance of the economy remained lower by 4.8%. In the first half of the year, the economy was driven mainly by government consumption and stockpiling. Household consumption practically stagnated year on year in the first half of the year, and fixed capital formation fell, although both variables already contributed to year-on-year economic growth in the second quarter. In the second quarter, household consumption was supported by both accumulated household savings over the duration of lockdowns and strong year-on-year wage growth, with low unemployment. Net exports hampered economic growth due to high import growth. Industrial production grew by 15.4% in real terms in the first half of the year and managed to rise to the same level in 2019. However, significant disruptions in global supply chains weaken industrial production and, together with strong demand, create significant price pressures. Industrial producer prices thus accelerated to 7.8% year on year in July. Consumer prices accelerated to 3.4% year on year, well above the CNB's upper limit of the tolerance band, dragged up by items across the entire consumer basket, especially transport and housing prices. The CNB responded to price pressures by raising the repo rate in June by adding another, probably not the last, step by the end of August, bringing the repo rate to 0.75%.

COVID-19 peaked in Slovakia at the beginning of this year. However, the negative effects on the economy were already milder and mainly affected services typical of social contact. On the contrary, the industry showed relatively high resilience during the COVID-19 winter wave. With the fading of COVID-19, the Slovak economy began to open and recover in the spring. Year-on-year GDP growth was also supported by a strong base effect, climbing to 9.6% in the second quarter, and the economy grew by 4.9% on average in the first half of the year. On the other hand, disrupted global subcontracting chains have increasingly hampered the economic recovery. They manifested themselves mainly in the key automotive industry, but also in construction. Lack of components and rising commodity prices on world markets have also exacerbated inflationary pressures. During the spring, consumer inflation was initially raised mainly by the base effect on oil prices, but gradually food prices and construction prices also began to be added. Year-on-year price growth thus accelerated from 0.7% in January to almost 3.0% in June. Nevertheless, the economy continued to show an increase in real wages (by 5.3% on average in the first half of the year), even after considering the strong base effect in the second quarter. Wage growth continues to be supported by rising minimum wages (by 7.4% to € 623) and a relatively resilient labor market with a recurring labor shortage in the country's industrial west, despite the fact that unemployment has not fallen sharply in the first half of the year - decreased by 0.1 percentage point compared to the end of last year, to 6.9% in the second quarter.

The reaction of the Group was immediate starting from February 2020 implementing measures in corporate underwriting process (analyzing and covering COVID-19 connected risks to defend asset quality position of the Group).

Parallel to appropriate additional loan loss provisions created at specific and portfolio level (see part FLI and Multiscenario Overlay Factor below) the Group implemented new criteria in retail financing segment and updated during the year based on economic development. During 2021, the group continued to evaluate and adjust the criteria according to the development of the economy.

In corporate segment, the Group implemented risk mitigation rules in underwriting process based e.g. on industry clusters, and continues to apply this approach during 2021.

The Group also continued in the first half of 2021 in Slovakia in the process of processing requests for moratoriums (deferral of installments) covering all legal requirements and successfully managed the process internally and externally in accordance with client requirements and related reporting activities.

On the top the Group update monitoring system covering the moratoria but also after moratoria period (exit from moratoria) was implemented, mainly:

- risk clusters of clients under Moratoria for better aim of other activities towards that clients,
- deep payment traffic analyses specifically designed for clients under moratoria to be able to detect and have information about impact of COVID-19 to client business and afterwards if recovery activities in client business activities are in line with expectations,
- new flags and warning signals connected to moratoria for better identification and filtering such clients
- monitoring of backlog in post moratoria review and their notification,
- detailed post moratoria delinquency monitoring.

as adopted by the European Union (in millions CZK)

Regular reporting continues both to local management and to UniCredit Group and regulators.

Due to an update of the macro-scenarios for individual European countries which took into account the negative expectations caused by COVID-19, there was also an update of the forward-looking information (hereinafter "FLI") component of expected credit loss calculation, according to IFRS 9, which was implemented in the 2nd and 4th quarter 2020 and as well in the 2nd quarter 2021. After an overall increase in the expected credit loss in 2020 due to the negative macro-economic outlook, there was a one-off reduction / release of expected credit loss of approx. CZK 0.4 billion due to FLI update as of 30 June 2021. This impact reflects the improvement in the new macro-economic outlook that was used to update the FLI component applied in the calculation of the expected credit loss for the first half of 2021.

