ČESKÁ EXPORTNÍ BANKA, A.S.

CONDENSED INTERIM FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

CONDENSED INCOME STATEMENT

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

(MCZK)	Note	Six months ended 30 June 2024	Six months ended 30 June 2023
Interest income		960	727
of which: Interest income calculated using the effective interest rate method		*960*	*727*
Interest expense		(349)	(211)
Net interest income	6	**611**	**516**
Fee and commission income	7	19	19
Fee and commission expense	7	(3)	(4)
Net profit or (loss) on financial operations, including state subsidy	8	4	1
Other operating income		3	0
Other operating expenses	9	(5)	(5)
Administrative expenses	9	(137)	(129)
Depreciation and amortisation	9	(17)	(18)
Modification gains or losses		(1)	0
Impairment losses on financial assets not reported at fair value through P/L or their reversal	10	77	53
Provisions for commitments and guarantees or their reversal		37	61
Profit or (loss) before tax		**588**	**494**
Income tax expense	11	(119)	(88)
Profit or (loss) for the period		**469**	**406**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

(MCZK)	Note	Six months ended 30 June 2024	Six months ended 30 June 2023
Profit or (loss) for the period		**469**	**406**
Items that may be subsequently reclassified to profit or loss			*0*
Total change in OCI from revaluation of financial assets	23	1	9
Other comprehensive income (OCI)		**1**	**9**
Total comprehensive income		**470**	**415**

The notes on pages 7 - 37 are an integral part of the condensed financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

(MCZK)	Note	30 June 2024	31 December 2023
ASSETS			
Cash in hand, cash with the central bank and other deposits repayable on demand	12	578	613
Debt securities at fair value recognised in OCI	3b, 14	232	230
Financial assets at amortised cost		32,323	30,931
Debt securities at amortised cost	3b, 14	989	899
Loans and receivables at amortised cost	3b, 13	31,334	30,032
Property, plant and equipment	15	69	75
Intangible assets	16	12	15
Other assets	17	1,498	1,962
Deferred tax assets	21	26	30
Total assets		**34,738**	**33,856**
LIABILITIES AND EQUITY			
Financial liabilities measured at amortised cost	18	24,402	23,828
Other liabilities	19	545	650
Provisions	3b, 20	153	189
Current tax liabilities		72	93
Total liabilities		**25,172**	**24,760**
Share capital	22	5,000	5,000
Revaluation reserve	23	(6)	(7)
Retained earnings or accumulated (loss) from prior periods	24	1,368	608
Reserve funds	24	892	852
Other special funds	24	1,843	1,843
Profit or (loss) for the period		469	800
Total equity		**9,566**	**9,096**
Total liabilities and equity		**34,738**	**33,856**

The notes on pages 7 - 37 are an integral part of the condensed financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

(MCZK)	Note	Share capital	Retained earnings	Reserve fund	Export risk reserve	Revaluation reserve	Total
At 31 December 2022		**5,000**	**640**	**820**	**1,843**	**(18)**	**8,285**
Total change in OCI from revaluation of financial assets	23	0	0	0	0	9	9
Profit or (loss) for the period		0	406	0	0	0	406
Total comprehensive income		**0**	**406**	**0**	**0**	**9**	**415**
Transfer to reserve fund	24	0	(32)	32	0	0	0
At 30 June 2023		**5,000**	**1,014**	**852**	**1,843**	**(9)**	**8,700**

(MCZK)	Note	Share capital	Retained earnings	Reserve fund	Export risk reserve	Revaluation reserve	Total
At 31 December 2023		**5,000**	**1,408**	**852**	**1,843**	**(7)**	**9,096**
Total change in OCI from revaluation of financial assets	23	0	0	0	0	1	1
Profit or (loss) for the period		0	469	0	0	0	469
Total comprehensive income		**0**	**469**	**0**	**0**	**1**	**470**
Transfer to reserve fund	24	0	(40)	40	0	0	0
At 30 June 2024		**5,000**	**1,837**	**892**	**1,843**	**(6)**	**9,566**

The notes on pages 7 - 37 are an integral part of the condensed financial statements.

CONDENSED CASH FLOW STATEMENT

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

(MCZK)	Note	30 June 2024	30 June 2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		931	647
Interest paid		(348)	(194)
Net fee and commission received / (paid)		(1)	(7)
Net income from collateral		573	548
Payments to employees and suppliers		(160)	(156)
(Income tax paid) received income tax refunds		(139)	(49)
Net cash flows from operating activities before changes in operating assets and liabilities		**856**	**789**
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Decrease (increase) in loans to banks		(455)	840
Decrease (increase) in loans to customers		(2,296)	(2,210)
Decrease (increase) in other liabilities		(68)	98
Increase (decrease) in liabilities due to banks		377	0
Increase (decrease) in liabilities due to customers		82	75
Net cash flows from operating activities		**(1,504)**	**(408)**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment and intangible assets		(15)	(17)
Purchase of securities		(90)	(283)
Proceeds from matured securities		15	973
Net cash flows from investment activities		**(90)**	**673**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issued bonds		0	3,779
Repayments of issued bonds		0	(4,726)
Lease payments		(6)	(6)
Net cash flows from financing activities		**(6)**	**(953)**
Effect of exchange rate changes on cash and cash equivalents		**1**	**(37)**
Net decrease in cash and cash equivalents		**(1,599)**	**(725)**
Cash and cash equivalents at the beginning of the period	12	**8,276**	**8,739**
Allowances for cash equivalents		**1**	**(1)**
Cash and cash equivalents at the end of the period	12	**6,679**	**8,015**

RECONCILIATION OF CASH FLOWS FROM FINANCING ACTIVITIES

	Note	Issued bonds	Leases
At 31 December 2022	18, 19	**15,516**	**21**
Inflow		3,779	0
Outflow		(4,726)	(6)
Other non-monetary changes		6	1
Effect of exchange rate changes		(253)	0
At 30 June 2023		**14,322**	**16**
At 31 December 2023	18, 19	**15,913**	**53**
Inflow		0	0
Outflow		0	(6)
Other non-monetary changes		1	1
Effect of exchange rate changes		196	0
At 30 June 2024	18,19	**16,110**	**48**

The notes on pages 7 – 37 are an integral part of the condensed financial statements.

1 GENERAL INFORMATION

Česká exportní banka, a.s. (the "Bank") was established on 1 March 1995 and its registered address is Vodičkova 34/701, Prague 1. The Bank does not have any branches in the Czech Republic or abroad.

The Bank is authorised to provide banking services, which predominantly comprise accepting deposits from the public and granting loans and guarantees in Czech crowns and foreign currencies, issuing letters of credit, clearing and payment operations, trading on its own account with financial instruments denominated in foreign currencies, with securities issued by foreign governments, with foreign bonds and securities issued by the Czech government and the provision of investment services.

The activities of the Bank are primarily governed by Act No. 21/1992 Coll., on Banks, as amended, Act No. 256/2004 Coll., on Capital Market, as amended, Act No. 58/1995 Coll., on Insurance and Financing Exports with State Subsidies ("Act No. 58/1995 Coll."), and Act No. 90/2012 Coll., on Business Corporations and Cooperatives (Act on Business Corporations), as amended. Concurrently, the Bank is subject to the Czech National Bank's regulatory requirements.

The principal objective of the Bank is to provide financing of Czech exports and investments abroad supported by the Czech state in accordance with the European Union law and international rules – mainly through the provision of credit facilities and guarantees. The general meeting of the Bank makes decisions about profit allocation and in accordance with the articles of association, the profit is primarily used to contribute to the statutory reserve, export risk reserve or to other funds established by the Bank.

Pursuant to Act No. 58/1995 Coll., the provision of officially supported financing by the Bank is conditioned by the existence of collateral, unless export credit risk is insured by Exportní garanční a pojišťovací společnost, a.s. ("EGAP").

Pursuant to Act No. 58/1995 Coll., the Czech state is liable for the obligations of the Bank arising from the repayment of funds obtained by the Bank and for obligations arising from other transactions by the Bank in the financial markets. The condition for providing officially supported financing is the fact that at least two thirds of the Bank's share capital is owned by the Czech state.

Standard & Poor's confirmed the credit rating of "AA-" with stable outlook for non-current liabilities in foreign currency. The Bank's issued bonds are listed on the Luxembourg Stock Exchange (Société de le Bourse de Luxembourg).

2 ACCOUNTING POLICIES

The material accounting policies applied in the preparation of these condensed interim financial statements ("financial statements") are set out below. These policies have been consistently applied to all the years presented, unless stated otherwise.

(a) Basis of presentation

These financial statements for the six months ended 30 June 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Bank's last annual financial statements as at and for the year ended 31 December 2023. They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Bank's financial position and performance since the last annual financial statements.

The accounting policies applied in these financial statements are the same as those applied in the Bank's financial statements as at and for the year ended 31 December 2023.

The financial statements consist of the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, and notes containing accounting policies and other material events.

Newly applied amendments to the existing standards the application of which had a significant impact on the financial statements

None of the newly applied amendments to the existing standards had a significant impact on the financial statements for the year ended 31 December 2023.

Newly applied amendments to the existing standards the application of which had no significant impact on the financial statements

- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback, effective date: 1 January 2024
- Amendments to IAS 1 – Classification of Liabilities as Current or Non-Current, postponement of the effective date to 1 January 2024
- Amendments to IAS 1 – Non-current Liabilities with Covenants (issued in October 2022), effective date: 1 January 2024.
- Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements; the effective date: 1 January 2024

These amendments to the existing standards had no significant impact on the amounts or disclosures in the financial statements of the Bank.

Amendments to the existing standards that are not yet effective and have been adopted by the European Union

At the date of approval of these financial statements there are no amendments to the existing standards issued by IASB and adopted by the European Union, that are not yet effective.

Standards and interpretations that are not yet effective and have not been adopted by the European Union

At the date of approval of these financial statements, the following standards and amendments to the existing standards were issued by the IASB, but not yet adopted by the European Union:

- Amendments to IFRS 10 and IAS 28 – Sale or Contributions of Assets between an Investor and its Associate or Joint Venture; the effective date has been postponed by IASB
- Amendments to IAS 21 – Lack of Exchangeability; the effective date: 1 January 2025
- IFRS 18 Presentation and disclosures in financial statements; the effective date: 1 January 2027
- IFRS 19 Subsidiaries without public accountability: Disclosures; the effective date: 1 January 2027
- Amendments to IFRS 9 and IFRS 7 Amendments to the Classification and Measurement of Financial Instruments

The Bank expects that the adoption of the above standards and amendments to existing standards in the period of their first-time application will have no significant impact on the financial statements of the Bank.