From the point of view of transfers between stages, the first half of 2021 is worse especially in higher transfers from stage 1 to stage 3 (defaulted customers), and only for corporate customers, where it is more than doubling the amount transferred (from CZK 0.9 billion to CZK 2.1 billion). In the segment of retail customers, the trend is the opposite, ie the amount of new defaults in the first half of 2021 is lower by approx. 28% than the amount of new defaults in the first half of 2020 (a decrease from CZK 0.3 billion to CZK 0.2 billion).

The improvement is evident in the transfers of exposures between stage 1 and stage 2 (ie worsening customers), where there was a year-on-year decrease in both customers segments, both by 36%. At the same time, the value of exposures moved from stage 2 to stage 1 (ie improving customers) is growing year-on-year, especially for corporate customers, approximately 2.5 times the value for the first half of 2020 (from CZK 1.7 billion to CZK 4.2 billion). In the retail customers segment, this improvement is insignificant (approx. by 3%).

Overall, there were a higher transfer between the stages in both directions - improving and worsening. The total exposure in stage 2 is growing from 31 December 2020 to 30 June 2021, but slowly than in the same period last year. The reduction in stage 3 amount is mainly attributed to the successful process of recovering older defaulted exposures, which significantly compensates for number of new defaults, which is significantly higher in the first half of 2021 than in the same period last year.

The IFRS 9 impairment requirements set out that expected credit loss must be assessed based on past, current and forward-looking information. In this regard, the Group usually updates macroeconomic scenarios on a half year basis and account for the related effects in half year and year-end financial reports. In line with this usual practice, there was a regular update in June 2021.

To mitigate the impact uncertainty of macro-economic forecasts, multiscenario overlay factor was implemented. Through this component sensitivity of Expected Credit Loss ("ECL") evolution to different scenarios was incorporated into the calculation. The process defined to include multiple macroeconomic scenarios is fully consistent with forecast processes used by the Group for additional risk management purposes (for example processes adopted to calculate expected credit losses from macroeconomic forecasts based on EBA stress test and Internal Capital Adequacy Assessment Process ("ICAAP") Framework) and also takes advantage of independent UniCredit Research function. Specifically, the Group has selected three macroeconomic scenarios to determine the forward-looking component: a baseline scenario, one positive scenario and one adverse scenario. The baseline scenario is the reference central scenario and therefore is the most probable realization. Positive and adverse scenarios represent possible alternative realizations, respectively a better and a worst one compared to the baseline in terms of evolution of the economy.

We set the probabilities at 55% for the baseline scenario, 40% for the negative (pandemic "mild") scenario, and 5% for the positive scenario.

In case of Stage 1, Stage 2 and Stage 3 - collective final expected credit loss is calculated using weighted average of ECLs under above mentioned scenarios.

See below overview of mentioned scenarios and its cumulative impact.

		Baseline (55 %)		
Country	**Macroeconomic scenario**	**2021**	**2022**	**2023**
Czech Republic	Real GDP, yoy % change	2,8	3,8	3,1
Czech Republic	Monthly Wage, nominal EUR	1 425,4	1 514,8	1 602,0
Czech Republic	Unemployment rate, %	4,2	4,0	3,4
Czech Republic	Short term rate, average	0,5	1,2	1,8
Czech Republic	House Price Index, yoy % change	7,0	2,0	0,0
Slovakia	Real GDP, yoy % change	2,7	4,7	3,9
Slovakia	Monthly Wage, nominal EUR	1 176,5	1 230,7	1 304,4
Slovakia	Unemployment rate, %	7,8	7,4	6,9
Slovakia	House Price Index, yoy % change	5,6	4,0	3,3
Slovakia	Euribor 3m (avg)	-0,55	-0,55	-0,5

		Negative (40 %)		
Country	**Macroeconomic scenario**	**2021**	**2022**	**2023**
Czech Republic	Real GDP, yoy % change	2,2	1,3	2,1

as adopted by the European Union (in millions CZK)

Czech Republic	Monthly Wage, nominal EUR	1 418,0	1 496,3	1 600,5
Czech Republic	Unemployment rate, %	4,4	5,0	4,8
Czech Republic	Short term rate, average	0,5	0,7	0,9
Czech Republic	House Price Index, yoy % change	6,5	-0,3	-1,9
Slovakia	Real GDP, yoy % change	0,7	3,7	3,4
Slovakia	Monthly Wage, nominal EUR	1 149,0	1 199,9	1 264,8
Slovakia	Unemployment rate, %	8,3	7,8	7,2
Slovakia	House Price Index, yoy % change	5,1	1,9	1,7
Slovakia	Euribor 3m (avg)	-0,55	-0,55	-0,5

		Positive (5 %)		
Country	**Macroeconomic scenario**	**2021**	**2022**	**2023**
Czech Republic	Real GDP, yoy % change	4,0	5,6	3,9
Czech Republic	Monthly Wage, nominal EUR	1 453,7	1 593,3	1 688,4
Czech Republic	Unemployment rate, %	3,9	3,4	2,7
Czech Republic	Short term rate, average	0,6	1,3	2,0
Czech Republic	House Price Index, yoy % change	8,2	3,2	0,6
Slovakia	Real GDP, yoy % change	4,7	5,7	4,3
Slovakia	Monthly Wage, nominal EUR	1 195,2	1 281,6	1 356,9
Slovakia	Unemployment rate, %	6,1	6,0	6,9
Slovakia	House Price Index, yoy % change	6,7	5,0	3,7
Slovakia	Euribor 3m (avg)	-0,55	-0,55	-0,5

Country	**Cumulative GDP change between 2020 and 2023**	**Baseline**	**Negative**	**Positive**
Czech Republic	Real GDP, 3y % change	**10,0**	**5,6**	**14,1**
Slovakia	Real GDP, 3y % change	**11,8**	**8,0**	**15,5**

Since GDP forecast stated in the above-mentioned scenarios is assumed not to be linearly correlated to the ECL, it was agreed to provide two sensitivities based on opposite GDP assumptions:

- ECL sensitivity considering an upside scenario (i.e. the positive IFRS9 scenario), and
- ECL sensitivity considering based on a downside scenario (i.e. the negative IFRS9 scenario.

In both cases the sensitivity is calculated as ratio between:

- the difference of ECL between the baseline and alternative scenario
- the difference of GDP in basis point between the baseline and alternative scenario.

The 3 years cumulated GDP growth (country specific) is used in all calculations further.

The ECL under each of the three scenarios (baseline, negative and positive) were calculated considering the latest portfolio available.

as adopted by the European Union (in millions CZK)

In order to mitigate the impact of the COVID-19, laws were passed in the Czech Republic and Slovakia that allowed for the postponement of loan repayments. The Group provided deferred payments in connection with the COVID-19 in accordance with the following laws:

- No. 177/2020 Coll., Act on Certain Measures in the Area of Loan Repayment in Connection with the COVID-19 Pandemic, which was approved in the Czech Republic; and
- No. 67/2020 Coll., As amended by Act No. 75/2020 Coll., The Act on Certain Extraordinary Measures in the Financial Area in Relation to the Spread of Dangerous Infectious Human Disease COVID-19, which was approved in Slovakia.

Czech Republic

- With regard to the expiration of the deadline for the termination of moratoriums under the said Act, no new moratoriums were granted in 2021. The Group continues to voluntarily provide group-specific moratoriums to clients, but in a completely normal regime outside the said Act and in accordance with the established rules of regulation and classification of receivables.
- The Group intensively monitors the status, quality and development of the portfolio affected by the moratoriums even after their termination.

Slovakia

- Due to the continuing validity of the provisions of the Act (connected to the so-called pandemic period), customers who have not yet used the moratorium under this Act are still allowed to enter the moratorium at their request.
- The Group intensively monitors both the portfolio of receivables that were the subject of the moratorium and newly provided moratoriums.

Overview of loans subject to moratoria in the Czech Republic and Slovakia

30 Jun 2021	Number	Gross amount – perform	Gross amount - non perform	Gross amount - total	Impair. losses - perform	Impair. losses - non perform	Impair. losses - total	Net amount - perform	Net amount - non perform	Net amount - total
Retail Customers	12 119	11 230 **	348	11 578	(81)	(115)	(196)	11 149	233	11 382
Corporate Customers*	3 154	26 801 ***	3 715	30 516	(267)	(2 091)	(2 358)	26 534	1 624	28 158
Total	**15 273**	**38 031**	**4 063**	**42 094**	**(348)**	**(2 206)**	**(2 554)**	**37 683**	**1 857**	**39 540**

* Item Corporate Customers may include non-financial entities, financial institutions and government and other public sector entities.
** The balance also includes unamortized modification loss of MCZK 37.
*** The balance also includes unamortized modification loss of MCZK 12.