(b) Foreign currency translation

Functional and presentation currency

The financial statements of the Bank are presented in Czech crowns, which is also the Bank's functional currency (i.e., the currency of the primary economic environment where the Bank operates).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities in foreign currencies are reported in the income statement as "Net profit or (loss) on financial operations, including state subsidy".

The foreign exchange rates of Czech crowns to principal foreign currencies were as follows:

	EUR	USD
31 December 2023	24.725	22.376
30 June 2024	25.030	23.386

(c) Other accounting policies

There were no changes in accounting policies applied in these financial statements in comparison accounting policies applied in the Bank's financial statements as at and for the year ended 31 December 2023.

3 RISK MANAGEMENT

(a) Strategy for using financial instruments

The Bank provides export financing products, especially credit products and trade finance products in accordance with Act No. 58/1995 Coll., on Insurance and Financing Exports with State Subsidies, as amended and related regulations.

The Bank funds export loans through the use of debt securities issued in EMTN and ECP programmes and long-term bank borrowings; short-term borrowings from the interbank market and customer deposits are used as additional sources of funding. The Bank also uses customer deposits as loan security.
Under amendment to Act No. 58/1995 Coll. Effective from April 2020, the Bank does not invest funds in securities on the financial market unless such investment is necessary to ensure compliance with regulatory risk management rules. The Bank deposits temporarily available funds in its bank accounts managed by the Treasury and maintained with the Czech National Bank under the Act on Budget Rules. It uses interbank market transactions for currencies in which accounts under the Treasury cannot be maintained, for the purpose of short-term liquidity management or as a standard tool to hedge instruments or positions against interest rate and currency risk.

The Bank's strategy does not involve generating profit from trading with financial instruments that arises from changes in interest and exchange rates. For this reason, the Bank did not establish any trading portfolio.

The Bank trades only on its own account with approved investment instruments stated in the Bank's List of permitted products.
The Bank shall enter into financial market transactions only with eligible counterparties that do not require to be treated as professional customers. The Bank neither provides investment services to its customers, including custody and administration services for investment instruments, nor offers the possibility of investing in investment vehicles.

The Board places trading limits on the level of exposure that can be taken in relation to all daily market positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures are normally offset by entering into reverse positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

The Bank hedges part of its existing interest rate risk resulting from any potential decrease in the fair value of assets or increase in the fair value of liabilities denominated both in CZK and foreign currencies using interest rate swaps, FX derivatives and cross currency interest rate swaps.

In 2024 and in 2023, the Bank did not reclassify any securities.

(b) Credit risk

The Bank is exposed to credit risk, which is the risk that a counterparty will be unable to repay amounts in full when they fall due. The exposure results from individual products of the Bank provided under supported export financing and from the Bank's operations on money and capital markets.

The Bank has established a system of approval authorities, depending on the amount of the total limit for the customer or economically connected group of debtors. In the organisational structure, credit risk management and control are part of the Risk Management section for which the relevant Board member is responsible.

Credit risk measurement

The Bank assesses the probability of default of individual counterparties on an individual basis with the use of rating models. The Bank has developed rating models for assessing the risk level of corporate customers and risks of banks. The rating models are subject to validation and are updated as and when necessary.

Overview of internal rating grades

Rating value	Level of risk	Description	Conversion to the rating of Standard&Poor's
1	Very low	Entities with this rating have a very high credit quality. The financial situation is very stable and other economic factors are highly favourable. The ability to meet its obligations on time is very high.	from AAA to AA-
2	Low	Entities with this rating have a high credit quality. The financial situation is stable and other economic factors are favourable. The ability to meet its obligations on time is high.	from A+to A-
3	Lower	Entities with this rating have a very good credit quality. The financial situation is above average and other economic factors are very satisfactory. The ability to meet its obligations on time is very good.	from BBB+ to BBB-
4	Medium	Entities with this rating have a good credit quality. The financial situation is acceptable and other economic factors are satisfactory. The ability to meet its obligations on time is good.	from BB+ to BB-
5	Higher	Entities with this rating have a lower credit quality. The financial situation is slightly deteriorated, and other economic factors are slightly below average. The ability to meet its obligations on time is lower.	from B+ to B-
6	High	Entities with this rating have a lower credit quality. The financial situation is deteriorated, and other economic factors are below average. The ability to meet its obligations on time is lower.	from CCC+ to CCC-
7	Very high	Entities with this rating have a low credit quality. The financial situation is unstable and other economic factors are highly below average. The ability to meet its obligations on time is uncertain.	from CC+ to C-
D	Default	Entities with this rating have a very low credit quality. The financial situation is highly unstable and other economic factors are unfavourable. The ability to meet its obligations on time is unlikely or impossible.	default

The Bank's financial assets are classified into 3 risk Stages (Stage I - III) and the special POCI category.

- Stage I includes financial assets from initial recognition (excluding POCI) and financial assets for which the credit risk has not significantly increased from initial recognition to the reporting date.
- Stage II includes financial assets for which credit risk has increased significantly from initial recognition to the reporting date, but which are not credit-impaired as of the reporting date.
- Stage III includes financial assets that are credit-impaired at the reporting date (default).
- Financial assets classified as POCI include financial assets that are impaired at the date of initial recognition.

Significant increase in credit risk

At each reporting date, the Bank has to assess whether or not the credit risk related to the financial asset has significantly increased since initial recognition.

The assessment of whether there has been a significant increase in credit risk since initial recognition is based on all reasonable and demonstrable information available to the Bank without unreasonable expenses or effort. These include historical information, information on future prospects and credit risk assessment over the estimated useful life of the financial asset, including information on the circumstances that led to the potential modification. The assessment whether there has been a significant increase in credit risk since initial recognition is based on a significant increase in the probability of default since initial recognition rather than on the events that have occurred. In assessing the credit risk, the Bank takes into account the current projections of the customer's economic situation and available information on the anticipated market developments and the economy of the whole country. For receivables in the portfolio of assets on the money and capital markets, the Bank determines that the credit risk is low due to the high rating of counterparties. This is ensured by a policy applied at the decision-making level when approving credit limits, which are re-assessed every 12 months.

The portfolio of receivables from loans, loan commitments, issued guarantees and trade receivables, which arise solely from the Bank's customers, the Bank regularly monitors and assessed the following red flags:

- The debtor has not complied with its contractual obligations towards the Bank for more than six months (e.g., establishing a subsequent security, financial and non-financial covenants);
- The beneficiary of the guarantee issued by the Bank sent the Bank a request for extending a guarantee (extend or pay);
- A modification of the financial asset has been performed; the impact of the decrease in the present value of future cash flows after and before modification calculated using the original effective interest rate is less than 5 %;
- Insolvency or similar bankruptcy proceedings in line with foreign legal regulations have been initiated against the debtor because of an insignificant receivable, which may lead to the declaration of bankruptcy and a petition for the commencement of such proceedings has not been dismissed or rejected or the proceedings have not been suspended within 30 days from commencement;
- Legal disputes concerning material amounts (higher than 10% of the net book value of the debtor's assets);
- Actual or anticipated changes that may considerably modify the debtor's ability to pay its liabilities, such as
    - the effect of significant changes in macroeconomic variables (e.g., GDP development, inflation, significant change in the exchange rate, adverse development of the prices of key commodities, decreasing the country's rating by 2 notches or more)
    - or other significant negative information related to the business case or the debtor (e.g., adverse changes in market, financial, economic and technology conditions);

A significant increase in credit risk (SICR) is acknowledged no later than when:

- A receivable is past due by more than 30 days;
- The debtor's internal rating when compared to the initial recognition has deteriorated as follows:

Rating upon initial recognition	Deterioration
1-3	by 3 notches
4-5	by 2 notches
6	by 1 notch

- Payments are made by the guarantor if it was not known when the business case was approved that payments would be sent by the guarantor rather than the debtor;
- The principal in a guarantee issued by the Bank does not meet the conditions of the guarantee, with the Bank anticipating the beneficiary's request to extend the guarantee ("extend or pay"); and
- A statement of another creditor or the investigative, prosecuting, and adjudicating bodies indicates that criminal proceedings have commenced against the debtor or members of the statutory body because of a property crime committed in relation to their business activity.

Debtor's default

The event of default has been defined in the Bank based on historical experience for various types of financial instruments.

Debtor's default refers to a situation when at least one of the following conditions has been met:

- A receivable or its major portion (e.g. bigger than 1 % of all receivables from the customer or 500 EUR) is past its due date for more than 90 days;

- With respect to the debtor, an insolvency petition was dismissed, or the insolvency or similar proceedings were discontinued due to insufficient debtor's property;
- The debtor intends to enter into, or has entered into, liquidation;
- Bankruptcy of the debtor has been identified or declared, or the bankruptcy or similar proceedings have commenced under foreign legislation, resulting in a loss or restriction of the debtor's disposition rights;
- The court has issued a decision on the invalidity or non-existence of the debtor (legal person), or the debtor (an individual) has passed away;
- Enforcement of a judgement concerning the sale of the debtor's assets or distraint, including judicial lien, has been ordered based on a final and conclusive judgement of the court or an administrative authority;
- The Bank had to make payments for the debtor under provided guarantees; and
  - The debtor has not paid such receivable within 90 days from the deadline specified by the accompanying loan agreement concluded for performance under a guarantee (or within 90 days from the deadline for performance defined by the Bank if the accompanying agreement is not concluded, or the deadline is not defined therein) and, simultaneously, the Bank has not agreed on a payment schedule with the debtor in order to settle the Bank's receivable arising in relation to payments made for the debtor under provided guarantees; or
  - probability that the debtor cannot settle such receivable without the use of security is more than 50%;
- The Bank expects the receivable to be repaid, at least partially, from collateral liquidation.
- An exposure under probation[1] where additional forbearance measures are granted or where the exposure becomes more than 30 days past due.

Recognition of allowances and provisions

Recognition of allowances and provisions is based on the expected credit loss (ECL), which is expressed as the weighted average of credit losses.

For Stage I assets, the 12-month ECL is used to quantify the allowances and provisions representing the expected credit losses incurred due to a financial instrument default that may occur within twelve months from the reporting date. The modelling and subsequent calculation of loan allowances does not include the segmentation of the loan portfolio.

The Bank uses the portfolio approach to determine the ECL in segments of receivables from loans, off-balance sheet products and trade receivables in Stage 1. The collectively determined probability of loss determined based on an analysis of prior periods is applied to exposure at default (EAD), where EAD is the gross carrying amount of the exposure net of all accepted collateral. The Bank uses only recoverable collateral in the calculation, selected on the basis of historical experience and with respect to the exposure to the foreign legal environment. The resulting recognition of allowances and provisions is allocated to individual financial assets.

In the segment of receivables of the money and capital markets bearing low credit risk, the Bank uses an individual approach to quantify ECL. The ECL quantification is based on the probability of loss applied to exposure at default (EAD), i.e., the unsecured portion of the receivable.

For portfolio-significant exposures, the Bank includes forward-looking information (FLI) in the form of a coefficient for the expected macroeconomic outlook of the debtor's country in the calculation of expected credit losses (ECL). The calculation included expertly selected macroeconomic variables – GDP growth, government debt, oil price, exchange rate and inflation.

For Stage 2, Stage 3 and POCI assets, the calculation of allowances and provisions uses the lifetime ECL, which are the expected credit losses that arise from all possible failures to meet commitments over the expected life of the financial instrument. The Bank uses an individual approach and the method of probability-weighted estimated cash flow scenarios, which also consider FLI. Estimated cash flows are determined by evaluators using the estimated cash flow scenarios.

At the same time, the following applies:

- It is always required to use at least two scenarios with a non-zero weight, with the sum of individual weights being 100%;
- The only exception is when the receivable is insured by a loan insurance company and the insurance company issued a statement as regards insurance payments – in such a case, only one scenario will be used, i.e., cash flows will be based on the insurance claims and reductions (if any) – based on a declaration

[1] Note: A period of 2 years, starting from the date on which the non-performing exposure was classified as performing exposure.

of the loan insurance company;

- For Stage 2 receivables, scenarios reflecting the possibility of default must be used (and thus the possibility of insurance payments by a loan insurance company if applicable) based on boundary values of the probability of default as per rating;
- For Stage 3 receivables and if the insurance payment receivable is expected to be paid with a probability of > 50%, a scenario reflecting the possibility of reduction of insurance payments by the insurance company may be used until the insurance company's statement on insurance payments is received;

No financial asset of the Bank was arranged or originated as credit impaired (POCI).

Russian invasion of Ukraine

Since the start of the Russia-Ukraine conflict, the exposure to borrowers in these countries has been closely monitored and outstanding non-performing net receivables have been sufficiently provisioned. The receivables are gradually being resolved – the exposure has been reduced substantially, both due to continued or restored ability to pay and partially thanks to collected insurance payments from EGAP. One large performing Stage 2 credit receivable towards Russian borrower failed during the first half of 2024. It occurred not as a result of the Russia-Ukraine conflict, but because of a major accident in borrower´s facility, which however affected borrower´s repayment capacity for 2024 at least. This exposure was recorded in non-performing exposure in Q2/2024 and the bank has initiated recovery measures to the extent possible (incl. reported insurance claim), the borrower is intensively working to restore production. Exposure is covered by EGAP insurance with 1% participation.
Although there is a gradual calming down of the deteriorated situation caused by not only the Russia-Ukraine conflict (e.g. a certain stabilisation of energy prices, decline in inflation) the Bank continues in consistent monitoring of the financial situation of all borrowers in its portfolio. Currently the Bank did not identify any significant credit risk deterioration particularly for the reason of this conflict, but attention is permanently paid to the overall geopolitical situation in the world.

ESG

Since the beginning 2024 the Bank has intensified efforts to implement ESG principles in its activities, business operations and risk management in order to comply with all relevant regulatory requirements currently in force. The Bank is aware that ESG affects the Bank's core activities and ESG risks has gradually become "drivers" for the Bank's other key risks. It also requires continuous monitoring of current legislative developments, incl. European regulations and directives or ČNB requirements in the ESG area.

In 2023, a Working Group managed from the Board level covered ESG activities and implementation; it consisted of representatives of key departments: Risk Management, Finance and Accounting, Strategy and communication, Trade and Export Finance, HR, Compliance and Internal Audit.

In early 2024 the Bank engaged a major consultancy company to review current situation, clarify the nature and requirements for a bank like ČEB (small and non-complex institution since 1.7.2024). The goal was to prepare a precise time schedule ("Roadmap") as a basis for the Board of Directors' decisions on the next steps incl. defining the ESG governance in the Bank, specific deadlines and milestones, etc. Based on the results of this exercise, the Board of Directors decided to give the issue of ESG implementation the status of a project and the above Working Group has become a Project Team. The Project Team has been actively handling all ESG related activities e.g. negotiations with external consultancy bodies, communication within the bank on ESG issues, contributing to the gradual expansion of the current ESG methodology, increasing know-how in the area of CRR and CSRD, participation in important external ESG meetings/trainings, membership in the Sustainable Finance Committee of the Czech Banking Association etc.

The core ESG topics that the Bank has to tackle are: (1) new regulatory financial reporting requirements stemming from CRR (articles 430 and 449a) and (2) ESRS/CSRD standards, which define mandatory disclosures in the non-financial reporting - Sustainability Report or Annual Report.

In the first half of 2024 the Bank also started preparing a Double Materiality Assessment - the assessment of risks based on Bank´s business model, the surrounding environment, its client portfolio, its size and location, etc. which will lead to the identification and quantification of key risks, an analysis of the bank's ESG impacts and opportunities. This to be followed by interviews with selected key stakeholders - all as a prerequisite for setting the Bank´s strategy in the ESG area in early 2025 at the latest.

A key part of the ESG issue is the consideration of ESG factors in the bank's loan portfolio, i.e. the assessment of the ESG characteristics of the banks' clients. This involves a regular assessment of corporate clients in terms of their environmental, social and governance practices and their long-term sustainability in their business activities, continuity and financial stability, which affect the Bank's credit exposure and its risk profile. The Bank is gradually deepening its ability to assess the ESG characteristics of borrowers; it continues in efforts to prepare and release its own Client's ESG Questionnaire, which collects the necessary data to assess the ESG aspects of individual clients.

The basic ESG concepts and processes are gradually reflected in the internal methodology; further updates to the internal methodology will follow the continued progress on the ESG subject in 2024-25.

Exposures by level of credit risk

(MCZK)							30.6.2024
	Carrying amount (net)	Carrying amount (gross)			Allowances		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Debt securities at fair value recognized in OCI	**232**	**232**	**0**	**0**	**0**	**0**	**0**
Government institutions	**232**	232	0	0	0	0	0
Financial assets at amortised cost	**32 323**	**22,153**	**8,918**	***1,490***	**(123)**	**(52)**	**(63)**
Debt securities at amortised cost	**989**	**990**	**0**	**0**	**(1)**	**0**	**0**
Government institutions	**568**	569	0	0	(1)	0	0
Credit institutions	**421**	421	0	0	0	0	0
Loans and receivables at amortised cost	**31,334**	**21,163**	**8,918**	**1,490**	**(122)**	**(52)**	**(63)**
Central banks	**7,432**	7,446	0	0	(14)	0	0
Government institutions	**2,606**	2,609	0	0	(3)	0	0
Credit institutions	**2,346**	2,349	0	0	(3)	0	0
Non-financial corporations	**18,950**	8,759	8,918	1,490	(102)	(52)	(63)
Other receivables	**4**	**4**	**0**	**0**	**0**	**0**	**0**

(MCZK)							31.12.2023
	Carrying amount (gross)	Carrying amount (gross)			Allowances		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Debt securities at fair value recognized in OCI	**230**	**230**	**0**	**0**	**0**	**0**	**0**
Government institutions	**230**	230	0	0	0	0	0
Financial assets at amortised cost	**30,931**	**19,630**	**11,351**	**211**	**(58)**	**(163)**	**(40)**
Debt securities at amortised cost	**899**	**900**	**0**	**0**	**(1)**	**0**	**0**
Government institutions	**579**	580	0	0	(1)	0	0
Credit institutions	**320**	320	0	0	0	0	0
Loans and receivables at amortised cost	**30,032**	**18,730**	**11,351**	**211**	**(57)**	**(163)**	**(40)**
Central banks	**7,821**	7,836	0	0	(15)	0	0
Government institutions	**2,631**	2,634	0	0	(3)	0	0
Credit institutions	**3,026**	3,027	1	0	(2)	0	0
Non-financial corporations	**16,554**	5,233	11,350	211	(37)	(163)	(40)
Other receivables	**6**	**6**	**0**	**6**	**0**	**0**	**(6)**

(MCZK)						30.6.2024
	Carrying value (gross)			Established provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Provided loan commitments total	**1,100**	**2**	**0**	**(14)**	**0**	**0**
Government Institutions	114	0	0	0	0	0
Credit institutions	250	0	0	0	0	0
Non-financial corporations	736	2	0	(14)	0	0
Provided financial guarantees total	**1,376**	**352**	**70**	**(38)**	**(1)**	**(7)**
Non-financial corporations	1,376	352	70	(38)	(1)	(7)
Off-balance sheet positions total	**2,476**	**354**	**70**	**(52)**	**(1)**	**(7)**

(MCZK)						31.12.2023
	Carrying amount (gross)			Established provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Provided loan commitments total	**2,725**	**118**	**0**	**(41)**	**(1)**	**0**
Non-financial corporations	2,725	118	0	(41)	(1)	0
Provided financial guarantees total	**1,543**	**808**	**67**	**(41)**	**(4)**	**(7)**
Non-financial corporations	1,543	808	67	(41)	(4)	(7)
Off-balance sheet positions total	**4,268**	**926**	**67**	**(82)**	**(5)**	**(7)**

In 2024, one credit receivable of CZK 1,370 million was reclassified from Stage 2 to Stage 3. Other receivables disclosed in Stage 2 in 2023 were successfully repaid in the amount of CZK 1,100 million. Credit commitments were in the year 2024 utilised in the amount of CZK 1,958 millions.