31 Dec 2020	Number	Gross amount – perform	Gross amount - non perform	Gross amount - total	Impair. losses - perform	Impair. losses - non perform	Impair. losses - total	Net amount - perform	Net amount - non perform	Net amount - total
Retail Customers	13 151	12 345 **	261	12 606	(183)	(96)	(279)	12 162	165	12 327
Corporate Customers*	3 387	30 617 ***	3 487	34 104	(527)	(1 271)	(1 798)	30 090	2 216	32 306
Total	**16 538**	**42 962**	**3 748**	**46 710**	**(715)**	**(1 367)**	**(2 082)**	**42 247**	**2 381**	**44 628**

* Item Corporate Customers may include non-financial entities, financial institutions and government and other public sector entities.
** The balance also includes modification loss of MCZK 41 recorded as of 31 December 2020.
*** The balance also includes modification loss of MCZK 16 recorded as of 31 December 2020.

as adopted by the European Union (in millions CZK)

FINANCIAL LIABILITIES AT AMORTISED COST

(a) Deposits from customers

Analysis of Deposits from Customers by Type

	30 Jun 2021	31 Dec 2020
Current accounts	432 835	404 210
Term deposits	20 935	15 538
Sale and repurchase agreements	238 587	-
Lease Liabilities	2 555	2 646
Other	2 538	2 753
Total	**697 450**	**425 147**

(b) Issued Debt Securities

Analysis of Issued Debt Securities

	30 Jun 2021	31 Dec 2020
Mortgage bonds	6 943	7 772
Structured bonds	2 349	2 271
Other issued debt securities	427	430
Total	**9 719**	**10 473**

PROVISIONS FOR RISKS AND CHARGES

Provisions for risks and charges include the following items:

	30 Jun 2021	31 Dec 2020
Provisions for off-balance sheet credit exposures	1 260	1 293
a. Stage 1	175	179
b. Stage 2	220	346
c. Stage 3	865	768
Legal disputes	85	88
Provision for restructuring	51	69
Other	39	51
Total provision	**1 435**	**1 501**

	Provisions for off-balance sheet credit exposures	Legal disputes	Provision for restructuring	Other	Total
Balance as of 1 Jan 2021	1 293	88	69	51	1 501
Charge during the year	674	-	-	1	675
Usage during the year	-	(3)	(17)	(13)	(33)
Release of redundant provisions and other	(707)	-	(1)	-	(708)
Total as of 30 Jun 2021	**1 260**	**85**	**51**	**39**	**1 435**

as adopted by the European Union (in millions CZK)

DEPRECIATION AND IMPAIRMENT OF PROPERTY AND EQUIPMENT

In the first half of 2021 and in the first half of 2020, the Group did not release an impairment of property and equipment.

DIVIDEND

In the first half of 2020 and of 2021, the Group did not pay a dividend.

SEGMENT ANALYSIS

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

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

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

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

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

(a) Segment Information by Client Category

	Retail and private banking	Corporate and investment banking, leases	Other	Total
30 Jun 2021				
Net interest and dividend income	1 384	4 004	693	**6 081**
Other net income	800	2 742	(59)	**3 483**
Depreciation/impairment of property and equipment and intangible assets	(320)	(238)	(208)	**(766)**
Impairment loss	129	(900)	14	**(757)**
Segment expenses	(1 661)	(2 367)	200	**(3 828)**
Profit before tax	332	3 241	640	**4 213**
Income tax			(889)	(889)
Result of segment	**332**	**3 241**	**(249)**	3 324
Segment assets	168 773	773 899	13 064	**955 736**
Segment liabilities	321 377	527 968	20 153	**869 498**

as adopted by the European Union (in millions CZK)

	Retail and private banking	Corporate and investment banking, leases	Other	Total
30 Jun 2020				
Net interest and dividend income	1 591	4 185	603	**6 379**
Other net income	792	2 107	326	**3 225**
Depreciation/impairment of property and equipment and intangible assets	(316)	(241)	(206)	**(763)**
Impairment loss	(492)	(1 434)	41	**(1 885)**
Segment expenses	(1 662)	(2 314)	172	**(3 804)**
Profit before tax	(87)	2 303	936	**3 152**
Income tax			(553)	(553)
Result of segment	**(87)**	**2 303**	**383**	**2 599**
Segment assets	152 996	781 789	11 915	**946 700**
Segment liabilities	278 245	565 258	23 706	**867 209**