In the first half of 2024, total allowances for on-B/S exposure decreased by CZK 23 million. In Stage 1 portfolio there was a net increase in allowances of CZK 65 million attributable to drawing of the credit commitments (off-set by the release of provisions) and new loans granted. On the other hand, there was release of CZK 111 million allowances for exposure in Stage 2 due to loan repayments and reclassification of one credit receivable to Stage 3. This reclassification to Stage 3 was accompanied by additional provisioning of CZK 23 million to already booked allowances, off-set by partial release of allowances due to repayments in the Stage 3 exposure. Net provisioning in the Stage 3 portfolio thus increased by CZK 23 million.

Over the same period, provisions for off-B/S exposure totalling CZK 35 million were released, of which net release of CZK 31 million for exposure in Stage 1 namely due to utilization of the credit commitments contracted and untilised before the end of 2023 and release of CZK 4 million due to decrease of off-B/S exposure in Stage 2.

Credit risk management

The Bank structures the levels of credit risk exposures by setting limits for the volume of acceptable risk in relation to one debtor or a group of debtors, a geographical segment, industry focus or another significant concentration with a common risk factor.

Derivative financial instruments

The credit risk resulting from open derivative positions is managed within the overall trading limits for individual debtors, by both amount and term. The credit risk arising from these instruments usually is not subject to pledge or other guarantees. In other cases, financial collateral is used in the form of received deposit bearing the basic interest rate of the respective currency.

The credit risk from derivative positions is minimised by the Bank by selecting credible counterparties and regularly monitoring their financial situation. The derivatives were arranged with counterparties based in the OECD countries (or with credible domestic counterparties) and having long-term “A” ratings or better from international rating agencies.

Other financial assets

For the purposes of credit risk management of other financial assets, the same approach is applied as in the case of credit risk management of loans.

Off-balance sheet exposures

Off-balance sheet exposures primarily involve provided loan commitments and financial guarantees. Loan commitments represent the unused portion of approved credit facilities in the form of loans. With regard to credit risk arising from loan commitments, the Bank is exposed to the risk of potential loss as equal to the aggregate amount of unused loan commitments. Losses may be reduced as not all exposures will be used.

Concentration of credit risk

The Bank has set a system for the management of limits for individual debtors and economically connected groups of debtors with regard to the debtor’s territory and industry to ensure that engagement limits stipulated by regulation are nor exceeded. The credit risk is decreased by way of using credit protection, predominantly including the insurance of export risks, cash collateral, securities received as a collateral in repo transactions.

(c) Market risk

The Bank is exposed to market risks. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The Bank uses GAP analysis to track the spread of interest rate risk in individual currencies over time, estimating the impact of interest rate changes on the Bank's short-term earnings (change in NII - Net Interest Income) and the model of changes of Economic Value of Equity (EVE) to estimate the market risk of its positions and the maximum expected loss based on standard shock market change scenarios (according to the European Banking Authority's document Guidelines on the management of interest rate risk arising from non-trading book activities EBA/GL/2018/02). The Board sets limits on the acceptable value of risk, from which all market risks limits are derived. Current utilisation of the limits is monitored on a daily basis by risk management. The Bank uses the EVE method, which calculates the maximum possible change in the economic value of the Bank's capital in applying standard shock scenarios of changes in the interest rate and exchange rate. The Bank has not been exposed to risks stemming from non-linear instruments. All EVE changes are summarised in the table below.

EVE values

(MCZK)*	6 months to 30 Jun 2024			12 months to 31 December 2023		
ΔEVE	Average	High	Low	Average	High	Low
Interest rate risk	(79)	(46)	(153)	(205)	(129)	(298)
Currency risk	(4)	(1)	(8)	(2)	0	(16)
Total ΔEVE	(84)	(50)	(157)	(207)	(130)	(308)

(MCZK)*		30 June 2024	31 December 2023
ΔEVE			
Interest rate risk	Parallel up (plus 200 bps)	(71)	5
	Parallel down (minus 200 bps)	(35)	(151)
	Increase of short-term rates	(42)	24
	Decrease of short-term rates	(52)	(141)
	Steepener (short-term rates down and long-term rates up)	(36)	(74)
	Flattener (short-term rates up and long-term rates down)	(20)	26
	Maximum	**(71)**	**(151)**
Currency risk	Parallel up	0	0
	Parallel down	(3)	(2)
	Maximum	(3)	(2)
Total ΔEVE		**(74)**	**(153)**

* The values reported with the negative sign represent the negative impact while those with the positive sign represent the positive impact of shock scenarios.

The first table shows EVE values, specifically the average, high, and low EVE values for the period, broken down into individual components of this indicator (interest rate and currency risk) and total. They characterise the levels of three sets of values that make up the daily total change of EVE for all trading days of the period under review, then the daily currency and interest rate component of this indicator.

The second table contains the EVE values for a given trading day, again structured as per the interest rate and currency components. The impact of the application of each shock scenario is also presented in each of these components: six interest rate and two currency scenarios. Interest rate shock scenarios are taken from the EBA document mentioned above, currency shock scenarios are defined as the change in EVE with a percentage change in the relevant spot FX rate, and have been calibrated based on the historical behaviour of FX rates. We consider the following FX rate changes: a shift of +30% USD/+15% EUR is considered for the CZK depreciation scenario; a shift of -25% USD/-15% EUR applies to the CZK appreciation scenario.

The Bank conducts quarterly stress testing of the impact of material changes in financial markets on the level of market exposure. Under the EVE method, so-called stress scenarios based on standard shock scenarios for day-to-day management of the interest rate and currency risks are used to modify them to capture an even greater movement of market factors.

(d) Currency risk

The Bank is exposed to the effects of fluctuations in the prevailing foreign exchange rates on its financial position and cash flows. Currency risk is managed using the currency sensitivity and EVE change analyses, for which limits are defined to mitigate potential exposure. If the total net currency position is greater than 2% of capital, the size of the open currency position is reflected in the capital adequacy requirement, which is allocated to this risk by the Bank.

(e) Interest rate risk

The Bank is exposed to interest rate risk as its interest-bearing assets and liabilities have different re-fixing or maturity dates. For floating rate instruments, the Bank is exposed to basis risk, which arises from the differences in methods of adjusting individual types of interest rates, primarily EURIBOR and, if relevant, PRIBOR. Interest rate risk is managed using interest rate GAP analysis, analysis of the change in net interest income (NII) and change in EVE. For NII and EVE, change indicators a set of limits is defined to mitigate potential exposure. Interest rate risk management aims at minimising the sensitivity of the Bank to interest rate fluctuations.

Assets and liabilities (e.g., principal and interest), including off-balance sheet items, enter the time basket in the nominal amount (i.e., without discounting), with floating-rate instruments entering the position on the date of the next revaluation and fixed-rate instruments on the maturity date.

In accordance with the risk management strategy approved by the Board of Directors, the Bank optimises the structure of its sources of finance comprising bond issues and syndicated loans so that no significant differences between the duration of its interest-sensitive assets and liabilities arise.

Interest rate derivatives are used for mitigating the difference between the interest rate sensitivity of assets and liabilities. These transactions are conducted in accordance with the risk management policies approved by the Board of Directors and the use of hedge accounting rules approved by the ALCO to reduce the interest rate risk of the Bank.

Interest Rate Benchmark Reform

The Bank continues to use benchmark interest rates PRIBOR or EURIBOR for loans denominated in CZK or EUR bearing a floating interest rate. The Bank transitioned to using 3M TERM SOFR for loans denominated in USD bearing a floating interest rate. The Bank adjusted all relevant contractual relationship to reflect the new reality. As for derivatives, the Bank decided not to accede to the ISDA IBOR Fallbacks Supplement and to deal with individual transactions bilaterally. The transfer to new benchmark rates did not have material impact on the Bank’s financial statements.

(f) Liquidity Risk

Liquidity risk arises from different types of financing the Bank’s activities and the management of its positions. It includes both the risk of the Bank’s ability to finance its assets by way of instruments with appropriate maturity and the Bank’s ability to liquidate/sell its assets at a favourable price in a favourable time frame.

The Bank's liquidity risk management uses its own methods for measuring and monitoring net cash flows and liquidity positions. The differences between the inflow and outflow of funds are measured by a liquidity gap analysis, which determines the liquidity positions for different time baskets (gaps). GAP is composed of undiscounted cash flows in nominal amounts of principal and accessories (interest, commitment commissions, etc.). Fixed maturity inflows and outflows are based on contractual arrangements; liquidity assumptions for inflows and outflows are the expected maturities of products without fixed contractual maturities (current and nostro accounts, insurance claims). The liquidity buffer is stated at the fair value of highly liquid securities and receivables from the CNB.

Liquidity gap

Liquidity development in the currency structure of CZK, EUR, USD and in the total for the Bank is monitored at several levels, i.e. at the level of the standard and the alternative scenarios and three stress scenarios that quantify the impact on liquidity in the event of a reputational crisis, market crisis and combined crisis. The individual scenarios are the basis for regular analysis of survival time. The bank has set a minimum requirement for the survival of at least two months according to the standard scenario. The Bank has also determined a system of early warning indicators designed to capture negative trends and to run a response to an identified situation. Sufficient liquidity is controlled by a system of limits and is managed with the help of on- balance sheet (e.g. cash, liquid securities at FVOCI, issued bonds, loans taken from banks) and off-balance sheet transactions (foreign exchange swaps, currency interest rate swaps). The fundraising plan is regularly reviewed by the Bank in response to the current development of liquidity risk, financial markets, etc.

The Bank has access to diversified sources of financing. These sources comprise issued bonds, bilateral or club loans from domestic as well as international financial markets and other deposits received from other banks and customers. This diversification gives flexibility to the Bank and limits its dependence on one source of finance. On a regular basis, the Bank assesses the liquidity risk, predominantly by monitoring changes in the financing structure. In compliance with its liquidity risk management strategy, the Bank also maintains a sufficient liquidity reserve primarily composed of cash deposited with the central bank as well as highly liquid government securities and bonds of the financial institutions of the European Union.

The regulatory liquidity coverage ratio (LCR) has a minimum required compliance level of 100%. The Bank reported an LCR of 2,831% as at 30 June 2024 (4,533% as at 31 December 2023).

The regulatory net stable funding ratio (NSFR) as a minimum required level of 100%. The Bank reported an NSFR of 118% as at 30 June 2024 (157% as at 31 December 2023).

The Bank’s liquidity is stabilised and resources due can be easily replaced by new medium and long-term resources.

(g) Fair values of financial assets and liabilities

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Bank's balance sheet at their fair values. The yield curves used in calculating fair values are sourced from the Refinitiv system. The fair value of loans classified in level 2 and level 3 is is a reasonable approximation of the carrying amount.

(MCZK)	30.6.2024	31.12.2023	30.6.2024	31.12.2023
	Carrying amount		Fair value	
FINANCIAL ASSETS				
Deposits with the central bank	7,431	7,821	7,431	7,819
Deposits with credit institutions	2,211	3,024	2,212	3,026
Loans to credit institutions	135	1	134	2
Total receivables from credit institutions	**9,777**	**10,846**	**9,777**	**10,847**
Receivables from other customers	21,557	19,186	22,015	19,731
Debt securities at amortised cost	989	899	938	859
FINANCIAL LIABILITIES				
Financial liabilities to credit institutions at amortised cost	6,011	5,508	6,243	5,726
Financial liabilities to other customers at amortised cost	2,281	2,407	2,065	2,178
Issued debt securities at amortised cost	16,110	15,913	15,811	15,596

Debt securities of government and central banks are all quoted and cathegorized at Level 1, issued debt securities are cathegorized at Level 2. All other financial assets and liabilities are measured at fair value within the Level 2, with the exception of receivables and liabilities from customers. Receivables and liabilities from customers are measured at Level 3.

Loans to credit institutions

Loans to credit institutions include interbank deposits and other receivables from banks. The fair value of floating rate deposits and overnight deposits is is a reasonable approximation to their carrying amount. The estimated fair value of deposits with a fixed interest rate is based on discounted cash flows based on the prevailing yield curve for the respective remaining maturity.

Loans to other customers and securities measured at amortised cost

The estimated fair value of loans and securities measured at amortized cost represents the discounted amount of estimated future cash flows. Expected cash flows are discounted using prevailing interest rates for loans and securities with similar credit risk and remaining maturity, considering credit spreads of relevant financial instruments at period-end, including the existing credit collateral.

Payables to banks and customers

The estimated fair value of deposits with unspecified maturity, which includes interest-free deposits, is an amount repayable on demand. The estimated fair value of deposits bearing fixed interest and other borrowings without a quoted market price is based on discounted cash flows using the prevailing yield curve for the respective remaining maturity.

Liabilities from issued bonds

Liabilities from issued bonds are measured using a model of discounted cash flow model using current rates.

Debt securities at fair value recognized in the OCI

Debt securities within FVOCI portfolio are all quoted and cathegorized at Level 1.

(h) Capital management

The aim of the Bank with respect to capital management is to comply with the regulatory requirements in the area of capital adequacy and to maintain sufficient capital in order to strengthen the development of officially supported financing provided pursuant to Act No. 58/1995 Coll.

The Bank uses the standardised approach based on an external rating to calculate the capital requirement for the credit risk of the investment portfolio, i.e. to calculate risk-weighted exposures. The risk weighting is based on the exposure class and credit quality. Exposure classes and risk weights when using the standardised approach are defined by Regulation of the European Parliament and the Council (EU) No 575/2013 of 26 June 2013 on prudential requirements for banks and investment firms and amending Regulation (EU) No. 648/2012. Credit quality is determined based on external rating, which was set by the rating agency, registered in accordance with Regulation (EC) No. 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies and included in the list of agencies for credit assessment maintained for this purposes by the European Securities and Markets Authority (ESMA) or by an export credit agency, which publishes reviews and complies with OECD methodology for classifying countries.

When calculating risk weighted exposures, the Bank considers methods of credit risk mitigation, such as pledging assets as collateral (financial collateral) or individual security of exposures (insurance and other guarantees).

The Bank has created and used a system of internally set capital (SVSK) in order to fulfil its statutory duties in the area of planning and continuously maintaining internally set capital in the amount, structure and distribution, so that the risks, which could threaten the Bank, are sufficiently covered.

SVSK is established to reflect the Bank’s nature of a specialised bank institution directly and indirectly owned by the state intended to provide financing or officially supported financing and related services pursuant to Act No. 58/1995 Coll. and with respect to the scope and complexity of activities resulting from operating officially supported financing and related services and corresponding risks.

The Board of Directors approved the SVSK concept in the form of a capital management strategy, which defines the key goals, principles, parameters and limits of SVSK, including the methods used to evaluate and measure each risk undertaken by the Bank.
Quantifiable risks within SVSK are assessed in the form of internally set capital requirements. Other risks within SVSK are covered by qualitative measures in risk management and organisation of processes and controls (code of ethics, code of corporate governance, etc.).

In the first half of 2024 and in 2023, the Bank met all regulatory requirements for capital adequacy.

The Bank has determined regulatory capital according to the BASEL 3 rules codified in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

Regulatory capital

(MCZK)	30.6. 2024	31.12. 2023
Paid-up share capital registered in the Commercial Register	5,000	5,000
Funds from profit	2,733	2,693
Accumulated other comprehensive income	(6)	(7)
Retained earnings	1,368	608
Initial capital (Tier 1)	**9,095**	**8,294**
Capital	**9,095**	**8,294**
Total capital ratio	**74,13%**	**78,82%**

(MCZK)	30.6.2024		31.12.2023	
	Risk exposures	Capital requirement	Risk exposured	Capital requirement
Total	**12,270**	**981**	**10.523**	**841**
Total risk-weighted exposures in respect of credit risk under STA	10,692	855	9.153	731
Exposures to central governments or central banks	258	21	262	21
Exposures to institutions	727	58	1,102	88
Exposures to corporates	9.471	758	7,556	604
Exposures in default	5	0	6	0
Other exposures	231	18	227	18
Total risk exposures in respect of position, foreign currency and commodity risks – currency transactions	0	0	0	0
Total risk exposures in respect of operational risk – BIA	1,578	126	1,370	110
Risk exposures in respect of credit valuation adjustment – standardised method	0	0	0	0

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances.

(a) Impairment losses on financial assets, loan commitments, guarantees and contractual assets

To measure the expected credit loss, a system was developed that included workflows, models and inputs into the information system. Critical areas include methodologies to define default, significant increase in credit risk (SICR), probability of loss (PL) loss, exposure at loss (EAD) and macroeconomic models. The Bank continuously checks and verifies these models and inputs into information systems. For the purposes of determining impairment losses, a system is in place for ongoing and periodic monitoring of credit exposures and reporting of changes in the credit risk to the management.

The assessment of a significant increase in credit risk leading to the recognition of allowances and provisions in the amount of lifetime expected credit loss is subject to expert estimates and assessment by the Bank's management. This assessment compares the change in credit risk upon initial recognition and at the reporting date. The Bank uses various observable and verifiable events that are available without incurring undue costs to indicate prospects for the future.

(b) Assessment of the business model and contractual cash flows

The Bank's business model

The Bank's business model is a strategy set out by the Bank's management, which formulates the objectives of financial asset management. In stating the Bank's business model, the Bank's management worked with the frequency, timing and value of transactions, cash flow characteristics, and expectations related to future sales. The Bank applies a mixed business model. In the main business model, the Bank provides export financing products, especially credit products and trade finance products in accordance with Act No. 58/1995 Coll., on Insurance and Financing Exports with State Subsidies, as amended and related regulations. The objective of the main business model is to obtain contractual cash flows, which are the principal and interest on outstanding principal. The Bank's supplementary business model is the holding of an asset with the purpose of obtaining contractual cash flows from the principal and interest as well as selling the asset. The Bank does not arrange any financial assets or financial liabilities held for trading.

For instruments measured at amortised cost (AC), the objective is to collect cash flows representing a principal and interest. It is assumed that sales will occur rarely and in insignificant volumes, or only in situations such as:

a) Reduction in the credit quality of the asset's issuer, sale of assets with increased credit risk;
b) Sales shortly (3 months) before maturity;
c) Unforeseen urgent financial needs of the Bank as a result of the occurrence of an extraordinary event defined in the emergency plan and/or danger to the liquidity management limits under stress scenarios, i.e. the securing of the Bank's financial needs in the event of an emergency situation and medium-term liquidity problems;
d) Compliance with regulatory limits for credit risk management if these sales are infrequent, or they are frequent but their value is not material taken separately/together.

For financial assets at fair value through other comprehensive income (FVOCI), the intentions of the business model are met by collecting principal and interest as well as by sales. Sales may also occur in the event of:

e) Securing the financial needs of the Bank in the event of an emergency situation and/or threats to liquidity management limits under stress scenarios and temporary or short-term liquidity problems;
f) Reduced need to hold the liquidity buffer with respect to compliance with the LCR regulatory limits or acceptable liquidity risk levels for measuring the survival time;
g) Verifying the marketability/liquidity of the asset on the market or testing the functionality of the emergency plan for extraordinary situations in managing the liquidity of the Bank;
h) As part of the provision of syndication products.

Contractual cash flows

When deciding on the classification of financial assets, it is important to assess whether the contract determines dates for specific cash flow that consist solely of principal and interest payments (SPPI). In order to assess whether the contractual cash flows are in line with the basic credit arrangement, a procedure has been developed that is performed by the Bank upon initial recognition. Deviations from the standard model of payments of principal and interest for classifying an asset as AC or FVOCI are assessed by the ALCO based on significance and frequency.

Instruments that do not meet the SPPI test are measured at fair value through profit or loss (FVTPL).

(c) State subsidy

When recognising a state subsidy taking into account the principles of Act No. 58/1995 Coll., which was designed to support Czech export through supported financing rather than to promote the Bank as an entity owned by the state, the Bank assessed the subsidy in accordance with IAS 20 as a subsidy reported in income compensating a portion of expenses rather than as a transaction with the owner with an impact on equity.

(d) Income taxes

The Bank is subject to Czech income tax in compliance with effective regulations. The Bank recognizes liabilities in the amount of anticipated tax assessments based on estimates. Where the final tax liability differs from the anticipated amounts, the resulting differences have an impact on the tax expense and the deferred tax liability in the period in which the assessment is made.