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

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

(b) Information on Geographical Areas

	Czech Republic	Slovakia	Total
30 Jun 2021			
Net interest and dividend income	4 637	1 444	**6 081**
Other net income	2 643	840	**3 483**
Depreciation/impairment of property and equipment and intangible assets	(524)	(242)	**(766)**
Impairment loss	(573)	(184)	**(757)**
Segment expenses	(2 846)	(982)	**(3 828)**
Profit before tax	3 337	876	**4 213**
Income tax	(673)	(216)	(889)
Result of segment	**2 664**	**660**	**3 324**
Segment assets	800 268	155 468	**955 736**
Segment liabilities	726 132	143 366	**869 498**

	Czech Republic	Slovakia	Total
30 Jun 2020			
Net interest and dividend income	4 982	1 397	**6 379**
Other net income	1 959	1 266	**3 225**
Depreciation/impairment of property and equipment and intangible assets	(511)	(252)	**(763)**
Impairment loss	(1 232)	(653)	**(1 885)**
Segment expenses	(2 596)	(1 208)	**(3 804)**
Profit before tax	2 602	550	**3 152**
Income tax	(550)	(3)	(553)
Result of segment	**2 052**	**547**	**2 599**
Segment assets	796 738	149 962	**946 700**
Segment liabilities	726 838	140 371	**867 209**

as adopted by the European Union (in millions CZK)

CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

Contingent Liabilities

Legal Disputes

As of 30 June 2021, the Group assessed the legal disputes in which it acted as a defendant. The Group recorded provisions for these legal disputes. In addition to these disputes, legal actions arising from ordinary business activities were taken against the Group. The management does not anticipate the result of these legal disputes to have a material impact on the Group's financial position.

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

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

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

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

The Group recorded provisions for off-balance sheet items to cover expected credit losses and arising from the impairment losses on the off-balance sheet items due to credit risk. As of 30 June 2021, the aggregate provisions amounted to MCZK 1 260 (as of 31 December 2020: MCZK 1 295).

	Gross amount	Impair. losses	Net amount
30 Jun 2021			
Letters of credit and guarantees	49 414	(657)	48 757
- Stage 1	45 875	(93)	45 782
- Stage 2	3 004	(115)	2 889
- Stage 3	535	(449)	86
Other contingent liabilities (undrawn credit facilities)	162 901	(603)	162 298
- Stage 1	152 565	(82)	152 483
- Stage 2	9 730	(105)	9 625
- Stage 3	606	(416)	190
Total	**212 315**	**(1 260)**	**211 055**

	Gross amount	Impair. losses	Net amount
31 Dec 2020			
Letters of credit and guarantees	46 575	(700)	45 875
- Stage 1	43 059	(95)	42 964
- Stage 2	2 981	(164)	2 817
- Stage 3	535	(441)	94
Other contingent liabilities (undrawn credit facilities)	140 852	(595)	140 257
- Stage 1	131 659	(88)	131 571
- Stage 2	8 726	(180)	8 546
- Stage 3	467	(327)	140
Total	**187 427**	**(1 295)**	**186 132**

as adopted by the European Union (in millions CZK)

RELATED PARTY TRANSACTIONS

Entities are deemed to be related parties in the event that one entity is able to control the activities of another or is able to exercise significant influence over the other entity's financial or operational policies. As part of its ordinary business, the Group enters into transactions with related parties. These transactions principally comprise loans, deposits and other types of transactions and are concluded under arm's length conditions and at arm's length prices in order to prevent any detriment to any party.

Related parties principally include the Bank's parent company, Bank's fellow subsidiaries and other companies controlled by UniCredit Group or where UniCredit Group exercises significant influence the, the Bank's subsidiaries and affiliates, members of the Board of Directors and other members of the Bank's management.

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

(a) Transactions with the parent company

	30 Jun 2021	31 Dec 2020
Assets		
Loans and advances to banks	3 622	1 865
Financial assets held for trading	6 501	4 576
Positive fair value of hedging derivatives	1 304	2 450
Total	**11 427**	**8 891**

	30 Jun 2021	31 Dec 2020
Liabilities		
Deposits from banks	46 876	48 926
Financial liabilities held for trading	6 065	4 390
Negative fair value of hedging derivatives	2 969	1 774
Total	**55 910**	**55 090**

	30 Jun 2021	31 Dec 2020
Off-balance sheet items		
Issued guarantees	860	570
Irrevocable credit facilities	754	788
Total	**1 614**	**1 358**