5 OPERATING SEGMENTS

Providing supported financing is broken down into financing with and without links to the state budget. The Bank predominantly assesses performance of its operating segments according to interest income, interest expense, impairment losses on loans and the amount of provided/received loans.

Circle 002 includes all activities relating to supported financing which are eligible for a subsidy from the state budget, and the selected types of resulting income and expenses.

Circle 001 includes other expenses mainly operating activities, income tax, financing not eligible for a subsidy and other related activities in accordance with banking licence and the resulting income and expenses. All these activities are carried out under market conditions, without direct links to the state budget.

At the end of 2022, an amendment was made to Act No. 58/1995 Coll., adjusting the activities of the Bank. As for subsidies, certain income and expense items were excluded from the subsidy formula, e.g., gains/losses from derivatives, which are insignificant in the reporting period.

(MCZK)	**Six months ended 30 June 2024**			**Six months ended 30 June 2023**		
	Circle 001	Circle 002	**Total**	Circle 001	Circle 002	**Total**
Interest income	370	590	**960**	301	426	**727**
Interest expense	(93)	(256)	**(349)**	(49)	(162)	**(211)**
Impairment losses on loans	26	51	**77**	(2)	55	**53**
Creation of provisions or reversal	10	27	**37**	(1)	62	**61**
Administrative expenses	(137)	0	**(137)**	(129)	0	**-129**
Other income/expense	(5)	5	**0**	(12)	5	**-7**
Loss/profit before income tax	171	417	**588**	108	386	**494**
Income tax	(119)	0	**(119)**	(88)	0	**(88)**
Net profit for the period	52	417	**469**	20	386	**406**

(MCZK)	**30.6.2024**			**31.12.2023**		
	Circle 001	Circle 002	**Total**	Circle 001	Circle 002	**Total**
Loans and receivables at amortised cost	12,836	18,498	**31,334**	12,979	17,053	**30,032**
Total assets	14,342	20,396	**34,738**	14,541	19,315	**33,856**
Financial liabilities measured at amortised cost	4,036	20,366	**24,402**	4,139	19,689	**23,828**
Total liabilities and equity	14,023	20,715	**34,738**	13,444	20,412	**33,856**

Revenue from core activities of the Bank as per geographic segment

(MCZK)	**Six months ended 30 June 2024**			**Six months ended 30 June 2023**		
	Interest income	Fee and commission income	**Total**	Interest income	Fee and commission income	**Total**
Czech Republic	450	16	**466**	312	15	**327**
Slovak Republic	281	0	**281**	205	1	**206**
Indonesia	81	1	**82**	80	1	**81**
Russia	59	0	**59**	65	0	**65**
Switzerland	26	0	**26**	7	0	**7**
Azerbaijan	18	0	**18**	18	0	**18**
Turkey	11	0	**11**	11	0	**11**
Others	34	2	**36**	29	2	**31**
Total interest income and fees	**960**	**19**	**979**	**727**	**19**	**746**

6 NET INTEREST INCOME

(MCZK)	Six months ended 30 June 2024	Six months ended 30 June 2023
Interest income from loans to credit institutions	1	0
of which: Interest on non-performing loans	*0*	*0*
Interest income from loans to other customers	695	457
of which: Interest on non-performing loans	*60*	*12*
Interest income from interbank deposits	204	177
Interest income from CNB loans – repos	41	55
Interest income from current accounts with other banks	0	1
Interest income from loans and receivables at amortised cost	**941**	**690**
Interest on debt securities at fair value recognized in the OCI	4	21
Interest on debt securities at amortised cost	12	9
Interest on liabilities	3	7
Other interest income	**19**	**37**
Interest income	**960**	**727**
Interest expense from received bank loans	(66)	(56)
Interest expense from term deposits	(47)	(39)
Interest expense from current accounts	(9)	(5)
Interest expense from issued bonds	(226)	(110)
Interest expense from financial liabilities at amortised cost	**(348)**	**(210)**
Other interest – leases	(1)	(1)
Interest expense	**(349)**	**(211)**
Net interest income	**611**	**516**

Interest on liabilities comprise interest income from bonds issued in the period of negative interest rates. The line item “Other interest – leases” includes interest expense assessed for the lease liability using a reviewed effective interest rate of 3.7 % p.a.

Interest expense is calculated using the effective interest rate with the exception of interest from finance leases of CZK 1 million for six months ended 30 June 2024 (2023 – CZK 1 million).

7 FEE AND COMMISSION NET INCOME

(MCZK)	Six months ended 30 June 2024	Six months ended 30 June 2023
Fees and commissions from guarantees	16	14
Other fees and commissions	3	5
Fee and commission income	**19**	**19**
Fees for guarantees	(1)	(2)
Fees and commissions for rating	(2)	(2)
Fee and commission expense	**(3)**	**(4)**
Net fee and commissions income	**16**	**15**

8 NET PROFIT OR (LOSS) ON FINANCIAL OPERATIONS INCLUDING STATE SUBSIDY

Net profit or loss on financial operations including state subsidy consists from foreign exchange gains.

The Bank did not qualify for a subsidy for a loss from officially supported financing in 2024 or in 2023.

9 ADMINISTRATIVE EXPENSES, DEPRECIATION/AMORTISATION AND OTHER OPERATING COSTS

	30.6.2024	30.6.2023
Number of employees	111	108
Average recorded number of employees	111	110
Board and Supervisory Board	7	8

(MCZK)	Note	Six months ended 30 June 2024	Six months ended 30 June 2023
Salaries and emoluments		(78)	(72)
Social security and health insurance costs		(25)	(23)
Other staff costs		(3)	(2)
Staff costs		(106)	(97)
Information technology		(14)	(14)
Contribution to the Financial market guarantee system		(3)	(5)
Other administrative expenses		(14)	(13)
Total administrative expenses		**(137)**	**(129)**
Depreciation of property, plant and equipment	15	(9)	(10)
Software amortisation	16	(8)	(8)
Depreciation and amortisation		**(17)**	**(18)**
Cost of debt collection		(1)	(1)
Value added tax		(4)	(4)
Other operating expenses		**(5)**	**(5)**
Total operating costs		(159)	(152)

In the first half of 2024, the income of members of the Board of Directors and the Supervisory Board amounted to CZK 14 million (same period 2023 – CZK 14 million). Staff costs also include provisions for bonuses and employee benefits.

In the same period the provision for bonuses for groups of employees having an influence on the Bank's overall risk profile the payment of which is deferred and depends on the financial results and other criteria in future years amounted to CZK 9 million (the first half of 2023 – CZK 9 million). The provision for social security and health insurance relating to these deferred bonuses of CZK 3 million (2022 – CZK 3 million) was created. Provisions for employee benefits (the sum of provisions for long-term employee benefits, untaken holidays, severance pays, etc.), including social security and health insurance, remain at the level of CZK 5 million.

Depreciation/amortisation of fixed assets includes amortisation of the right-of-use assets under a lease of CZK 5 million (six months ended 30 June 2023 – CZK 5 million).

10 NET IMPAIRMENT GAIN FROM FINANCIAL INSTRUMENTS AND WRITTEN-OFF RECEIVABLES

(MCZK)	Six months ended 30 June 2024	Six months ended 30 June 2023
(Creation) / release of allowances – Stage 1	0	3
(Creation) / release of allowances for loans to credit institutions	**0**	**3**
(Creation) / release of allowances – Stage 1	(64)	(33)
(Creation) / release of allowances – Stage 2	79	11
(Creation) / release of allowances – Stage 3	(14)	(1)
(Creation) / release of allowances for receivables to other customers	**1**	**(23)**
Net written-off receivables from other customers	76	73
Net written-off receivables	**77**	**73**
Net impairment gain from financial instruments and written-off receivables	**77**	**53**

The item "Net written-off receivables" primarily comprises income from insurance payments for receivables sold in prior periods of CZK 69 million (2023 – CZK 67 million) and the proceeds related to previously written-off receivables of CZK 8 million (2023 – CZK 6 million).

11 INCOME TAX

The income tax consists of:

(MCZK)	Six months ended 30 June 2024	Six months ended 30 June 2023
Income tax for the current period – current	(116)	(86)
Income tax for the prior period – current	1	1
Deferred income tax	(4)	(3)
Income tax	**(119)**	**(88)**

The tax charge from the Bank’s profit before tax can be analysed as follows:

(MCZK)		Six months ended 30 June 2024 (tax rate 21%)		Six months ended 30 June 2023 (tax rate 19%)
Profit before income tax		588		494
Income tax at 19% (21%) rate		(123)		(94)
Effect of tax non-deductible expenses		(10)		(3)
Effect of income not liable to tax		13		8
Income tax for prior periods		1		1
Income tax	**(20.24%)**	**(119)**	**(17.81)%**	**(88)**

Tax non-deductible expenses primarily include the write off of receivables of CZK 32 million. Income not liable to tax primarily comprises items of the decrease of loan provisions, of CZK 26 million and a use of loan loss allowances of CZK 31 million.

In 2023, income not liable to tax primarily comprised items of the decrease of loan loss provisions of CZK 40 million.

12 CASH IN HAND, CASH WITH THE CENTRAL BANK AND OTHER DEPOSITS REPAYBLE ON DEMAND

The item ‘Cash in hand, cash with the central bank and other deposits repayable on demand’ includes deposits with banks repayable on demand, including balances on the account of minimum mandatory reserves.

Minimum mandatory reserves are set up as 2% of the Bank’s liabilities from the deposits and loans received from other customers and of issued debt securities held by these entities, which have a maturity shorter than two years, recorded at the end of the calendar month preceding the month in which the relevant period commences. The set amount of minimum mandatory reserves is measured against the average balances on the minimum mandatory reserves account for the maintenance period starting on the first Thursday of the month and ending on the Wednesday before the first Thursday of the following month. The funds in the minimum mandatory reserves account are available daily and used to provide operational liquidity. The regulator's requirements are complied with on a monthly basis.

(MCZK)	30.6.2024	31.12.2023
Cash with the central bank	433	489
of which Accounts of cash reserves with the central bank	*65*	*32*
Other deposits repayable on demand	146	125
Cash in hand, cash with the central bank and other deposits repayable on demand	**579**	**614**
Loss allowances	(1)	(1)
Cash in hand, cash with the central bank and other deposits repayable on demand (net)	**578**	**613**

For cash flow statement purposes, “Cash and cash equivalents” include “Cash in hand, cash with the central bank and other deposits repayable on demand”, as well as selected receivables with a maturity up to 3 months from acquisition.

(MCZK)	30.6.2024	31.12.2023
Cash in hand, cash with the central bank and other deposits repayable on demand (net)	**578**	**613**
Receivables from the central bank due within 3 months	3,898	4,647
Receivables from other credit institutions due within 3 months	2,213	3,027
Cash equivalents	**6,111**	**7,674**
Loss allowances	(10)	(11)
Cash equivalents (net)	**6,101**	**7,663**
Cash and cash equivalents	**6,679**	**8,276**

For ECL calculation purposes, all financial assets included in cash and cash equivalents are classified in Stage 1.

13 LOANS AND RECEIVABLES AT AMORTISED COST

(MCZK)	30.6.2024	31.12.2023
Receivables included in cash equivalents	6,111	7,674
Other receivables from credit institutions	3,684	3,190
Loss allowances for receivables	(17)	(18)
Total loans and receivables from credit institutions at amortised cost	**9,778**	**10,846**
Receivables from other customers	21,776	19,429
Loss allowances for receivables	(220)	(243)
Total loans and receivables from other customers at amortised cost	**21,556**	**19,186**
Total loans and receivables at amortised cost	**31,334**	**30,032**

Remaining maturity:	30.6.2024	31.12.2023
Short-term loans and receivables	12,953	13,444
Long-term loans and receivables	18,381	16,588

The Bank acts as an agent in the process of hard collection under obligations from insurance contracts with Exportní garanční a pojišťovací společnost, a.s., where as of 30 June 2024, the receivables in the process of hard collection amounted to CZK 10,162 million (2023 – CZK 10,742 million).

Loans and receivables from credit institutions at amortised cost

(MCZK)	30.6.2024	31.12.2023
Loans provided to the central bank	892	1,640
Deposits with the central bank	6,554	6,196
Loans and receivables from the central bank	**7,446**	**7,836**
Deposits with other credit institutions	2,213	3,027
Purchased receivables from other credit institutions	136	1
Loans and receivables from other credit institutions	**2,349**	**3,028**
Loss allowances for loans and receivables to credit institutions	(17)	(18)
Total loans and receivables from credit institutions at amortised cost	**9,778**	**10,846**

Remaining maturity:	30.6.2024	31.12.2023
Short-term receivables from credit institutions	9,143	10,846
Long-term receivables from credit institutions	635	0

Loans and receivables from other customers at amortised cost

(MCZK)	30.6.2024	31.12.2023
Pre-export loan	16	16
Export loan	13,143	13,660
Investment loan	5,028	3,334
Operating loan	3,473	1,737
Purchase of receivables	116	682
Receivables from parties other than credit institutions at amortised cost	**21,776**	**19,429**
Loss allowances for receivables	(220)	(243)
Total receivables from other customers at amortised cost	**21,556**	**19,186**

Remaining maturity:	30.6.2024	31.12.2023
Short-term receivables from other customers	3,814	2,598
Long-term receivables from other customers	17,742	16,588

14 DEBT SECURITIES

State coupon bonds and bonds of international development banks are usually purchased for the portfolio of debt securities. Most of the current portfolio comprises bonds issued by the Czech Ministry of Finance. All investment securities in the Bank's portfolio are, according to IFRS 9, categorized as Stage 1. All securities are listed.

(MCZK)							30.6.2024
	Carrying amount	Carrying amount (gross)			Allowances		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Debt securities at fair value recognized in OCI	**232**	**232**	**0**	**0**	**0**	**0**	**0**
Debt securities at amortised cost	**989**	**990**	**0**	**0**	**(1)**	**0**	**0**

(MCZK)							31.12.2023
	Carrying amount	Carrying amount (gross)			Allowances		
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Debt securities at fair value recognized in OCI	**230**	**230**	**0**	**0**	**0**	**0**	**0**
Debt securities at amortised cost	**899**	**900**	**0**	**0**	**(1)**	**0**	**0**

Classification of debt securities by residual maturity

Remaining maturity:	30.6.2024	31.12.2023
Debt securities at fair value recognised in Other comprehensive income – short-term	3	2
Debt securities at fair value recognised in Other comprehensive income – long-term	229	228
Debt securities at amortised cost – short-term	9	20
Debt securities at amortised cost – long-term	979	879

15 PROPERTY, PLANT AND EQUIPMENT

(MCZK)	Right-of-use	Office equipment	Motor vehicles	Assets under construction	Total
Cost					
At 1 January 2023	70	96	2	0	168
Additions	0	3	1	11	15
Modification	42	0	0	0	42
Disposals	0	(7)	(1)	(4)	(12)
At 31 December 2023	112	92	2	7	213
Additions	0	8	0	3	11
Modification	0	0	0	0	0
Disposals	0	(1)	0	(8)	(9)
At 30 June 2024	**112**	**99**	**2**	**2**	**215**
Accumulated depreciation					
At 1 January 2023	(50)	(73)	(2)	0	(125)
Additions	(10)	(10)	0	0	(20)
Modification	0	0	0	0	0
Disposals	0	6	1	0	7
At 31 December 2023	(60)	(77)	(1)	0	(138)
Additions	(5)	(4)	0	0	**(9)**
Modification	0	0	0	0	**0**
Disposals	0	1	0	0	**1**
At 30 June 2024	**(65)**	**(80)**	**(1)**	**0**	**(146)**
Closing net book value					
At 31 December 2023	52	15	1	7	75
At 30 June 2024	47	19	1	2	69

The Bank uses an operating lease with a notice period of one year. As at June 2024, the cost of lease amounted to CZK 5 million (2023 in total – CZK 11 million). Effective from 2024, the lease was increased by 5% due to the development of inflation. As at 1 January 2024, the expected residual lease period was adjusted to five years. The right-of-use asset was measured at CZK 52 million as at 1 January 2024.

16 INTANGIBLE ASSETS

(MCZK)	1.1.–30.6.2024	1.1.-31.12.2023
Intangible assets		
Cost at 1 January	**415**	**398**
Additions	4	18
Disposals/transfers	0	(1)
Cost at the end of period*)	**419**	**415**
Accumulated amortisation at 1 January	**(400)**	**(385)**
Additions	(7)	(16)
Disposals/transfers	0	1
Accumulated amortisation at the end of period *)	**(407)**	**(400)**
Net book amount at 1 January	**15**	**13**
Net book amount at the end of the period *)	**12**	**15**

17 OTHER ASSETS

(MCZK)	30.6.2024	31.12.2023
Expected insurance payments for assigned loans	1,475	1,942
Prepayments and accrued income	16	14
Value added tax return	3	0
Other receivables gross	4	12
Allowance for other receivables	0	(6)
Total other assets	**1,498**	**1,962**

Remaining maturity:	2024*)	2023
Current other assets	1,035	953
Non-current other assets	463	1,009

18 FINANCIAL LIABILITIES AT AMORTISED COST

Total financial liabilities at amortised cost

(MCZK)	30.6.2024	31.12.2023
Financial liabilities to credit institutions at amortised cost	6,011	5,508
Financial liabilities to other customers at amortised cost	2,281	2,407
Deposits, loans and other financial liabilities at amortised cost	8,292	7,915
Issued debt securities at amortised cost	16,110	15,913
Total financial liabilities at amortised cost	**24,402**	**23,828**

Remaining maturity:	30.6.2024	31.12.2023
Short-term payables at amortised cost	15,739	9,934
Long-term payables at amortised cost	8,663	13,894

Financial liabilities to credit institutions at amortised cost

(MCZK)	30.6.2024	31.12.2023
Deposits	376	0
Borrowings	5,635	5,508
Total financial liabilities to credit institutions at amortised cost	**6,011**	**5,508**

Remaining maturity:	30.6.2024	31.12.2023
Total short-term payables to credit institutions	4,140	3,718
Total long-term payables to credit institutions	1,871	1,790

Financial liabilities to other customers at amortised cost

(MCZK)	30.6.2024	31.12.2023
Current accounts	919	853
Term deposits	1,355	1,539
Escrow accounts	7	15
Total financial liabilities to other customers at amortised cost	**2,281**	**2,407**

Remaining maturity:	30.6.2024	31.12.2023
Short-term payables to other customers	1,252	1,191
Long-term payables to other customers	1,029	1,216

Escrow accounts are deposits from customers held as a form of cash security for provided credit facilities.

Financial liabilities at amortised cost arising from issued debt securities

(MCZK)				30.6.2024
ISIN	Currency	Issue date	Maturity date	**Amortised cost**
XS0849907281	EUR	5 November 2012	5 November 2024	**1 278**
XS0911304326	EUR	8 April 2013	8 March 2025	**1 008**
XS1121094632	EUR	16 October 2014	16 October 2024	**3 788**
XS2344000299	EUR	19 May 2021	19 May 2025	**2 506**
XS2353477685	EUR	17 June 2021	17 June 2027	**2 514**
XS2633823237	EUR	7 June 2023	8 June 2026	**2 005**
XS2633823823	EUR	7 June 2023	9 June 2025	**1 755**
XS2721063555	EUR	16 November 2023	15 November 2028	**1 256**
Issued debt securities at amortised cost				**16,110**

Remaining maturity:	**30.6.2024**
Current	10,346
Non-current	5,764

(MCZK)				31.12.2023
ISIN	Currency	Issue date	Maturity date	**Amortised cost**
XS0849907281	EUR	5 November 2012	5 November 2024	**1,242**
XS0911304326	EUR	8 April 2013	8 March 2025	**1,010**
XS1121094632	EUR	16 October 2014	16 October 2024	**3,744**
XS2344000299	EUR	19 May 2021	19 May 2025	**2,477**
XS2353477685	EUR	17 June 2021	17 June 2027	**2,486**
XS2633823237	EUR	7 June 2023	8 June 2026	**1,980**
XS2633823823	EUR	7 June 2023	9 June 2025	**1,733**
XS2721063555	EUR	16 November 2023	15 November 2028	**1,241**
Issued debt securities at amortised cost				**15,913**

Remaining maturity:	**31.12.2023**
Current	5,025
Non-current	10,888

The Bank is entitled to early redeem bond XS2353477685 in the nominal value of EUR 100 million as at the coupon payment date of 17 June 2025. Bonds issued by the Bank are listed on the Luxembourg Stock Exchange.