	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020
Interest income	424	144
Interest expenses	(19)	(43)
Fee and commission expenses	(9)	-
Net profit/loss from financial assets and liabilities held for trading	(217)	83
Net profit/loss from hedging of the risk of change in fair values	(787)	(195)
Administrative expenses	(9)	(2)
Total	**(617)**	**(13)**

as adopted by the European Union (in millions CZK)

(b) Transactions with key management members

	30 Jun 2021	31 Dec 2020
Assets		
Loans and advances to customers	151	147
of which:		
Board of Directors	20	20
Other management members	131	127
Total	**151**	**147**

	30 Jun 2021	31 Dec 2020
Liabilities		
Payables to customers	153	133
of which:		
Board of Directors	50	47
Other management members	103	86
Total	**153**	**133**

	30 Jun 2021	31 Dec 2020
Off-balance sheet items		
Irrevocable credit facilities	6	3
of which:		
Board of Directors	1	1
Other management members	5	2
Total	**6**	**3**

(c) Transactions with other related parties

	30 Jun 2021	31 Dec 2020
Assets		
Financial assets held for trading	5 628	2 888
of which:		
UniCredit Bank AG	5 628	2888
Loans and advances to banks	1 829	887
of which:		
UniCredit Bank AG	545	20
UniCredit Bank Austria AG	1 008	697
Yapi ve Kredi Bankasi AS	-	-
UniCredit Bank Hungary Zrt.	89	85
AO UniCredit Bank	63	50
Loans and advances to customers	574	707
of which:		
UCTAM Czech Republic s.r.o.	171	288
UCTAM SVK, s.r.o.	403	419
Positive fair value of hedging derivatives	4 078	5 706
of which:		
UniCredit Bank AG	4 078	5 706
Total	**12 109**	**10 188**

as adopted by the European Union (in millions CZK)

	30 Jun 2021	31 Dec 2020
Liabilities		
Deposits from banks	6 703	3 286
of which:		
UniCredit Bank Austria AG	2 977	2 183
UniCredit Bank AG	3 701	995
UniCredit Bank Hungary Zrt.	12	41
Deposits from customers	418	304
of which:		
UniCredit Services S.C.p.A.	80	91
Financial liabilities held for trading	3 948	3 792
of which:		
UniCredit Bank AG	3 948	3 792
Negative fair value of hedging derivatives	3 248	4 191
of which:		
UniCredit Bank AG	3 248	4 191
Total	**14 317**	**11 573**

	30 Jun 2021	31 Dec 2020
Off-balance sheet items		
Issued guarantees	2 391	1 537
of which:		
UniCredit Bank AG	1 731	1 336
UniCredit Bank Austria AG	379	113
UniCredit Bank Hungary Zrt.	12	5
AO UniCredit Bank	128	36
Irrevocable credit facilities	4 230	992
of which:		
UniCredit Bank AG	3 391	517
UniCredit Bank Austria AG	757	-
Total	**6 621**	**2 529**

as adopted by the European Union (in millions CZK)

	1 Jan - 30 Jun 2021	1 Jan - 30 Jun 2020
Interest income	110	23
of which:		
UniCredit Bank AG	102	4
UniCredit Bank Austria AG	1	11
Interest expenses	(30)	(288)
of which:		
UniCredit Bank AG	(26)	(233)
UniCredit Bank Austria AG	-	(51)
Fee and commission income	28	26
of which:		
UniCredit Bank AG	19	18
UniCredit Bank Hungary Zrt.	1	1
UniCredit Bank Austria AG	7	7
Fee and commission expenses	(4)	(4)
of which:		
UniCredit Bank Austria AG	(2)	(2)
Net profit/loss from financial assets and liabilities held for trading	1 987	(698)
of which:		
UniCredit Bank AG	1 987	(698)
Net profit/loss from hedging against risk of changes in fair value	(385)	447
of which:		
UniCredit Bank AG	(385)	447
Administrative expenses	(451)	(415)
of which:		
UniCredit Services S.C.p.A.	(444)	(409)
Total	**1 255**	**(909)**

SUBSEQUENT EVENTS

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

4. Statement of the Issuer's authorised persons

To the best of our knowledge, this Half-Year Report gives a true and fair view of the financial situation, business activities and results of operations of the Issuer and the Issuer's consolidation group for the last half-year and of the outlook of future development of the financial situation, business activities and results of operations of the Issuer and the Issuer's consolidation group.

Prague, 21 September 2021

Mgr. JAKUB DUSÍLEK, MBA

Member of the Board of Directors

MASSIMO FRANCESE

Member of the Board of Directors