19 OTHER LIABILITIES

(MCZK)	30.6.2024	31.12.2023
Lease liabilities	48	53
Accruals and deferrals	7	10
Tax liabilities	3	5
Liabilities to different creditors	487	582
of which financial collateral	*438*	*506*
Total other liabilities	**545**	**650**

Lease liabilities relate to the lease of a building based on a contract for an indefinite period. At the beginning of 2024, lease liabilities were measured at CZK 53 million. Annual lease of CZK 11 million was paid on a straight-line basis at the beginning of each quarter, e.g. CZK 6 million as at 30 June 2024. The revised borrowing interest rate was set at 3.7 % Liabilities from short-term leases and low-value leases were immaterial as at both 1 January 2024 and 31 December 2023.

20 PROVISIONS

(MCZK)	Note	30.6.2024	31.12.2023
Provisions for financial guarantees			
At 1 January		**52**	**33**
Creation / (reversal) of provision	3b	(8)	19
Exchange rate gains or losses		2	0
At the end of period*)		**46**	**52**
Provisions for loan commitments			
At 1 January		**42**	**63**
Creation / (reversal) of provision	3b	(29)	(20)
Exchange rate gains or losses		1	(1)
At the end of period*)		**14**	**42**
Provisions for deferred compensation including social and healt payments			
At 1 January		**15**	**15**
Creation of provision	9	2	5
Release of provision	9	0	0
Usage of provision	9	(5)	(5)
At the end of the period		**12**	**15**
Provisions for employee benefits			
At 1 January		**5**	**6**
Creation of provision	9	0	4
Release of provision	9	0	(5)
Usage of provision		0	0
At the end of period*)		**5**	**5**
Provisions for litigations			
At 1 January		**75**	**74**
Creation of provision		0	0
Usage of provision		0	0
Exchange rate gains or losses		1	1
At the end of period*)		**76**	**75**
Total provisions		**153**	**189**

In 2021, the Bank created a provision for legal costs of litigations conducted abroad of CZK 75 million (EUR 3 million).

Considering the circumstances of the case and the legal environment, the provision was estimated at the most probable value, with the final amount to be decided by the local court.

21 DEFERRED INCOME TAXES

Deferred income tax for 2023 is calculated using a tax rate for years of expected use of the deferred tax in the amount of 21% for 2024 and the following years.

The movement on the deferred income tax account is as follows:

(MCZK)	Note	30.6.2024	31.12.2023
Net deferred income tax asset as at 1 January		**30**	**30**
Change in provisions for employee benefits		(4)	1
Change in provisions for litigation		0	2
Total deferred tax asset presented in the income statement	11	(4)	(3)
Change in the deferred tax on the debt securities at FV recognized in the OCI	23	0	(3)
Net deferred income tax asset as at 31 January		**26**	**30**

Deferred income tax assets and liabilities incurred for items shown below:

(MCZK)	30.6.2024	31.12.2023
Change in the deferred tax on the debt securities at FV recognized in the OCI	2	2
Deferred tax on property, plant and equipment and intangible assets	1	1
Deferred tax on provisions for employee benefits	7	11
Deferred tax on provisions for litigation	16	16
Net deferred income tax asset/(liability)	**26**	**30**

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset tax assets against tax liabilities. A deferred tax asset is created for items that are expected to have a sufficient tax base for their application in subsequent taxation periods.

22 SHARE CAPITAL

Pursuant to Act No. 58/1995 Coll., the Czech Republic must own at least two thirds of the Bank's shares. Shareholder’s rights of the Czech Republic are exercised by the Ministry of Finance of the Czech Republic. All issues of the Bank’s shares are ordinary shares and are not associated with any special rights.

(MCZK)				30.6.2024
	Number of shares	**Nominal value per share**	**Total nominal value**	**Share**
Czech Republic	3,200	1	3,200	
Czech Republic	100	10	1,000	
Czech Republic total	3,300		4,200	84.0%
EGAP	300	1	300	
EGAP	50	10	500	
EGAP total	350		800	16.0%
Total	**3,650**		**5,000**	**100.0%**

(MCZK)				31.12.2023
	Number of shares	**Nominal value per share**	**Total nominal value**	**Share**
Czech Republic	3,200	1	3,200	
Czech Republic	100	10	1,000	
Czech Republic total	3,300		4,200	84.0%
EGAP	300	1	300	
EGAP	50	10	500	
EGAP total	350		800	16.0%
Total	**3,650**		**5,000**	**100.0%**

23 REVALUATION RESERVE

(MCZK)	Note	30.6.2024	31.12.2023
Debt securities at fair value recognized in OCI			
At 1 January		**(7)**	**(18)**
Changes in fair value		1	14
Deferred tax	21	0	(3)
Total change		**1**	**11**
At 30 June 2024 and 31 December 2023		**(6)**	**(7)**

24 RESERVES

Reserve fund
Based on the Articles of Association, the Bank is required to set aside a reserve in equity from profit. The Bank allocates 5% of net profit to the reserve until 20% of share capital is achieved. This reserve can be used exclusively to cover losses. In 2024, it increased by CZK 40 million (2023 – CZK 32 million) by allocating the 2023 profit. The closing balance of the reserve was CZK 892 million (2023 – CZK 852 million).

Other special funds
As part of other special funds from profit, the Bank primarily creates the export risk fund, which is predominantly intended for covering the Bank's losses. The balance of the fund amounts to CZK 1,843 million (2023 – CZK 1,843 million The Bank's General Meeting did not decide on how to use the 2022 profit of CZK 608 million and the 2023 profit of 760 million which were allocated to Retained earnings.

25 RELATED PARTY TRANSACTIONS

The Bank provides specialised services supporting export activities in accordance with Act No. 58/1995 Coll. This Act also determines the shareholders' structure. The Bank is fully controlled by the Czech Republic, which owns 84% of the Bank's share capital directly and 16% of the share capital indirectly via EGAP, which is fully owned by the Czech Republic.

Related-party transactions are concluded within ordinary business transactions. Related parties are identified based on the criteria of IAS 24.

Transactions with related parties are entered into under arm's length conditions. All fees related to collaterals and guarantees received, including insurance premiums, are borne by the debtors.

Balances with entities controlled by the same controlling entity (the Czech Republic) or having significant influence

MCZK)*					30.6.2024
	Ministry of Finance of the Czech Republic	**Exportní garanční a pojišťovací společnost, a.s.**	**Czech National Bank**	**Národní rozvojová banka a.s.**	**Total**
Cash with the central bank and deposits repayable on demand	0	0	432	0	**432**
Loans and receivables at amortised cost	0	0	7,446	0	**7,446**
Debt securities at amortised cost	569	0	0	0	**569**
Debt securities at fair value recognised in OCI	232	0	0	0	**232**
Right of use	0	47	0	0	**47**
Other receivables	0	0	0	0	**0**
Expected insurance payments for assigned loans	0	1,475	0	0	**1,475**
Financial liabilities measured at amortised cost	0	(1,512)	0	0	**(1,512)**
Lease liabilities	0	(48)	0	0	**(48)**
Interest income	10	0	201	3	**214**
Interest expense	0	(44)	0	0	**(44)**
Net profit or (loss) on financial operations, including state subsidy, including attributable exchange rate gains or losses	0	(51)	7	0	**(44)**
Right-of-use asset depreciation	0	(5)	0	0	**(5)**
Impairment losses on financial assets not reported at fair value through P/L (or reversal)	0	0	1	0	**1**
Received guarantees and loan securities, receivables and loan commitments	0	(12,730)	0	0	**(12,730)**
Received collaterals – securities	0	0	(876)	0	**(876)**

MCZK)*					31.12.2023
	Ministry of Finance of the Czech Republic	**Exportní garanční a pojišťovací společnost, a.s.**	**Czech National Bank**	**Národní rozvojová banka a.s.**	**Total**
Cash with the central bank and deposits repayable on demand	0	0	489	0	**489**
Loans and receivables at amortised cost	0	0	7,836	0	**7,836**
Debt securities at amortised cost	580	0	0	0	**580**
Debt securities at fair value recognised in OCI	230	0	0	0	**230**
Right of use	0	52	0	0	**52**
Other receivables	0	1	0	0	**1**
Expected insurance payments for assigned loans	0	1,941	0	0	**1,941**
Financial liabilities measured at amortised cost	0	(1,693)	0	0	**(1,693)**
Lease liabilities	0	(53)	0	0	**(53)**
Interest income	38	0	442	3	**483**
Interest expense	0	(89)	0	0	**(89)**
Net profit or (loss) on financial operations, including state subsidy, including attributable exchange rate gains or losses	0	61	(90)	0	**(29)**
Right-of-use asset depreciation	0	(10)	0	0	**(10)**
Impairment losses on financial assets not reported at fair value through P/L (or reversal)	2	0	3	0	**5**
Received guarantees and loan securities, receivables and loan commitments	0	(13,646)	0	0	**(13,646)**
Received collaterals – securities	0	0	(1,617)	0	**(1,617)**

*) positive numbers – assets/contingent liabilities and income; negative numbers – liabilities/contingent assets and expenses.

Salaries and bonuses paid to members of the Board of Directors and the Supervisory Board are disclosed in Note 9. The Bank does not record any other items of receivables or liabilities in respect of members of the Board of Directors and the Supervisory Board.

26 SUBSEQUENT EVENTS

On 26 July 2024 the Deputy CEO and member of the Board of Directors responsible for risk management resigned from his position effective 30 September 2024.

Date of preparation: 29 August 2024

Signed on behalf of the Bank's Board of Directors:

Ing. Daniel Krumpolc

Chairman of the Board of Directors
and CEO

Ing. Emil Holan

Member of the Board of Directors
and Deputy CEO

KPMG Česká republika Audit, s.r.o.
Pobřežní 1a
186 00 Prague 8
Czech Republic
+420 222 123 111
www.kpmg.cz

Independent Auditor's Review Report

to the Shareholders of Česká exportní banka, a.s.

Introduction

We have reviewed the accompanying condensed statement of financial position of Česká exportní banka, a.s. as at 30 June 2024, the condensed statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the condensed interim financial statements ("the condensed interim financial statements"). The statutory body is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at 30 June 2024 are not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Prague
29 August 2024

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.